

IMPACT OF THE EBOLA OUTBREAK ON BUSINESS IN SIERRA LEONE

Resilience of local,
diaspora SMEs and
international
enterprises



About AFFORD

African Foundation for Development (AFFORD-UK) is a diaspora-development organisation which works to expand and enhance the contribution that Africans in the diaspora make to Africa's development. AFFORD-UK has over 20 years of experience of working with diaspora communities in the United Kingdom.

One of its strategic goals is to expand and enhance the role of the diaspora in job creation in Africa. For the past decade, AFFORD-UK has applied its pioneering and innovative expertise to the subject matter of job creation in Africa, especially in post-conflict Sierra Leone.

African Foundation for Development in Sierra Leone (AFFORD-SL) is a partner organisation which seeks to facilitate the creation, protection and maintenance of jobs through practical support of Micro, Small and Medium Enterprises.

AFFORD (UK and SL), joint partners, were commissioned to undertake an 'Enterprise Development in Africa' project, in the context of Sierra Leone. The Comic Relief funded AFFORD Business Centre (ABC) is a social enterprise supporting fast-growth SMEs in Sierra Leone that are likely to create between 10 to 50 jobs.

Front cover image: Market crowd at Moyamba Junction, courtesy of Ade Daramy.

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May 2016

Unisa Dizo-Conteh
ABC Project Coordinator

DISCLAIMER

At the time of finalisation of this report, two cases of Ebola virus disease had emerged in Sierra Leone, first reported from 14 January. The WHO has declared that the Ebola epidemic in West Africa no longer represents a Public Health Emergency of International Concern. It has acknowledged the potential for future outbreaks of Ebola, but considers that the three countries most affected, Guinea, Liberia and Sierra Leone, now have adequate detection and response capacity to contain and manage these.

The author and team behind this report consider the conclusions and analysis of this report to remain accurate.

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CONTENTS

ACKNOWLEDGMENTS	III
LIST OF FIGURES	V
ACRONYMS	VI
EXECUTIVE SUMMARY	VII
CONTEXTUAL OVERVIEW	1
1. INTRODUCTION	5
1.1 Scope of the Research Study	6
1.2 Research Aims and Objectives	6
1.3 Structure of the Report	6
1.4 Key Research Questions	6
1.5 Key Objectives	7
1.6 Research Methodology	7
1.7 Limitations of the Study	8
2. SUMMARY OF EXISTING LITERATURE	9
3. HEADLINE FINDINGS FROM SIERRA LEONE RESEARCH	13
3.1 Profile of SMEs	13
3.2 Impact of Ebola Outbreak on SMEs across Sierra Leone	16
3.3 Resilience among SMEs	20
3.4 Challenges for Business Post-Ebola	21
3.5 Conclusions	22
4. HEADLINE FINDINGS FROM UNITED KINGDOM RESEARCH	26
4.1 Demographic Profile of Diaspora and other UK-Based Existing and Potential Investors ...	26
4.2 Impact of the Ebola Outbreak on Potential Diaspora and other Foreign Investment	32
4.3 Impact of the Ebola Outbreak on Existing Diaspora and other UK-Based Investors	33
4.4 Resilience amongst Diaspora and other Foreign Investors	34
4.5 Post-Ebola Sierra Leone – Challenges for Diaspora and Foreign Investors	34
4.6 Conclusions	36
5. RECOMMENDATIONS	39
CONCLUDING REMARKS	42

LIST OF FIGURES

Figure 1: Gender breakdown of employees by region	14
Figure 2: Business structure profile across the regions	14
Figure 3: Breakdown of businesses surveyed by sector	15
Figure 4: Length of time in business	15
Figure 5: Impact on production levels	16
Figure 6: Impact on stock levels	16
Figure 7: Impact of Ebola on employment levels compared to previous year	17
Figure 8: Change in sales levels	17
Figure 9: Change in profit levels	18
Figure 10: Impact of EVD on other operational costs	18
Figure 11: Impact of EVD on logistics and raw materials	19
Figure 12: Access to financial services	19
Figure 13: Impact of Ebola outbreak on access to financial services	20
Figure 14: Regional SME closures due to fear of Ebola	20
Figure 15: Respondents' forecasts for economic performance in the 3-6 months post-Ebola	21
Figure 16: Expected change in employment levels over the following 3-6 months	21
Figure 17: Anticipated impact of high interest loans	22
Figure 18: UK-based investors - diaspora and other	27
Figure 19: Business structure profile	27
Figure 20: Breakdown of business sectors	28
Figure 21: Number of years operating in Sierra Leone	28
Figure 22: Location of business operation in Sierra Leone	29
Figure 23: Awareness of ABC services	29
Figure 24: Remittances sent to Sierra Leone pre- and during Ebola outbreak	30
Figure 25: Diaspora investment motives	31
Figure 26: Social impact	31
Figure 27: Value of potential investment in Sierra Leone	32
Figure 28: Business sector most likely to invest in	33
Figure 29: Reasons for not having risk assessment and mitigation plan	34
Figure 30: Short term challenges	35
Figure 31: Long term challenges	35

ACRONYMS

ABC	AFFORD Business Centre
AFFORD-SL	African Foundation for Development Sierra Leone
AFFORD-UK	African Foundation for Development United Kingdom
EPSMG	Ebola Private Sector Mobilisation Group
EVD	Ebola virus disease
FDI	Foreign direct investment
GDP	Gross domestic product
GoSL	Government of Sierra Leone
ILO	International Labour Organisation
IMF	International Monetary Fund
MSME	Micro, small and medium-sized enterprise
NGO	Non-governmental organisation
RAMPs	Risk assessment and mitigation plans
SL	Sierra Leone
SLB	Sierra Leone Brewery
SLIEPA	Sierra Leone Investment and Export Promotion Agency
SME	Small and medium-sized enterprise
SSL	Statistics Sierra Leone
UK	United Kingdom
WB	World Bank
WHO	World Health Organisation

EXECUTIVE SUMMARY

One of the strategic goals of the African Foundation for Development ([AFFORD-UK](#)) is to expand and enhance the role of the diaspora in job creation in Africa in the face of the continent's growing youth population and demand for employment.¹ AFFORD-UK has been especially active in post-conflict Sierra Leone, where it works in partnership with African Foundation for Development in Sierra Leone ([AFFORD-SL](#)) to facilitate the creation, protection and maintenance of jobs through practical support for small and medium-sized enterprises (SMEs). In Sierra Leone, SMEs account for approximately 70 per cent of the economy,² and denote enterprises of between 5 to 50 employees.

AFFORD-UK and AFFORD-SL were jointly commissioned by [Comic Relief](#) to undertake an 'Enterprise Development in Africa' project, in the context of Sierra Leone. The AFFORD Business Centre (ABC) was set up in 2011 as a social enterprise to support fast-growing SMEs in Sierra Leone that were likely to create between 10 to 50 jobs. The programme, now in its fifth year, is due to conclude in September 2016. The ABC has made significant gains over the years, supporting the creation and protection of over 400 jobs in Sierra Leone through comprehensive business development support, via its enterprise hub based in the capital, Freetown.

The outbreak of Ebola virus disease (EVD) which struck Sierra Leone in May 2014, and lasted until November 2015, brought with it a tragic death toll, as well as devastation of families and communities and disruption to social life. The 18-month crisis had an equally devastating effect on the country's economy and businesses, particularly its SMEs. The various domestic and international interventions imposed to contain the outbreak, including restrictions on travel and trade, and emergency measures to curtail movement and gatherings, increased economic hardship and impacted diaspora and foreign investors with operations in the country. In addition, the collapse in commodity prices during the Ebola outbreak, including the global price of iron ore, affected the mining sector, and also had a significant economic impact resulting in decline in government revenue, job losses and drop in income for SMEs in the supply chain.

This study was commissioned by the ABC to gauge the impact of the recent Ebola outbreak on SMEs in various sectors and across the four main regions in Sierra Leone. It also assesses the impact of the Ebola outbreak on existing and potential diaspora and UK-based investments into Sierra Leone.

The study was conducted in parallel in Sierra Leone and the United Kingdom, between September 2015 and March 2016. It aimed to understand how ABC could better support its SME clients and diaspora investors going forward and to address immediate challenges as Sierra Leone focuses on post-Ebola economic recovery.

The study's findings provide a deeper understanding of the effect of the outbreak on local and foreign businesses operating in the country, with a view to accelerating business recovery and jump-starting economic growth post-Ebola. Furthermore, the findings provide a valuable resource, through in-depth analysis of primary quantitative and qualitative data, extrapolated with findings from other studies, particularly on business strategies in connection with disaster preparedness, mitigation and response.

The study commenced with secondary research by way of a review of existing literature and relevant public documents. The primary research component consisted of both quantitative and qualitative elements. In Sierra Leone, 250 businesses were surveyed and five focus group interviews were held

¹ In this study, 'diaspora' refers to people who are living transnationally, but have stayed connected to their country of origin – for example: a Sierra Leonean in the diaspora is someone who lives in the UK but maintains relations with Sierra Leone.

² Sierra Leone Ministry of Trade and Industry, *National Micro, Small and Medium Enterprise Development Strategy*, November 2013.

with SME participants in the key towns across the four regions. In the UK, an online SurveyMonkey questionnaire was used, which received 58 responses, of which the 50 respondents who indicated that they were existing or potential diaspora or other UK-based investors formed the sample group. Three focus group interviews were also held with the same group.

KEY HEADLINE FINDINGS

The outbreak of the EVD in Sierra Leone has caused enormous damage to the country's economy. The study shows that steps taken, including the Government of Sierra Leone (GOSL) imposed emergency measures, to tackle the outbreak coupled with international interventions had an additional adverse effect on SMEs and inward investment. Furthermore, the study findings show that the impact of the Ebola outbreak varied across the four main regions in Sierra Leone. The key findings for both the Sierra Leone and the UK studies highlight issues that emerged as a specific result of Ebola, and also the broader challenges in the SME eco-system which the outbreak exacerbated.

Key Findings for the Sierra Leone arm of the study

The Sierra Leone study findings indicate that the Eastern region, where the virus first appeared in Sierra Leone was hit hardest. It suffered the highest impact on employment, logistics and raw materials during EVD with shortages due to quarantine measures and limited air travel.

1. Production levels dropped significantly during the Ebola outbreak. Hardest hit were the Southern and Western regions with about 8 out of 10 businesses reporting a reduction.
2. Overall, all regions indicated a significant reduction of profits. Hardest hit in terms of profitability was the Northern region, with 86 per cent of businesses surveyed reporting a decrease due to the Ebola outbreak.
3. Reduced banking hours, coupled with temporary closure of some banks, created a major obstacle to access to capital during the Ebola outbreak for a majority of respondents.
4. While the vast majority of businesses surveyed complained about high loan interest rates, this was particularly a concern in the Western region, with 91 per cent of SMEs indicating that high loan interest rates 'greatly' impact their business.
5. The Ebola outbreak across Sierra Leone had an impact on employment. The Eastern region was most affected with approximately 3 out of 10 of the businesses surveyed reporting a decrease in employment due to EVD.
6. More businesses in the Eastern region closed down or stopped production entirely as a direct consequence of the outbreak, compared to other regions. It was not stipulated whether the closure was permanent or temporary.
7. Hardly any SMEs across Sierra Leone had any formal risk assessment and mitigation plans in place prior to the Ebola outbreak.
8. This study's findings show disparities in terms of perceptions of the future outlook of the economy. SMEs in the Northern region (78% of respondents) expected Sierra Leone's economy to improve in the 3 to 6 month period following the Ebola outbreak, compared to other regions. Conversely, the Eastern region had the highest expectations of a worsening economy.
9. Over half of respondents in the Northern region expected employment to increase in the 3 to 6 month period following the Ebola outbreak, while those in other regions were less optimistic, anticipating that it would mostly remain the same.

10. Interestingly the survey sample shows that businesses employed significantly more female than male employees in all the regions. The highest disparity was in the Eastern region with 85.5 per cent female employees and just 14.5 per cent males (237 females and 40 males).

Key Findings for the United Kingdom arm of the study

The UK study findings indicated that the Ebola outbreak had a devastating impact on potential direct diaspora and foreign investment into Sierra Leone. Also, the Government of Sierra Leone's emergency measures to fight EVD, together with travel restrictions on direct air services to Sierra Leone further exacerbated the adverse impact on inward investment.

1. A significant majority of diaspora investors remitted funds to Sierra Leone. Over 75 per cent of remittances were sent through formal specialised money transfer agencies such as MoneyGram and Western Union.
2. The outbreak prevented eight out of ten potential investors from investing. Around the same percentage of potential investors would consider investing over the next 12 months on resumption of normal conditions.
3. Approximately 6 out of 10 of the survey sample of existing investors reported a 20 per cent decline in business profits, sales and planned investment during the period of the Ebola outbreak, compared to the same period in the previous year.
4. Over half of respondents reported a decline in employment of paid staff by 20 per cent during the crisis in Sierra Leone compared to the previous year.
5. Of those impacted severely, only 18 per cent closed down their business operations entirely as a direct consequence of the Ebola outbreak. The three businesses that closed down were owned by diaspora investors with no risk management strategies in place.
6. Only half of diaspora and UK-based investors had any risk assessment and mitigation plans in place prior to the Ebola outbreak. Those with minimal investment in their business were most unlikely to have risk contingency plans.
7. The emergency measures and restrictions on movement of people imposed by the Government of Sierra Leone had a significant adverse impact on business operations. Similarly, foreign travel restrictions placed on Sierra Leone, including the UK travel advisory, had a negative impact on business operations.
8. Existing and potential diaspora and other UK-based investors expressed concern about a variety of challenges for both the immediate and long term in relation to doing business in Sierra Leone, namely:
 - Detailed post-Ebola recovery strategy or plan to restore business operations
 - Continuing restrictions to direct flights to Sierra Leone (since resumed)
 - Access to finance and revenue
 - Employing staff with the right skills
 - Government red tape

SUMMARY OF RECOMMENDATIONS

Based on this study's findings in the United Kingdom and Sierra Leone on the impact of the Ebola outbreak on SMEs, as well as diaspora and UK-based investors, the following recommendations have been made. These recommendations also include extrapolation from relevant evidence in the public domain. A fuller version of these recommendations is set out in section 5.

Recommendations for immediate application

With emergency and quarantine measures imposed by the Government of Sierra Leone lifted, as well as travel restrictions imposed by foreign countries, to accelerate the recovery of business in the country other immediate steps need to be taken such as:

- **Improve access to capital/finance** – A lot of SMEs are currently struggling to recover in the wake of the Ebola crisis. Improved access to finance, with reduced interest rate loans, is an essential step that would help business deal with the immediate aftermath of the crisis.
- **Incentives to reduce business costs** – SMEs are confronted with high business costs, particularly for rents, warehouses, and customs duties. This is a challenge that has a high propensity to harm business profitability and sustainability in the country. Direct grants to reduce such costs should be considered.
- **Business development support** – There is scope for the ABC and other agencies that support the private sector to focus their business development programmes, primarily, to support business recovery in the immediate term.

Recommendations for the short and medium term

For ABC and agencies that provide business development support to SMEs

1. **Revive and remodel SME capacity building programmes** - Ensure these are more aligned to supporting SMEs to overcome current challenges and stimulating business activity. Intensify outreach programmes so that more SMEs are targeted and can receive vital business development support to aid their recovery in both the short and medium term.
2. **Advocacy and lobbying role** - Focus on lobbying the Government of Sierra Leone and development partners on key areas to improve the enterprise eco-system in Sierra Leone. There is also scope for effective advocacy in the context of the national post-Ebola recovery strategy to ensure the active involvement of the SME sector, and that appropriate solutions are targeted, driven by sustainable innovative solutions.
3. **Human resource development and skills training** – Lack of skilled labour force is another constraint to doing business in Sierra Leone. There is an opportunity for agencies (educational institutions, business centres etc.) to work collaboratively with partners to address this and other challenges.

For the Government of Sierra Leone and policymakers

4. **Access to capital/finance** – Access to finance is a major problem for many businesses in the country. The Government has a vital role to play through policy to improve access to finance and the availability of business capital particularly for SMEs.
5. **Improve access to information on doing business in Sierra Leone** – The study highlighted a degree of frustration amongst respondents, particularly diaspora and foreign investors, in relation to the practicalities of doing business in Sierra Leone, as well as investment

opportunities. There is scope to streamline existing processes to improve the ease of doing business in Sierra Leone.

6. **Review of relevant trade legislation** – A review and reform of relevant trade legislation with the aim of improving the ease of doing business in Sierra Leone is required.
7. **A streamlined diaspora policy** – This should include the active participation of Sierra Leone diaspora communities from formation through to implementation. A key component of this strategy should incorporate elements that support the facilitation of diaspora direct investment, diaspora volunteering and diaspora philanthropy.
8. **Access to finance for diaspora investment** – Diaspora investors face challenges in accessing finance. Low interest transnational loan schemes should be established to facilitate access to affordable finance for diaspora investors.
9. **Infrastructure development** – Basic (e.g. telecoms and energy supply) and physical infrastructure continue to be a major challenge for local and foreign businesses operating in the country. However, it also presents substantial opportunities for investment, but this requires considerable capital input over the long term. The Government and private sector need to work together to translate this challenge into opportunities that enhance business and sustainable economic growth.

For SMEs and investors

10. **Risk assessment and management strategies** – SMEs and investors need to integrate risk management strategies into the heart of their strategic planning process, in readiness for implementation in future disaster scenarios.
11. **Utilising business and expert networks to support businesses in crisis management** – Build on existing networks formed for information-sharing that helped businesses during the Ebola outbreak. It is essential that such networks continue to assist businesses with disaster preparedness and response, as well as risk strategies and recovery of business post-crisis.

CONTEXTUAL OVERVIEW

Sierra Leone, a West African country with a population of over 6 million, shares its borders with Guinea in the north and Liberia in the south-east. The country is divided into four geographical regions, namely the Eastern, Northern and Southern Provinces, and the Western Area, where the capital city of Freetown is situated. The Provinces are further divided into 14 districts. For the purpose of this report the term 'region' will be used to refer to the three Provinces and the Western Area.

The degree of development varies widely across the regions. This was the case even prior to the outbreak of the Ebola virus disease. The civil war, which took place between 1991 and 2002, saw the Northern and Southern region, as well as the borders of the Eastern region, hardest hit. The highest levels of education nationwide occur in the Western Area.



The 2014-2015 Ebola epidemic in West Africa started in Guinea, at the border intersection of three countries – Guinea, Liberia and Sierra Leone, and proved to be the largest, longest, and most deadly event in the nearly 40-year history of this disease. The virus first spread to Liberia and then crossed the border into Sierra Leone. Kailahun district in the East, with close proximity to the Guinean border, became the first hotspot. The next hotspot was Kenema, also in the Eastern region and the disease then spread across the country. Over the course of the EVD outbreak, the levels of incidence varied across the regions and districts.

The dynamics of its spread was a composite of many factors. EVD was previously unknown to the region and had circulated in Guinea for three months undetected and initially misdiagnosed. Despite Sierra Leone health officials being on alert, EVD virus spread undetected for at least a month, sparking numerous chains of transmission that rapidly multiplied.

A public health and humanitarian emergency swiftly ensued against the context of extremely weak health systems and infrastructures, highly mobile populations, particularly across porous borders, and entrenched high-risk cultural practices. The nature of the disease, its risks of transition were initially misunderstood and the Sierra Leonean population's legacy of conflict and civil unrest meant that early government warnings and guidance was unheeded.

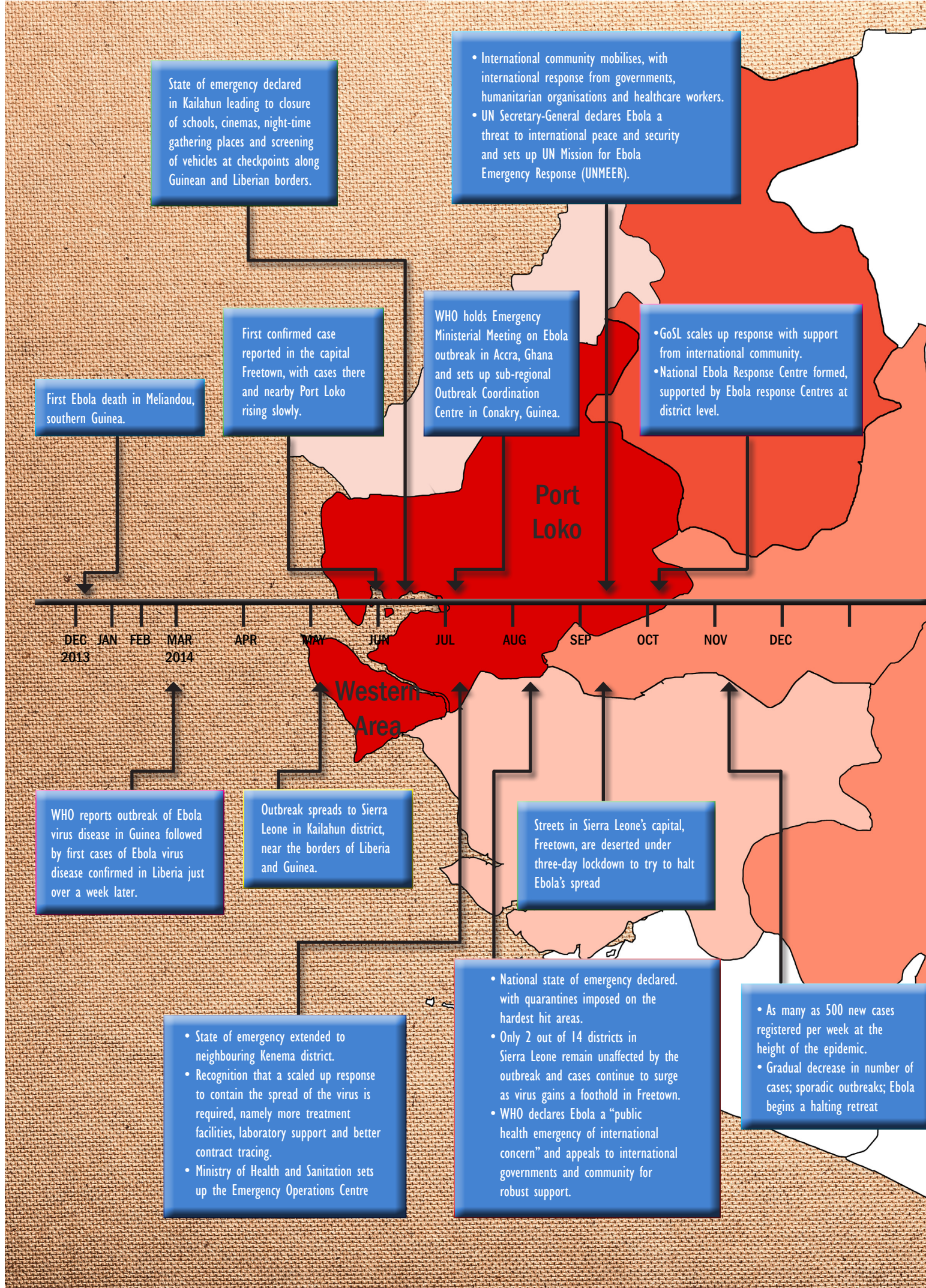
The spread of the disease was ultimately checked by a combination of extensive emergency input from international partners – as outlined in the timeline overleaf – as well as nationwide mobilisation of formal and informal national Ebola responders – from healthcare workers, to contract tracers, burial teams and community members across all 14 districts.³

Among the multitude of post-crisis reports and analysis, two 'lessons learned' reports that offer an outsider's and insider's view respectively, are by the International Rescue Committee report,⁴ as well as the report of Sierra Leone's National Ebola Response Centre (NERC).⁵

³ Hotspots background map based on OCHA/ReliefWeb map and data sources.

⁴ International Rescue Committee Report, *The Ebola Lessons Reader: What's being said, what's missing and why it matters*, March 2016. http://www.rescue.org/sites/default/files/resource-file/The%20Ebola%20Lessons%20Reader_Final.pdf

⁵ National Ebola Response Centre (NERC), *Lessons from the Response to the Ebola Virus Disease Outbreak in Sierra Leone, May 2014–November 2015*, Summary Report, Dec 2015 <http://nerc.sl/?q=lessons-response-ebola-virus-disease-outbreak-sierra-leone>



State of emergency declared in Kailahun leading to closure of schools, cinemas, night-time gathering places and screening of vehicles at checkpoints along Guinean and Liberian borders.

- International community mobilises, with international response from governments, humanitarian organisations and healthcare workers.
- UN Secretary-General declares Ebola a threat to international peace and security and sets up UN Mission for Ebola Emergency Response (UNMEER).

First Ebola death in Meliandou, southern Guinea.

First confirmed case reported in the capital Freetown, with cases there and nearby Port Loko rising slowly.

WHO holds Emergency Ministerial Meeting on Ebola outbreak in Accra, Ghana and sets up sub-regional Outbreak Coordination Centre in Conakry, Guinea.

- GoSL scales up response with support from international community.
- National Ebola Response Centre formed, supported by Ebola response Centres at district level.

DEC 2013 JAN FEB MAR 2014 APR MAY JUN JUL AUG SEP OCT NOV DEC

Western Area

Port Loko

WHO reports outbreak of Ebola virus disease in Guinea followed by first cases of Ebola virus disease confirmed in Liberia just over a week later.

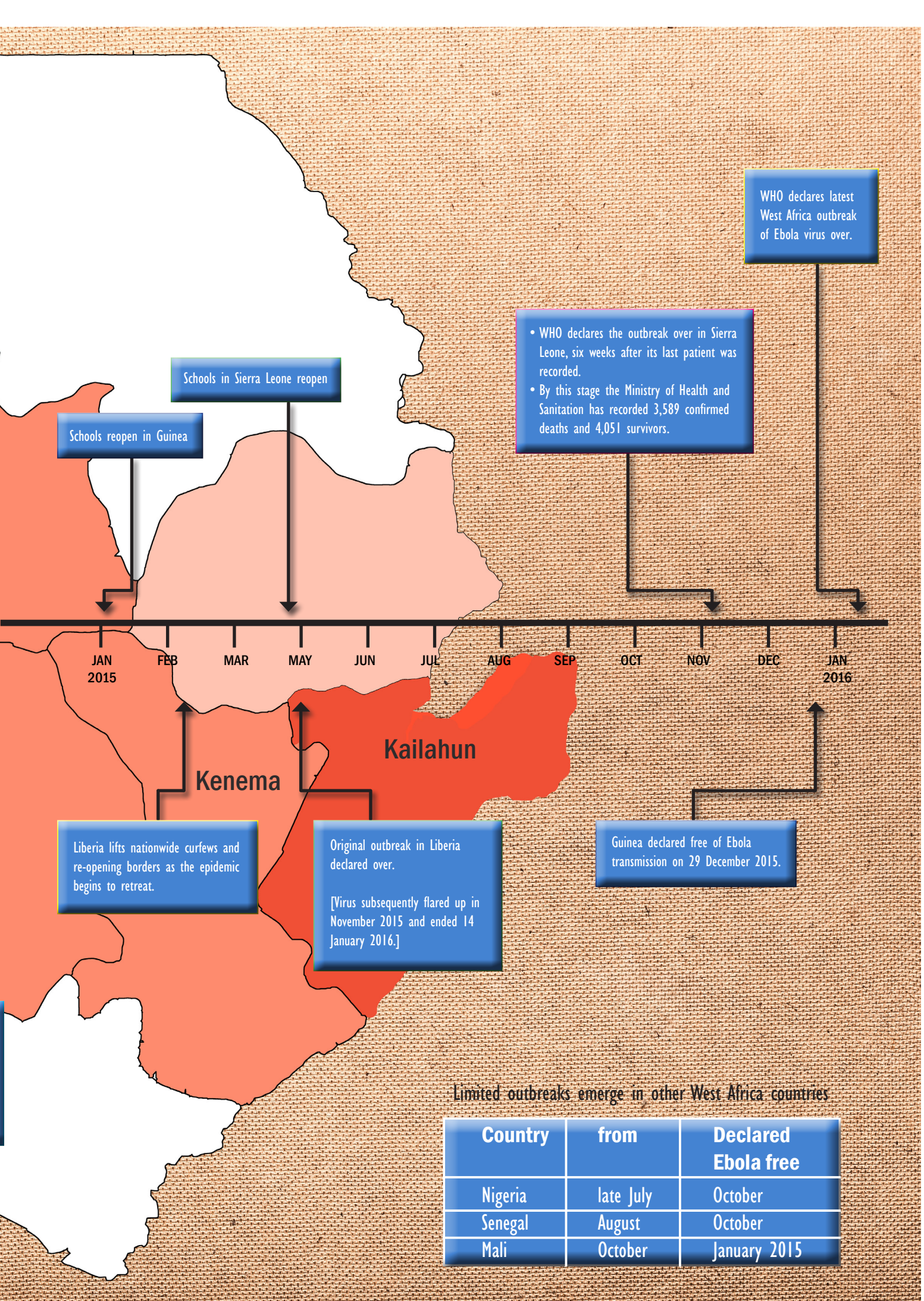
Outbreak spreads to Sierra Leone in Kailahun district, near the borders of Liberia and Guinea.

Streets in Sierra Leone's capital, Freetown, are deserted under three-day lockdown to try to halt Ebola's spread

- State of emergency extended to neighbouring Kenema district.
- Recognition that a scaled up response to contain the spread of the virus is required, namely more treatment facilities, laboratory support and better contact tracing.
- Ministry of Health and Sanitation sets up the Emergency Operations Centre

- National state of emergency declared, with quarantines imposed on the hardest hit areas.
- Only 2 out of 14 districts in Sierra Leone remain unaffected by the outbreak and cases continue to surge as virus gains a foothold in Freetown.
- WHO declares Ebola a "public health emergency of international concern" and appeals to international governments and community for robust support.

- As many as 500 new cases registered per week at the height of the epidemic.
- Gradual decrease in number of cases; sporadic outbreaks; Ebola begins a halting retreat



Sierra Leonean diaspora in the UK and diaspora businesses in Sierra Leone

Despite living thousands of miles away from their country of origin, Sierra Leoneans in the diaspora in the UK have maintained strong links with Sierra Leone. Beyond providing remittances, often used by recipients for personal consumption; their involvement has also included trade and investment. There are no available records of the number of Sierra Leoneans in the UK with business operations in Sierra Leone. A recent survey conducted as part of a World Bank study on the involvement of Sierra Leoneans in diaspora, including those in the UK, in investment and trade, reported that 40 per cent of the study sample were already investing in Sierra Leone.⁶ Generally, diaspora businesses span across various districts and sectors across Sierra Leone, with a growing interest in the real estate sector. The same survey also indicated that the vast majority of their sample (83%) wished to return to their home country in future.

Recent notable examples of Sierra Leoneans based in the UK who are investing in Sierra Leone include the International Development Enterprise Associates (IDEA, UK), which is currently designing and constructing a new five star hotel in Freetown. The IDEA UK project, which is estimated to cost approximately USD 40 million and employing 400 people, is in a consortium with Hilton Worldwide established in 2010. Another example is the Sierra Leone Diaspora Network, a UK-based organisation of professionals, which in 2007 established an investment information portal to drive inward diaspora and other foreign investment into Sierra Leone.⁷

During the Ebola crisis most Sierra Leoneans living in the UK, investors and non-investors alike, primarily focused on the humanitarian crisis – responding innovatively to save lives and alleviate suffering. Some diasporans including the Sierra Leone UK Diaspora Ebola Response Taskforce, a strategic partnership of diaspora organisations and individuals, mobilised their collective resources to contribute to the humanitarian response in Sierra Leone. In addition, during the first three-day lockdown in Sierra Leone at the height of the Ebola epidemic, a newly formed UK-based organisation led by Sierra Leoneans, Lunchbox Gift, played a vital role serving nutritious meals to hundreds of vulnerable patients and staff at Ebola treatment centres. Other UK-based diaspora groups such as The Organisation of Sierra Leonean Healthcare Professionals Abroad ([TOSHPA](#)) and Sierra Leone War Trust ([SLWT](#)), mobilised volunteers who went on the frontline to combat the spread of EVD in Sierra Leone. Both organisations also provided cultural awareness training to UK National Health Service and international volunteers prior to their deployment.

Post crisis the Government has taken steps to recalibrate its development agenda, and there is widespread awareness that the stigma of EVD needs to be removed in order to attract investment, boost the economy and bolster job creation.

Since the Ebola crisis has ended, diaspora investors have been trying to revive their businesses and continue their effort to contribute to Sierra Leone's economy and development through trade and investment. Equally, potential investors are looking to translate their aspirations into actual investment in the country.

⁶ This World Bank Study surveyed over 600 Sierra Leoneans across mainly three countries including the Canada, the USA and the UK (2015). <http://www.worldbank.org/en/news/infographic/2016/02/05/sierra-leone-diaspora-investment-and-trade-study> (Accessed 6 April 2016).

⁷ The Sierra Leone Diaspora Network was an initiative borne out of the Sierra Leone Investment Forum, driven by Sierra Leoneans in the UK, held in London in 2005. http://www.sliip.org/index.php?option=com_content&task=view&id=20&Itemid=83 (Accessed 6 April 2016).

1. INTRODUCTION

The primary toll of the Ebola virus disease (EVD) outbreak that hit Sierra Leone between May 2014 and November 2015, when the country was declared free of the virus by the World Health Organisation (WHO), was loss of life and cases of infection.⁸ Almost 4,000 people lost their lives as a result. EVD also had a secondary socio-economic impact, devastating the country's economy, with the World Bank predicting negative growth of -2 per cent for the country in 2015, compared to the pre-Ebola forecast of 11.3 per cent.⁹

This in turn has adversely affected the majority of businesses, which mainly consists of SMEs. The formal sector comprises a small number of large foreign-based enterprises (mainly in the extractive industries) and a significant number of micro, small and medium-sized enterprises (MSMEs). As SMEs form the lifeblood of the Sierra Leonean economy, the negative impact of EVD has had far-reaching consequences.

These economic and social repercussions were further exacerbated by subsequent public health interventions implemented by the Government of Sierra Leone to contain the outbreak, which restricted movement across the country. Emergency measures imposed by the Government of Sierra Leone, between 31 July 2014 and May 2015 to prevent the spread of EVD included closure of schools and colleges, cinemas, curtailment of movement and gatherings, and quarantine measures on the places hardest hit by the virus.

AFFORD-UK and AFFORD-SL have jointly implement the Comic Relief funded AFFORD Business Centre (ABC) since 2011. The ABC's key areas of work are twofold: To operate as an enterprise hub for fast-growth small and medium sized enterprises (SMEs) in Sierra Leone, as well as to hold workshops for UK-based diaspora direct investors and other foreign investors on how to do business in Sierra Leone. The ABC directly experienced the full force of EVD and Government restrictions during the crisis. Despite the significant gains made by the ABC over the years, EVD severely restricted its ability to deliver its core activities of business development support; as well as training and the promotion of enterprise via outreach to large cohorts of potential entrepreneurs on the ground, including students in tertiary and secondary education. EVD also had an adverse effect on the ABC's other key pillar of work – attracting potential diaspora and other foreign-based investors into Sierra Leone.

Although several studies touch on the adverse impact of the EVD on businesses, the extent of the impact of the outbreak itself have been less detailed, leaving some information gaps. Similarly, some studies have captured, though in less detail, the adverse impact of EVD on foreign investors, as well as diaspora and other foreign investments. There also appears to be little empirical assessment of businesses' strategies in connection with disaster preparedness, mitigation and response as well as strategies for business recovery, resilience and continuity post-disaster. In the aftermath of the crisis, this report sets out the insights gained from canvassing the perspectives of a broad cross-section of SMEs across Sierra Leone, as well as UK-based diaspora and international actual and prospective investors in Sierra Leone, with a view to rebuilding businesses, creating opportunities as well as a more resilient economy.

⁸ In excess of 10,000 people were killed by the Ebola virus and over 28,000 infected across West Africa. The worst-hit countries were Guinea, Liberia and Sierra Leone. *WHO 2014 Ebola Outbreak in West Africa - Case Counts*. <http://www.cdc.gov/vhf/ebola/outbreaks/2014-west-africa/case-counts.html> (Accessed 26 March 2016).

⁹ The World Bank. <http://www.worldbank.org/en/country/sierraleone/overview> (Accessed 26 March 2016).

1.1 Scope of the Research Study

Given the gaps in the existing literature, this research study assesses how businesses in Sierra Leone, particularly SMEs and diaspora and UK-based investors, have been impacted by the Ebola outbreak. The study's findings will enable the ABC to tailor its activities to provide additional support to businesses in order to build resilience and increase preparedness to withstand the current challenges and as part of the Ebola recovery effort. The findings will also provide empirical evidence for government and international agencies, private sector bodies, business support institutions, development actors, and non-governmental organisations, involved in stimulating and growing SMEs in Sierra Leone.

In order to provide an improved understanding of the challenges affecting the business landscape, this research study builds on existing relevant knowledge, blending evidence from the study quantitative and qualitative data, public records and findings from external related research.

1.2 Research Aims and Objectives

The research study was conducted in parallel in Sierra Leone and in the United Kingdom, focusing on the:

1. Impact of EVD on SMEs in key business sectors across Sierra Leone
2. Impact of EVD on existing and potential diaspora investors and other UK-based businesses operating in Sierra Leone

1.3 Structure of the Report

This rest of this report has been structured as follows:

Section 2 - Summary of existing literature

Section 3 – Sierra Leone arm of the study – key findings and discussion

Section 4 – UK arm of the study – key findings and discussion

Section 5 – Recommendations for various stakeholders including the Government of Sierra Leone, policymakers and agencies that support the private sector and SME development

Section 6 – Concluding remarks on both the UK and Sierra Leone components of the study

1.4 Key Research Questions

This research study set out to address the following key questions:

Impact of the Ebola outbreak on business in Sierra Leone

To what extent has the Ebola outbreak impacted SMEs and other key business sectors in Sierra Leone?

Resilience amongst business in Sierra Leone

Did businesses in Sierra Leone have risk assessment and mitigation plans prior to the Ebola crisis? If yes, how have they applied their strategies during this humanitarian crisis? And how effective are their business risk assessment and mitigation strategies?

Impact of the Ebola outbreak on diaspora and non-diaspora business investors

How has the EVD impacted on diaspora investors and other UK-based businesses operating in Sierra Leone? How did it affect investment plans?

Resilience amongst diaspora and non-diaspora business

Did diaspora investors and other UK-based businesses operating in Sierra Leone have risk assessment and mitigation plans prior to the crisis? If yes, how have they applied their strategies during this humanitarian crisis? And how effective are their business risk assessment and mitigation strategies?

Challenges for business post-crisis

What are the major challenges businesses are likely to face post-Ebola and how could these be addressed to effectively support SMEs' recovery? What support mechanism could help to address these challenges?

SMEs' contribution to socio-economic growth and development in Sierra Leone

What contributions are SMEs making to Sierra Leone's socio-economic growth and development, through job creation and wealth?

Recommendations to better support SMEs post-Ebola

What recommendations, linked to the study findings, could policymakers and development actors apply to develop appropriate policies that address the impact of EVD on businesses in the short and long term?

What recommendations, linked to the study findings, could policymakers and development actors apply to provide a more enabling eco-system for SMEs in Sierra Leone, in order to deal with broader issues that were exacerbated by EVD?

What recommendations, linked to the study findings, could the ABC project apply that are more aligned to building business resilience, stimulating business activity, protecting and sustaining jobs for SMEs and other industries that have been adversely affected by Ebola?

1.5 Key Objectives

- To produce a study assessing the impact of the Ebola crisis on SMEs in various sectors, including agri-business, market traders, hospitality, etc in the key cities of the four regions of Sierra Leone
- To assess the impact of EVD crisis on UK diaspora and other UK investors in Sierra Leone.
- To make recommendations, linked to findings, for policymakers and development actors so they may develop policies that address the impact of EVD on businesses in the short and long term.
- To make recommendations, linked to findings, to inform activities within the ABC project that are more aligned to building business resilience, stimulating business activity, protecting and sustaining jobs for SMEs and other industries that have been adversely affected by EVD.

1.6 Research Methodology

To provide a deeper understanding of the impact of the Ebola outbreak on local and diaspora and foreign businesses in Sierra Leone, a desk-based review of existing relevant literature and reports, was conducted. This helped refine the scope and objectives of the study. Primary data was then collected through quantitative surveys and qualitative focus group interviews conducted in parallel in Sierra Leone and the UK between September 2015 and March 2016.

In Sierra Leone, the survey targeted 250 businesses ranging from those with under 5 employees, to SMEs employing between 5 and 50 employees. Respondents were pre-selected and drawn from the sample frame of businesses captured by Statistics Sierra Leone (SSL) through their annual *Economic Survey in 2014*. This sample size and list of SMEs provided by SSL offered national coverage and a wealth of the content of the data elements. Respondents were drawn from the country's four key regional cities, which include:

Region	Key City	No. of Respondents
Southern Province	Bo	50
Eastern Province	Kenema	50
Northern Province	Makeni	50
Western Area	Freetown	100

The qualitative component of the study involved five focus group interviews conducted across Sierra Leone; two in Freetown, and one each in Bo, Kenema and Makeni. Each focus group lasted for no longer than one and half hours, consisted of between four to six participants, drawn mainly to reflect a cross-section of business people across key SME sectors, gender and age groups. A screening questionnaire was used to ensure that the right candidates were identified in advance and subsequently invited to participate in each focus group. Those who did not match the criteria (non business-owners) were excluded.

The survey included a higher proportion of businesses situated in the Western Area given the significant number of businesses situated there, compared to the other regions.

In the United Kingdom, the study received 58 responses. An online SurveyMonkey questionnaire was used, of which 50 respondents (86%) indicated that they had invested, were investing or planning to invest in the future when Ebola struck in Sierra Leone in 2014. Eight respondents (14%) not being actual or potential investors in Sierra Leone, did not meet the study criteria and were excluded from the analysis of the survey results. The respondents comprised existing and potential diaspora and UK-based businesses from various sectors. As with the Sierra Leone arm of the study, the UK study conducted focus group interviews to gather qualitative data. Three focus group interviews were held, each lasting no longer than one and half hours, with between four to six participants, drawn mainly to reflect key business sectors, gender; diaspora and other UK-based investors who had actually invested or had intended to invest in Sierra Leone prior to the Ebola outbreak. Candidates were identified in advance and subsequently invited to participate in each focus group.

1.7 Limitations of the Study

While this research has addressed its aims and the key questions identified above, there were a number of limitations. Since the data collection in Sierra Leone targeted respondents in the four key regional cities, it did not provide a wider coverage of the districts across the country. Also, the list of businesses used was not up-to-date and some of the businesses pre-selected could not be traced at their registered addresses as they either had moved to a new location or shutdown completely or temporarily. Similar businesses were immediately identified as a replacement to achieve the original sample size. The study did not examine other key sectors such as tourism, which is considered an untapped sector. The UK arm of the study did not examine diaspora returnees. The survey included a greater proportion of diaspora investors – existing and potential – than non-diaspora UK-based investors.

2. SUMMARY OF EXISTING LITERATURE

The human cost, in terms of deaths, caused by the Ebola virus disease (EVD) has been well documented. The 2014–2015 EVD outbreak in West Africa killed in excess of 11,000 people in the worst-hit countries – Guinea, Liberia and Sierra Leone.¹⁰

Impact on economy

Beyond the human toll, the EVD outbreak had major economic repercussions.¹¹ A range of related studies and reports has highlighted the socio-economic impact of EVD, with analysts and notable international organisations warning of disastrous ramifications for the three countries. For instance, in Sierra Leone, the anticipated economic growth for 2014 decreased from 11.3 to 4 per cent in the wake of the crisis – while the World Bank projected a negative growth rate of -2 per cent for 2015.¹²

Impact on business – job losses and business closures

Prior to the Ebola outbreak paid employment in urban areas in Sierra Leone was 75 per cent.¹³ Data from a series of World Bank mobile phone surveys, including one conducted in January 2015, indicated a consistent decline in paid employment in urban areas, particularly in the capital Freetown, where the decline was from 75 to 67 per cent, with other urban areas reporting a decline from 77 to 69 per cent.¹⁴ The same report notes a significant decline in average revenue from approximately USD 300 to USD 180 for businesses that were in operation – while the household businesses that ceased operation rose from 4 to 12 per cent due to the Ebola crisis.

However, survey results for May 2015, indicated some improvements in the level of employment, returning to pre-crisis level at 72 per cent.¹⁵ That study attributed the improvement to the lessening in severity of the Ebola crisis. Furthermore, 30 per cent of paid workers who had left work previously in the preceding few months resumed working in May. However, 9 per cent remained out of work. The study also noted that non-farm household businesses facing shutdown continued steadily from 4 to 12 per cent, initially, and then rose to 22 per cent, from November 2014 through to May 2015. In the third round of the World Bank survey, between July and August 2015, although the decline continued, it had slowed from 69 to 58 per cent. Most of the GoSL emergency restrictions had been lifted by May 2015, which may be a factor underlying the slow decline.

In terms of average revenue, there appears to be no significant shift by May 2015 as it remained stubbornly below pre-outbreak levels from approximately USD 336 to USD 131, for non-farm household enterprises, according to the World Bank study.

Numerous reports and studies, often less comprehensive, have indicated the adverse consequences of EVD on multiple business sectors, particularly focusing on employment levels and finance. For

¹⁰ World Health Organisation, *Ebola Situation Reports*, 19 August 2015.

¹¹ United Nations, *Global Economic Outlook World Economic Situation and Prospects 2015*, Pre-release of Chapter 1, 2015.

¹² World Bank, *Update on the Economic Impact of the 2014 Ebola Epidemic on Liberia, Sierra Leone, and Guinea*, <http://www.worldbank.org/en/topic/macroeconomics/publication/economic-update-ebola-december> (Accessed 25 August 2015).

¹³ Employment refers to paid work. World Bank, *The Socio-Economic Impacts of Ebola in Sierra Leone: Results from a High Frequency Cell Phone Survey*, Round 3, 15 June 2015.

¹⁴ This cell phone survey focused largely on employment, agriculture, food security and prices, and the use of health services in largely urban areas. This means households and businesses without cell phones were excluded. World Bank, *The Economic Impact of Ebola on Sub-Saharan Africa: Updated Estimates for 2015*, 20 January 2015.

¹⁵ World Bank, 2015. *The Socio-Economic Impacts of Ebola in Sierra Leone: Results from a High Frequency Cell Phone Survey* – Round 3, 15 June 2015.

instance, a report by the GoSL, in collaboration with other partners including the IMF and African Development Bank, consisting of preliminary assessment of the EVD, underscores the increase in unemployment particularly in the leisure industry (hotels, bars and clubs) – where the number of tourists arrivals fell by 30 per cent between January to August 2014, compared to the same period in the previous year.¹⁶ The same study also noted a significant 49.9 per cent decline in the number of investors. In addition, over 90 per cent of businesses indicated drop in sales, the agriculture and retail sectors being the worst affected.

Some studies describe the impact of the Ebola outbreak on key sectors across Sierra Leone. For example, Dr Davis' findings show that the agriculture sector was severely impacted as a result of Government's quarantine measures.¹⁷ He found that the retail and hospitality sector also bore the brunt of the impact of the Ebola outbreak, with businesses reporting a significant decline in sales.

Major disruptions to businesses in the country have largely been attributed to emergency measures imposed by the GoSL, between 31 July 2014 and May 2015 to prevent the spread of EVD (WB Round 3, 2015). A survey interview of 1,600 businesses across Sierra Leone, indicated that approximately one third of businesses, including those trading in coffee, fruit and vegetables could not travel due to government travel restrictions.¹⁸

The three largest manufacturing firms – Sierra Leone Brewery (SLB), Sierra Bottling Company and Sierra Leone Cement Factory – bore the brunt of the Government's measures to contain the virus – and reported a significant decline in sales. For instance, SLB reduced its operations and deferred planned investment for an installation of a cooling and carbon dioxide (CO₂) plant.¹⁹ The same report cited the GoSL's prediction that the closure of SLB could have put approximately 50,000 jobs at risk, mainly in the hospitality, entertainment and agriculture sectors. Ultimately SLB continued in operation.

Another survey assessed the direct and indirect impacts of EVD on numerous business sectors, which account for over 90 per cent of the country's gross domestic product (GDP) and over 90 per cent of total employment. This survey indicated that nearly 30 per cent of jobs in the private sector had been lost across various sectors, with retail-wholesalers, leisure, food and transporters bearing the heaviest losses.²⁰ In addition, the study looked at business resilience, noting that businesses had adopted "a range of innovative measures to cope with EVD and minimise the impact of the epidemic". However, there appears to be little broad understanding or empirical assessment in relation to business resilience and post-disaster recovery.

Impact on foreign investment and exchange flows

It has been noted that businesses including those in agriculture downsized their harvest teams, international business were also adversely impacted, with some, or most, of them halting their investment plans.²¹ Equally, foreign direct investment (FDI) was reported to have declined in 2014 as a

¹⁶ Government of Sierra Leone and UNDP, IMF, WB and AfDB, *The Economic and Social Impact of Ebola Virus Disease in Sierra Leone: Joint Preliminary Assessment Report*, 2014

<http://www.sl.undp.org/content/sierraleone/en/home/library/poverty/Ebola-socio-economic-impact/>

¹⁷ Dr Peter Davis, *Ebola in Sierra Leone: Economic Impact & Recovery*, July 2015.

¹⁸ Advocacy Initiative for Development (Aid-SL) and United Nations Development Program, *Market Research and Rapid Assessment of Emerging Needs Benefitting Freetown Communities during the EVD Outbreak*, 2014.

¹⁹ Government of Sierra Leone and UNDP, IMF, WB and AfDB, *The Economic and Social Impact of Ebola Virus Disease in Sierra Leone: Joint Preliminary Assessment Report*, 2014.

[\(http://www.sl.undp.org/content/sierraleone/en/home/library/poverty/Ebola-socio-economic-impact/](http://www.sl.undp.org/content/sierraleone/en/home/library/poverty/Ebola-socio-economic-impact/)

²⁰ United Nations Development Programme, *Business in Sierra Leone – Business Establishment Survey Report*, 2015.

²¹ United Nations Economic Commission for Africa, *Socio-Economic Impacts of the Ebola Virus Disease on Africa*, Addis Ababa, Ethiopia, 2014.

result of the Ebola crisis.²² However, there appears to be a lack of data regarding the extent in the decline of FDI. Some airlines' decision to cancel flights to the three most affected countries including Sierra Leone adversely affected foreign visitors, tourists as well as investors – and potentially resulted in delayed investment.²³

According to a series of World Bank cell phone surveys, remittances received from households, both locally and internationally, largely hovered around 12 per cent between November 2014 to August 2015.²⁴ Adding that for wealthy households, remittances received, were greater compared to the less wealthy. This survey acknowledged that it was impossible to assess whether the level of remittances had increased during the Ebola crisis as the data to undertake such comparison was unavailable.

The exchange rate was also impacted. Between May to October 2014, the exchange rate decreased in value by 8 per cent, from Le 4,362.39 per dollar to Le 4,742.19 per dollar, resulting in a drop in import levels, particularly for wholesale enterprises.²⁵

In October 2014, London Mining, the second largest iron ore producer in Sierra Leone, employing 14,000 local people, suspended trading of its shares on the AIM.²⁶ This triggered a shockwave through the country's economy.²⁷ At the time London Mining's former Human Resources Director, Rosh Bardien, cited the actual figure of employees lost at "1,500 direct employees."²⁸ One of the problems faced by both African Minerals and London Mining was the disruption of their supply chain.²⁹ A news report citing Graeme Hossie, Chief Executive of London Mining, states: "While production has not been impacted by the outbreak of the Ebola virus to date, post the period end we have begun to experience disruption to the supply chain..."³⁰ Bardien also stated that "Iron ore price was the primary reason for London Mining not being able to continue operations." London Mining was taken over by Timis Mining Corporation, and "their reasons for not being able to maintain production are not related to Ebola, according to Bardien." However, while these claims have been made, the extent of the disruption to the supply chain caused by the Ebola outbreak and other factors is less clear.

In May 2015, the World Bank conducted an online survey targeting Sierra Leoneans in the diaspora including those in the United Kingdom and United States of America. The study aimed at assessing the diaspora's interest in investing in Sierra Leone, post-Ebola. The results appear to indicate multiple vital positive elements of Sierra Leoneans in diaspora across US, UK and Canada. For instance, Sierra Leoneans in the diaspora expressed a strong degree of interest in investing in Sierra Leone – although a considerable gap exists between those actually investing and those wanting to invest. The results

²² Jean Senahoun, Kisan Gunjal and Rama Mwanundu (FAO) and Susanna Sandstrom and Valerio Giuffrida (WFP). *FAO/WFP Crop and Food Security Assessment – Liberia, Sierra Leone and Guinea*, 2015. <http://reliefweb.int/sites/reliefweb.int/files/resources/a-i4311e.pdf> [Accessed 25 August 2015]

²³ United Nations Economic Commission for Africa. *Socio-economic Impacts of the Ebola Virus Disease on Africa*, Addis Ababa, Ethiopia, 2014.

²⁴ World Bank, *The Socio-Economic Impacts of Ebola in Sierra Leone: Results from a High Frequency Cell Phone Survey – Round 3*, 15 June 2015.

²⁵ United Nations Development Programme, *Business in Sierra Leone – Business Establishment Survey Report*, 2015.

²⁶ The AIM is the London Stock Exchange's international market for smaller growing companies.

²⁷ Allouche, J, 2015. *Ebola and Extractive Industry*. The Institute of Development Studies (IDS). Practice Paper in Brief 21 <http://www.ids.ac.uk/publication/ebola-and-extractive-industry> (accessed 25 August 2015).

²⁸ Former Human Resources Director for London Mining Rosh Bardien made this confirmation via email on 15th September 2015.

²⁹ Mykay Kamara, Managing Director, A&A Investments and Services – cited in a discussion event on "Post-Ebola Economic Renaissance In Sierra Leone and the role of the Private Sector" Report. The event was organised by Elixir Marketing and Media, with financial support from the Sierra Leone Chamber of Mines and hosted by Rt. Hon David Lammy, Member of Parliament for Tottenham.

³⁰ Stockmarketwire, *London Mining Loss*, 21 August 2014. <http://www.stockmarketwire.com/article/4872254/London-Mining-loss.html> (Accessed 8 September 2015).

also indicated that Sierra Leoneans in diaspora surveyed are highly skilled and educated, with median income in the region of USD 100,000. In addition, there appears to be strong interest in philanthropy, from over 80 per cent of respondents, among both first and second generation diasporans (including youths). Their findings also indicated a number of significant constraints to diaspora direct investment, perceived or otherwise, including lack of comprehensive information on investing or doing business in Sierra Leone; Government-related issues – such as red tape and inadequate infrastructure (energy, roads etc).

During any crisis, timely and accessible information is vital for both the affected communities and businesses operating there to support the community and businesses in crisis management. In the face of the Ebola crisis, the Ebola Private Sector Mobilisation Group (EPSMG), consisting of a group of local and foreign businesses operating in Sierra Leone, created a hub focused primarily on information sharing to help local and foreign businesses deal with the immediate challenges they were confronted with.³¹ This was done through virtual meetings and information accessible via the group's website. The group was also actively involved in engaging with humanitarian actors and the GoSL to improve the humanitarian response. As the crisis continued, EPSMG's members, especially those on the ground, contributed financially, as well as provided vital logistical support such as vehicles used as ambulances and communications technology. But perhaps the most important thing its members did was to carry on doing business, driven by responding to and mitigating the risks.

Most of the studies and reports reviewed above, largely survey-based, indicated the adverse impact EVD has had on businesses generally in relation to business finance (decline in sales and profit) and employment (job losses). The impact is also linked to the Government's emergency measures which restricted movement of people.

Some studies captured, though in less detail, the adverse impact of EVD on foreign investors, as well as diaspora and other foreign investments.

Overall the importance of supporting businesses through the economic recovery phase was recognised. Likewise there was an awareness of the need to support strategies for business recovery, resilience and continuity post-crisis.

This research study focuses on assessing the impact of the Ebola outbreak on local, diaspora and foreign businesses operating in Sierra Leone. As such, this study will extend on the existing knowledge of the challenges faced by SMEs' and their preparedness for unknown risks, as well as response and recovery post-crisis.

³¹ The Ebola Private Sector Mobilisation Group: <https://www.epsmg.com/>

3. HEADLINE FINDINGS FROM SIERRA LEONE RESEARCH

INTRODUCTION

The findings presented and discussed in this section are based on the survey and focus group interviews of SMEs across Sierra Leone on the impact of the Ebola outbreak. Where necessary, this data was triangulated with reference to public records and findings from external related research. In some cases, the percentages have been rounded up to one decimal point - for example, 1.8 per cent is rounded up to 2 per cent.

This section is sub-divided as follows:

- 3.1 Profile of SMEs
- 3.2 Impact of the Ebola outbreak on SMEs
- 3.3 Resilience among SMEs
- 3.4 Challenges for business post-Ebola
- 3.5 Conclusions

A larger survey sample was taken from the Western area per cent on account of the higher concentration of businesses situated there, compared to the other regions. A total of 250 responses were recorded for the quantitative component of this study as follows:

Region	Key Town	No. of Respondents
Eastern Province	Kenema	50
Northern Province	Makeni	50
Southern Province	Bo	50
Western Area	Freetown	100

3.1 Profile of SMEs

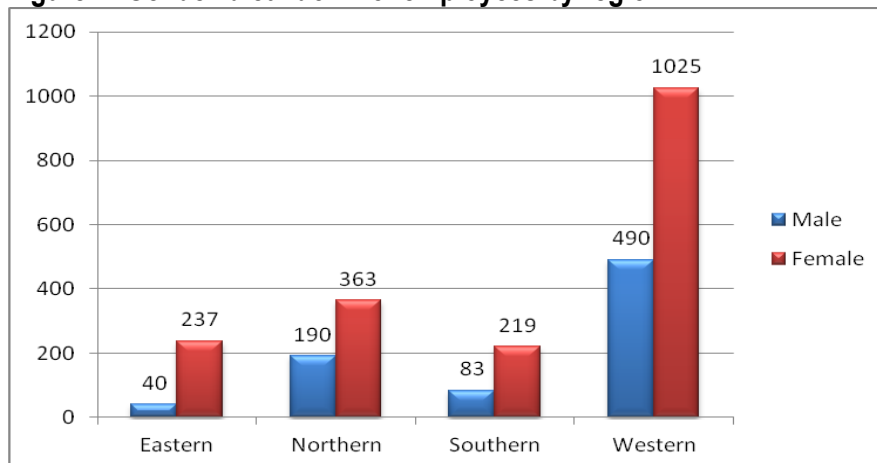
The survey received responses from 100 businesses in the Western Area of Freetown, 50 businesses in the Eastern, Northern and Southern regions respectively. Table 1 gives a breakdown of the business sectors surveyed across the four regions.

Table 1: Business sector of the 250 SMEs surveyed across Sierra Leone

Business Sector	Western – Freetown	Southern - Bo	Eastern - Kenema	Northern - Makeni	Total
Agriculture, forestry and fishery	4	2	2	2	10
Manufacturing	21	10	10	10	51
Construction	6	3	3	3	15
Wholesale and retail trade	26	13	13	13	65
Transport and storage	3	1	1	1	6
Accommodation and food service	15	8	8	8	39
Information and communication	3	2	2	2	9
Finance and Insurance activities	4	2	2	2	10
Administrative and support service	8	4	4	4	20
Arts, entertainment and recreation	4	2	2	2	10
Other service activities	6	3	3	3	15
Sample Total	100	50	50	50	250

The survey sample shows that businesses employed a significantly more female than male employees in all the regions. The highest disparity was in the Eastern region with 85.5 per cent female employees and just 14.5 per cent males (237 females and 40 males). In the Western Area businesses employed 68 per cent (1,025) female staff and 32 per cent males (490).

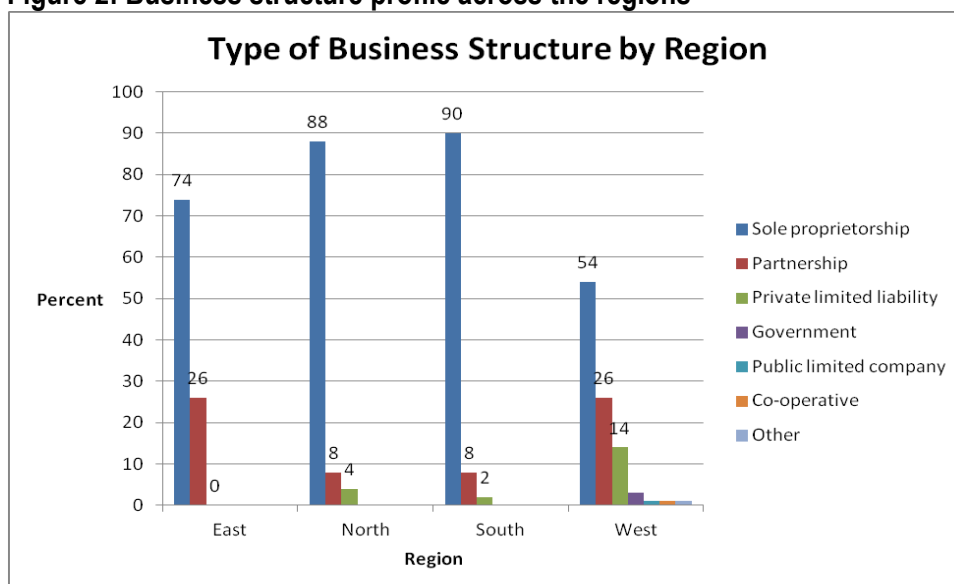
Figure 1: Gender breakdown of employees by region



Business structure profile of SMEs across Sierra Leone

Sole proprietorship was the most common business structure represented in the survey, with a higher incidence in the Northern and Southern regions. Figure 2, shows that partnership structures were more common in the Eastern and Western regions, compared to the Northern and Southern. The highest incidence of private limited liability companies occurred in the Western Area, at 14 per cent, followed by Northern and Southern Regions, at 4 and 2 per cent, respectively. There were none for the Eastern Region.

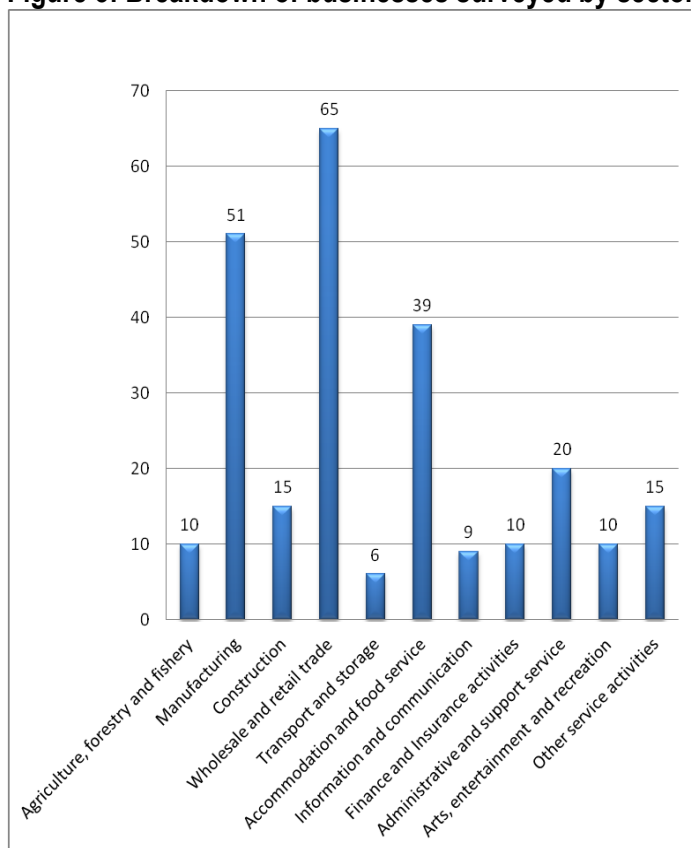
Figure 2: Business structure profile across the regions



Business sector

The largest number of respondents within the survey sample came from the wholesale and retail trade sector, followed by manufacturing, and the accommodation and food service sectors.

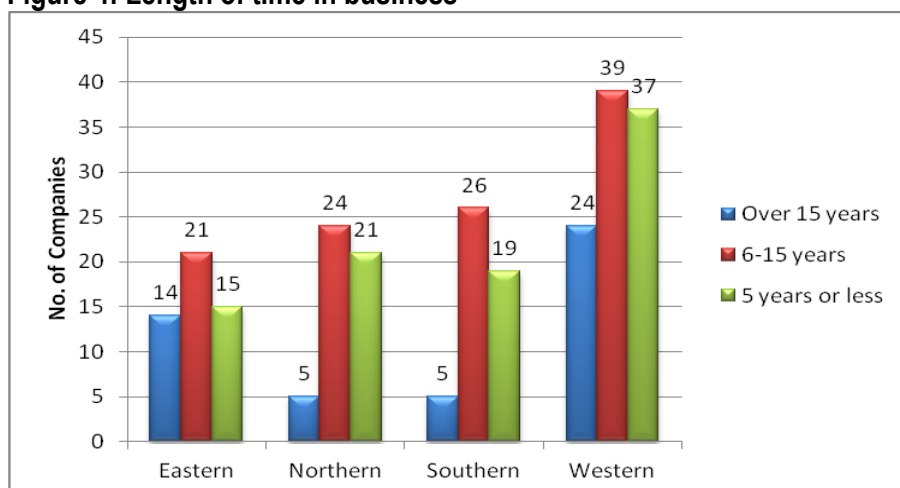
Figure 3: Breakdown of businesses surveyed by sector



Length of time in business

Overall, in each region the majority of businesses within the sample had been established for between 6-15 years. As shown in Figure 4, apart from Western Area, the Eastern region had the highest number of mature businesses, in operation for over 15 years.

Figure 4: Length of time in business

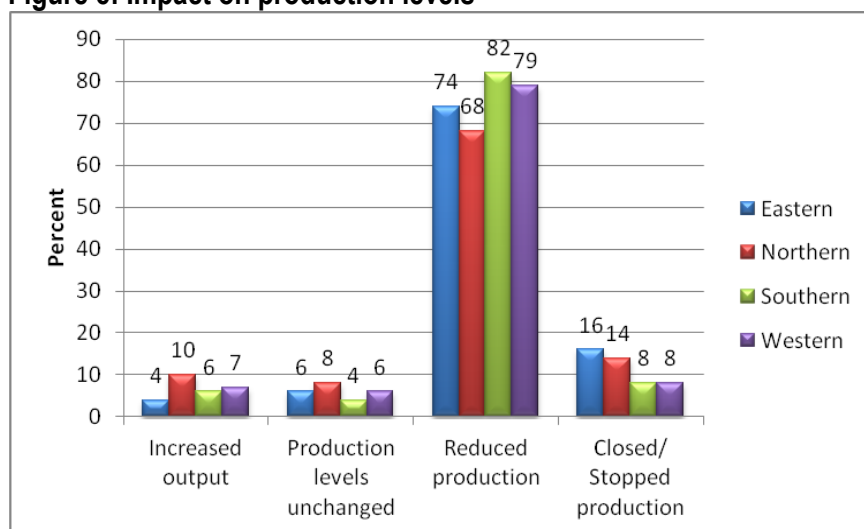


3.2 Impact of Ebola Outbreak on SMEs across Sierra Leone

Reduction in production levels during the Ebola crisis

The vast majority of respondents across the four regions reported a significant reduction in production levels during the Ebola outbreak. The greatest reduction was felt in the Southern region (82% of respondents), closely followed by the Western (79%), Eastern (74%) and Northern regions (68%). The Eastern region was hardest hit in terms of closures or stoppage of production, 16 per cent of businesses surveyed, reducing to 8 per cent respectively for the Western and Southern regions.

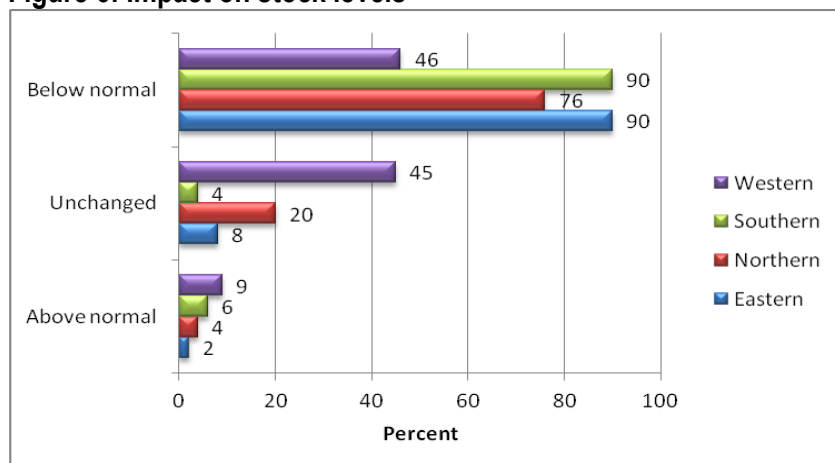
Figure 5: Impact on production levels



Impact on stock levels for finished goods

Excluding seasonal changes, the decline in the level of finished goods was significantly higher in regions outside the Western Area during the Ebola crisis. Respondents in the Eastern and Southern regions reported stock levels 90 per cent below normal, compared to 46 per cent in the Western Area. In the Western Area 45 per cent of SMEs reported no change in the level of finished goods, with nine per cent reporting above normal stock levels. Two per cent of businesses in the Eastern region reported above normal stock levels.

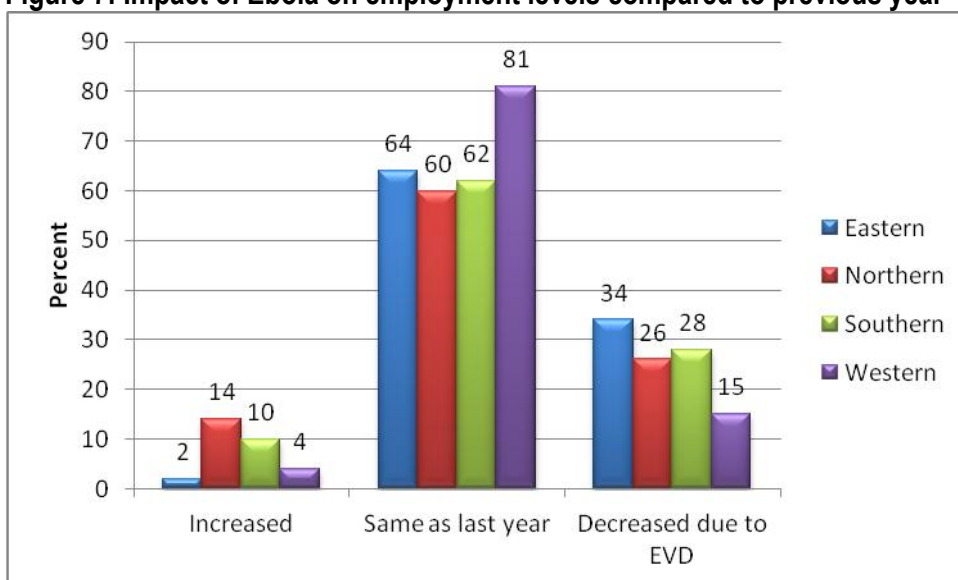
Figure 6: Impact on stock levels



Impact on Employment

Respondents were asked about any change in the number of employees engaged during the Ebola outbreak compared to the previous year. The majority of respondents reported that they had maintained the same number of employees, with the highest in the Western region at 81 per cent and across other regions the average is 62 per cent. Across the board a quarter of SMEs, on average, reported a decline. Unsurprisingly, respondents in the Eastern region reported a higher rate of decreased employees (34%) due to the EVD, followed by 28 per cent in the Southern and 15 per cent in the Western regions respectively.

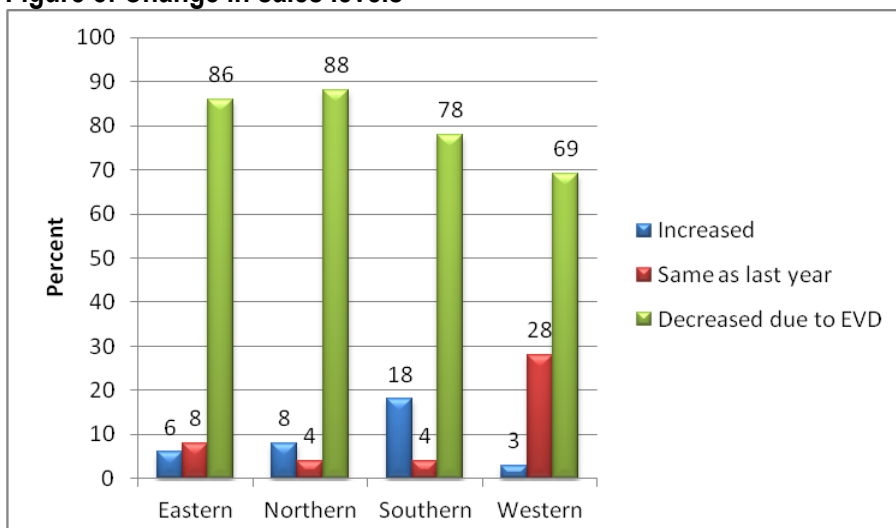
Figure 7: Impact of Ebola on employment levels compared to previous year



Impact of Ebola on sales levels

The survey shows that the Ebola outbreak caused a significant downturn in sales across the country. Hardest hit were the Eastern and Northern regions (86% and 88% of respondents respectively). In the Western Area, 69 per cent of respondents reported decreased sales levels due to the Ebola outbreak; 28 per cent reported the same sales levels as compared to the same period in the previous year. Eighteen per cent of SMEs in the Southern region reported an increase in the sales levels, compared to three per cent in the Western Area.

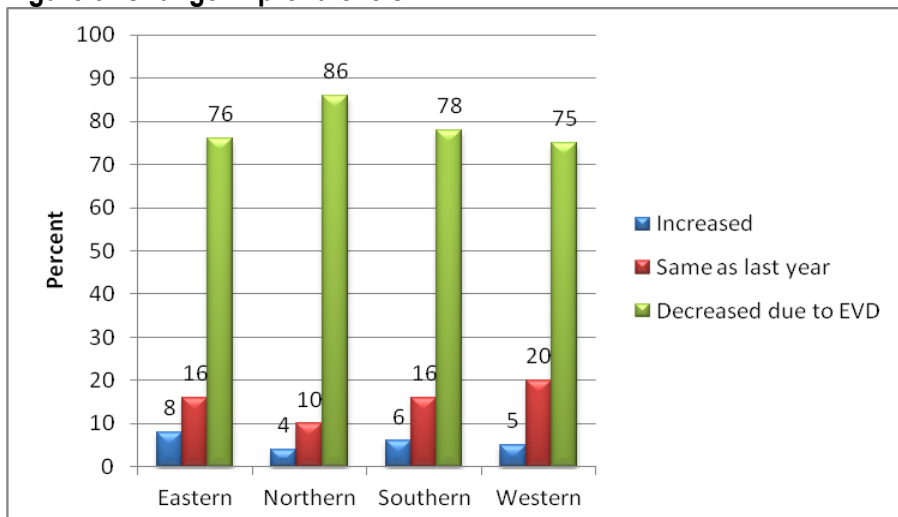
Figure 8: Change in sales levels



Impact of Ebola on profit levels

All regions indicated a significant reduction of profits due to the Ebola outbreak, with the greatest reduction felt in the Northern region (86% of respondents). On average 76 per cent of respondents in other regions reported a decrease in profits. There were some small reported increases in sales. In the Eastern region eight per cent of respondents showed upward change.

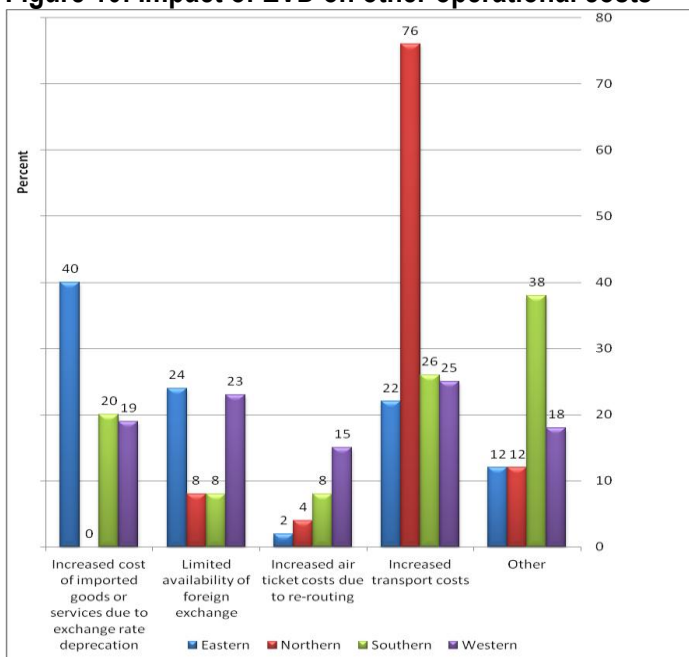
Figure 9: Change in profit levels



Impact of EVD on SMEs' operational costs

Figure 10 shows that the impact of Ebola on various operational costs varied considerably across the regions. Increased transportation costs produced the highest spike in the Northern region (76% of respondents). Furthermore, 40 per cent of respondents in the Eastern region reported that depreciation of the exchange rate had increased the cost of imported goods and services.

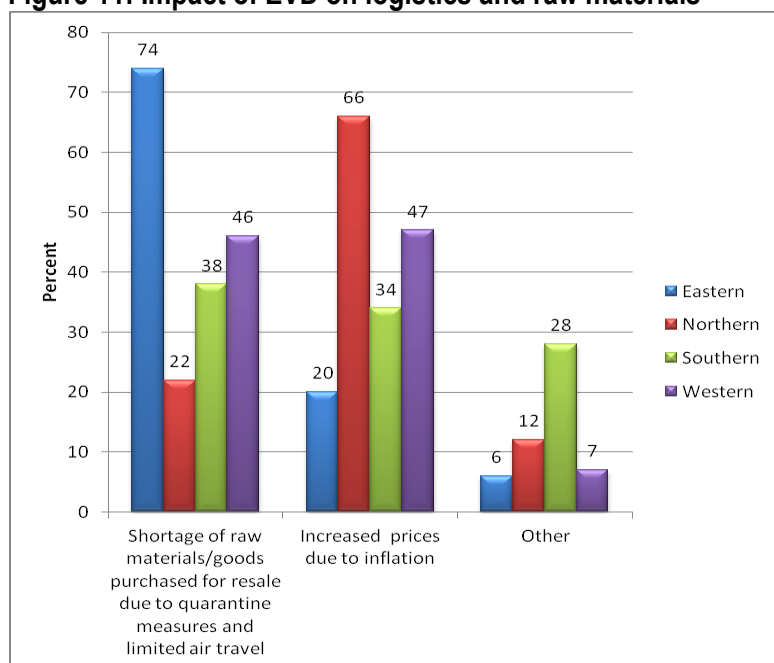
Figure 10: Impact of EVD on other operational costs



Impact of EVD on Logistics and Raw Materials of SMEs

Businesses in the Eastern region (74%) reported the highest impact on logistics and raw materials during EVD with a shortage of raw materials and goods purchased due to quarantine measures and limited air travel. The highest prices increases due to inflation were felt in the Northern region (66% of respondents). In the Western region respondents indicated that shortages in raw materials and goods purchased for resale and increased prices had an equal amount of impact at (46% and 47% respectively). The Southern region was impacted by all factors equally including 'other' at (46% and 47% respectively). The Southern region was impacted by all factors equally including 'other' at 38%, 34% and 28% respectively.

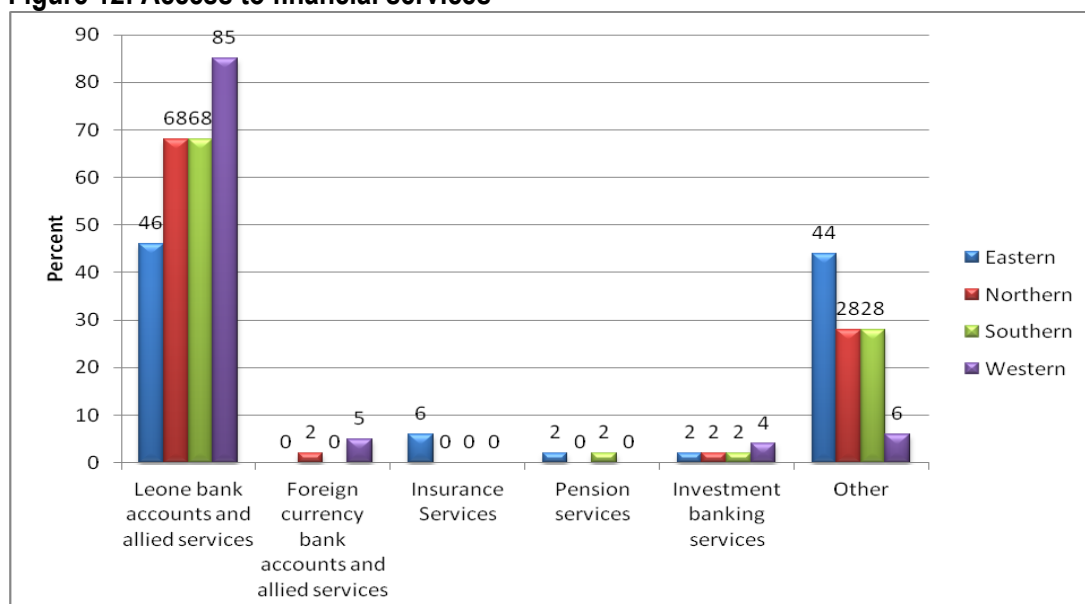
Figure 11: Impact of EVD on logistics and raw materials



SMEs' access to financial services

Respondents in all regions indicated that they had access to Leone currency bank accounts. However, very few had access to foreign currency bank accounts.

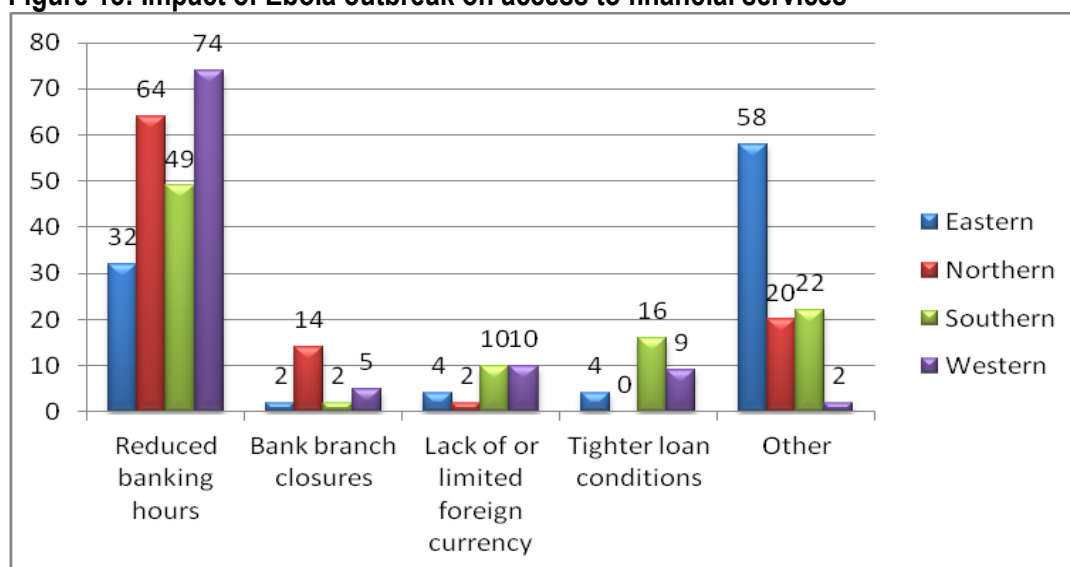
Figure 12: Access to financial services



Impact of the Ebola outbreak on the availability of financial services

The majority of respondents (on average 54.5%) in all regions indicated that the most disruptive aspects of the Ebola outbreak on their access to financial services were reduced bank operating hours, and closure of some banks. Fewer SMEs obtained loans during the crisis compared to the same period previously (18% in the Eastern; 16% in the Northern; 8% in the Southern and 10% in the Western regions respectively). Of those who obtained loans the main purpose was for business expansion, as well as for 'other' reasons.

Figure 13: Impact of Ebola outbreak on access to financial services



3.3 Resilience among SMEs

Business closures due to fear of Ebola

The Eastern (52%) and Southern (54%) regions experienced more business closures due to fear of EVD, compared to the Western (38%) and Northern regions (34%). On average, over four out of ten businesses closed down across the country. Hardly any of the SMEs surveyed had any risk management plans in place prior to the Ebola outbreak.

Figure 14: Regional SME closures due to fear of Ebola

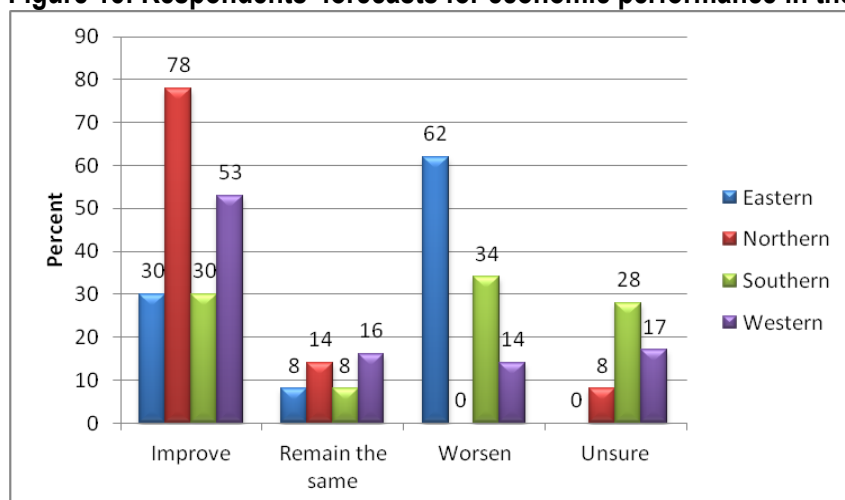


3.4 Challenges for Business Post-Ebola

Respondents were asked a series of questions to assess the challenges that SMEs would face in the long and short term period following the Ebola crisis. Figure 15 shows respondents' forecasts for Sierra Leone's economic performance over the following 3 to 6 months. SMEs in the Northern region were more positive with nearly eight out of ten expecting the economy to improve, compared to other regions. For those in the Eastern region, 62 per cent of SMEs felt that things would worsen.

Asked about expected level of operations in the next 3 to 6 months – again nearly eight out of ten SMEs in the North felt that this would improve. Equally, SMEs in the East were the most pessimistic, with six out of ten expecting the level of operations to decrease post-Ebola.

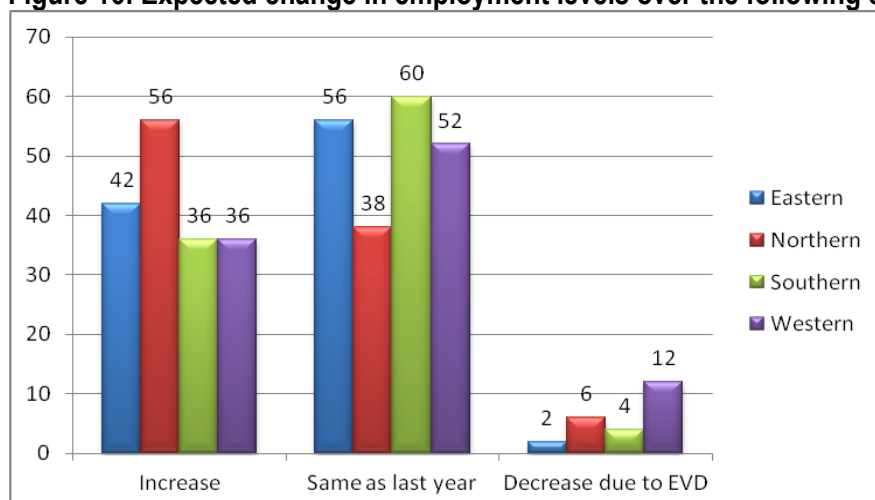
Figure 15: Respondents' forecasts for economic performance in the 3-6 months post-Ebola



SMEs' expected change of employment levels in the 3 to 6 months post-Ebola

A majority of SMEs surveyed in the North (56%) indicated that employment levels would increase in the three to six month period after Ebola. Those in other regions were cautiously optimistic, with a majority of respondents indicating that the situation would mostly remain the same. In the West, 12 per cent of SMEs projected a decrease in employment over the next three to six months due to the EVD, compared to 6 per cent in the Northern, 4 per cent in the Southern and 2 per cent in the Eastern regions.

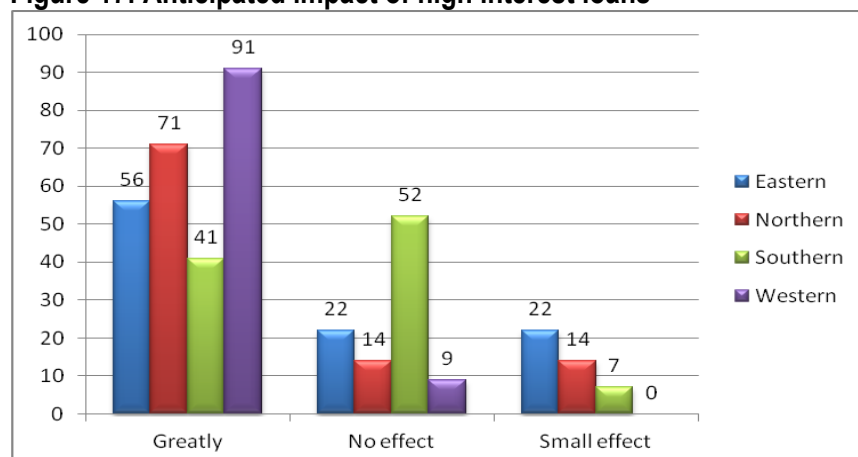
Figure 16: Expected change in employment levels over the following 3-6 months



Access to finance and anticipated effect of high interest loans

The vast majority of SMEs complained about loans with high interest rates with some respondents quoting interest rates of 30 per cent. This was particularly a concern in the Western Area with 9 out of 10 SMEs indicating that high loan interest rates would ‘greatly’ impact their business. Similarly, 7 out of 10 SMEs in the Northern region shared this concern. In the South, half of SMEs indicated that there would be ‘no effect.’

Figure 17: Anticipated impact of high interest loans



3.5 Conclusions

The study’s findings have shown the devastation caused by the Ebola outbreak with some SMEs reporting closures or recording a significant decline in sales. This is consistent with previous studies. In the Eastern and Southern regions approximately half of the SMEs surveyed closed down due to the effects of the outbreak. Approximately one third of SMEs surveyed closed down in the Northern and Western regions. It was not ascertained whether these shutdowns were permanent or temporary. In addition, the impact of the Ebola crisis was also severe on the stock levels for finished goods, particularly outside the Western Area. For instance, in the Eastern and Southern regions, nine out of ten SMEs reported a drop in the stock levels for finished goods.

Indeed the ABC study indicated the magnitude of the impact on SMEs’ sales and profits across the regions with SMEs in the Northern and Eastern regions severely affected. This finding is consistent with data from the focus group interviews conducted across Sierra Leone. For instance, Nanah Kamara, a bar and restaurant owner in Makeni (northern region), said: *“I run a restaurant and because the cases [of Ebola] were increasing in Bombali (capital of Makeni), I closed my shop. This is because my business requires plenty people together. Because of the restrictions (imposed by the government of Sierra Leone), business was slow.”*

Similarly, another focus group participant in the East, a wholesale and retail business, complained that trading had practically halted:

“... Everything stopped and we started to spend the money meant for the business on food. As for my business it was the worst as there was no way I could go to the village to buy my products. There were restrictions on movement. If you attempt to move you will have to spend a lot of money to local authorities.”

Not surprisingly, almost three-quarters of SMEs in the East who reported a severe impact of the Ebola outbreak said that it had resulted in the shortage of raw materials or goods purchased for resale. They

complained that this was mainly due to quarantine restrictions and limited air travel. Moreover, well over half of SMEs in the North reported prices increases due to inflation during the crisis.

The ABC study findings show that although a majority indicated that employment remained the same compared to the period prior to the outbreak, a lesser, but significant, number of SMEs reported a decline. On average, a quarter of SMEs across Sierra Leone indicated a decline in employment due to the Ebola outbreak. This decline echoes the findings of other studies including the World Bank reports.

Effect of EVD on the availability of finance and access to financial services

Beyond decreased sales and profits, SMEs were also confronted with another major problem during the Ebola crisis – the availability of finance and access to financial services. A majority of SMEs surveyed (almost 9 out of 10) indicated that one of the most devastating effects of the EVD on their business was reduced bank operational hours as a direct consequence of Government imposed emergency measures. This was compounded by the closure of some banks – creating a major obstacle to access capital during the Ebola outbreak. Some of the contributory factors of bank closures include mounting levels of a toxic combination of defaults and bad debts on loans to SMEs.³²

While these findings show the struggle businesses faced accessing finance during the Ebola crisis, they underscore a deeper and persistent problem, which the Government of Sierra Leone had acknowledged earlier. In a strategy document published a few months prior to the Ebola outbreak, the Government of Sierra Leone reported that loans to micro, small and medium-sized enterprises had dropped by 20 per cent, compared to the previous year, due to decline in the number of microfinance institutions, which was blamed on mergers.³³

Opportunities in crisis and Resilience among SMEs

The study findings show that the majority of SMEs across Sierra Leone struggled considerably during the Ebola crisis. Other studies have similarly focused on the widespread negative elements. However, the ABC study clearly identifies evidence of a few businesses demonstrating a degree of flexibility and agility in order to capitalise on opportunities in the face of a major crisis.

For instance, one of ABC's beneficiary SMEs, a business engaged in the processing and marketing of cassava products including cassava flour, odourless foo foo, composite flour and gari, managed to create 150 jobs,³⁴ capitalising on opportunities presented by the Ebola outbreak. This business originally had eight paid employees and farmers in the Southern region of Sierra Leone (Moyamba and Pujehun) which benefited from the majority of the new jobs created. During the outbreak, Sierra Leone's staple food, rice, sharply increased in price, by approximately 20 per cent. Consequently consumer behaviour changed, as more people switched to buying cassava, Sierra Leone's second staple food.

The ABC study revealed that hardly any SMEs across Sierra Leone had any formal risk assessment and mitigation plans (RAMPs) in place prior to the Ebola outbreak. During the focus group interviews a majority of the participants demonstrated little or no familiarity with risk assessment plans. Each focus group was asked whether they understood the concept of a risk assessment and mitigation plan. There was an initial lack of clarity. However, once the concept was explained to them, participants admitted

³² Dr Peter Davis, *Ebola in Sierra Leone: Economic Impact and Recovery*, July 2015.

³³ Due to the mergers and consolidations of struggling MFIs an estimated 80,000 borrowers are catered for, a decline of 20,000 two years previously according to Sierra Leone's Ministry of Trade and Industry. National *Micro, Small and Medium Enterprise Development Strategy*, November 2013.

³⁴ These jobs, according to the owner of the business, had created a positive impact in the lives of these farmers, providing them with flexible working hours while bringing a steady stream of income, at a time when job and income losses were prevalent across the country due to the Ebola crisis. This was also featured in the 2nd edition of FT insight magazine, a publication that targets investors doing business in Sierra Leone.

<https://www.yumpu.com/en/document/view/55154500/ftinsight-feb-2016>

that they had no risk mitigation plans in place prior to the crisis. This, to some extent, explains why these businesses were largely left vulnerable and without crisis contingency plans.

As the focus group discussions progressed it became apparent that participants had some understanding of basic financial and operational business risks. For example, Mildred Raffieu, owner of a drug store in Makeni, envisioned a scenario where her drugs might not be sold prior to the expiry date, which could potentially threaten the survival of her business. To manage this risk, Mildred said that she would buy drugs that were well within the expiry period, so that they could be sold well ahead of the expiry date. While this demonstrated a good risk management strategy for a known risk, among all focus group participants, a preparedness and management strategy for unknown risks, such as the Ebola crisis, was clearly absent.

Prior to 2014 Ebola virus disease was unknown and unexpected in West Africa and the ensuing epidemic and its consequences were therefore clearly never widely envisaged. Arguably, unknown risks can catch even the largest and most experienced of international companies unawares. A study by Mitroff and Alpaslan (2003) shows that out of the “Fortune 500 companies,” three-quarters are unprepared for a possible unknown crisis.³⁵ Nonetheless, the fact that hardly any of the SMEs surveyed had any risk assessment or mitigation plans in place is a cause for concern. Businesses in Sierra Leone were unable to take effective measures to minimise the negative consequences of the EVD outbreak, and equally failed to capitalise effectively on opportunities presented during the crisis. It is unclear precisely what role the lack of RAMPs played in the closure of a significant number of SMEs (over half in the Eastern and Southern regions in particular) due to the disruption caused by the Ebola crisis.

Challenges for businesses post-Ebola

The Ebola outbreak has cast a bleak picture for the country’s economy, at least in the short term. SMEs’ projected forecasts for the country’s economic outlook varied across the regions, with the North being most optimistic. Nearly 8 out of 10 SMEs in the Northern region thought the economy would improve in the three to six months post-Ebola, compared to 3 out of 10 SMEs in the Eastern region.³⁶ Generally, SMEs felt that employment levels would improve; over half of those in the North said so, while other regions were cautiously optimistic. It is worth noting that the EVD was receding and Government imposed quarantine measures had ended during the period in which both the quantitative and qualitative data were collected. This may have influenced the optimism levels among respondents.

The study findings showed that some pre-existing challenges prior to the Ebola outbreak have persisted. These have also been highlighted in some recent studies. According to Dr Davis, some of the major constraints businesses were previously confronted with, such as corruption, inadequate infrastructure and poor access to finance, worsened during the Ebola crisis.³⁷ This claim is consistent with, and reinforces, the ABC study’s findings particularly in relation to the availability of and access to finance. A significant majority of SMEs surveyed, identified this as a particular obstacle that significantly affected their businesses.

In 2013, prior to the Ebola outbreak, the Government of Sierra Leone admitted that financial institutions were not lending enough and that significant effort had to be made to “upscale microfinance institution lending and downscale commercial bank lending” to support MSMEs.³⁸

Participants in the focus group interviews gave examples of how this challenge affected their business. For instance, Mariatu Jusu who owned an agribusiness in Freetown said: “*Financial institutions don’t*

³⁵ Mitroff I.I. and Alpaslan M. C. *Preparing for Evil*, Harvard Business Review, (2003).

³⁶ The Eastern province is one of the regions in Sierra Leone most affected by the Ebola virus disease.

³⁷ Dr Peter Davis, *Ebola in Sierra Leone: Economic Impact and Recovery*, July 2015

³⁸ Report by Sierra Leone’s Ministry of Trade and Industry, *National Micro, Small and Medium Enterprise Development Strategy*, November 2013.

give loans to farmers, since we don't have the collateral security and they don't accept [an] empty land to serve as collateral."

Another participant Bridgetta Amoaten, also an agribusiness owner, agreed and complained that financial institutions required very high interest rates, and this had discouraged her to even ask for a loan. Similarly, another participant was even more frustrated and said *"the interest rate is very high". "It's about 30%. The collateral the banks are asking for is uncalled for. And if they give you loan, they don't have a grace period before the start of repayment."*

In addition, the overwhelming majority of participants in the focus group interviews highlighted business running and operational costs as being too high. For instance, Aunty Kitta, who owned a pharmacy in Kenema, said *"We are renting the space for the pharmacy and that is where we spend the highest."*

The huge operational and running costs faced by businesses in Sierra Leone constitute a key challenge that requires major research into areas of policy reform of the financial system to ensure business profitability and sustainability.

4. HEADLINE FINDINGS FROM UNITED KINGDOM RESEARCH

INTRODUCTION

The findings discussed in this section based on data derived from the UK survey and focus group interviews of existing and potential diaspora,³⁹ in addition to other UK-based investors with business operations in Sierra Leone during the 2014–2015 Ebola crisis (May 2014 to November 2015.) Primary data was collected through quantitative surveys and qualitative focus group interviews conducted in parallel in Sierra Leone and the UK between September 2015 and March 2016. Where necessary, these data have been triangulated with reference to public records and findings from external related research. In some cases, the percentages have been rounded up to one decimal point - for example, 1.8 per cent is rounded up to 2 per cent.

This section is sub-divided as follows:

- 4.1 Demographic profile of diaspora and other UK-based existing and potential investors
- 4.2 Impact of the Ebola outbreak on potential diaspora and other foreign investment
- 4.3 Impact of the Ebola outbreak on existing diaspora and other UK-based investors
- 4.4 Resilience amongst diaspora and other foreign investors
- 4.5 Challenges for diaspora and foreign investors in Sierra Leone post-Ebola

In line with the research objectives this study did not look at “returnees” – Sierra Leoneans formerly living in the UK but who have since returned to stay permanently in Sierra Leone.

Remittances versus diaspora direct investment

Remittances, money sent from diaspora to family members or friends back home, can be used for numerous investment and non-investment purposes. Diaspora direct investment involves investment in the country of origin made directly by diaspora individuals, enterprises or companies where a diasporan holds top executive positions.

A total of 58 responses were recorded. 50 respondents indicated that they were investing or planning to invest when Ebola struck in Sierra Leone in 2014. The eight respondents who indicated otherwise were excluded from the analysis given that they had not been investing or thinking about investing in Sierra Leone either as diaspora or other UK-based investors and therefore failed to meet the criteria.

4.1 Demographic Profile of Diaspora and other UK-Based Existing and Potential Investors

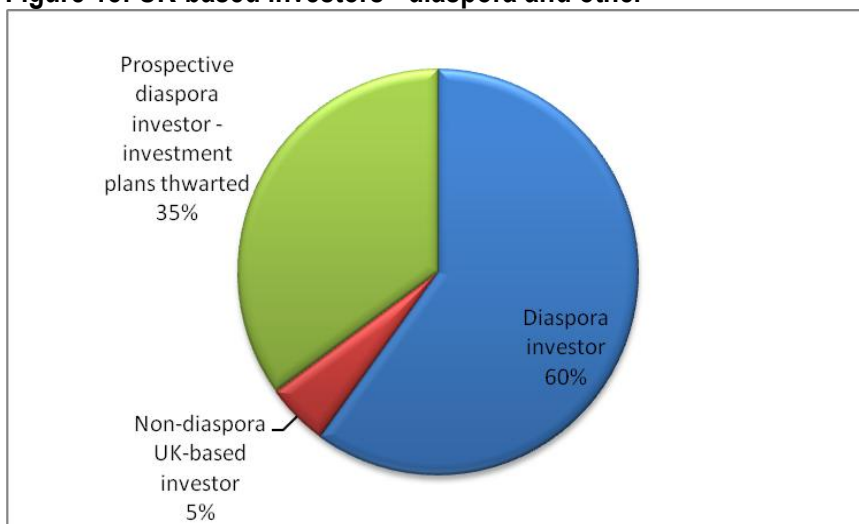
Profile of Respondents

There were more female than male respondents in the survey sample, with a 3:2 ratio. In terms of age group, the largest category was between 45-54 years (32.7%) – with a significant number (55%) below 45 years.

As shown in Figure 18, the vast majority (60%) of respondents identified themselves as diaspora investors – Sierra Leoneans based in the UK who are investing in Sierra Leone. Only 5 per cent were non-diaspora UK-based investors. A smaller, but significant, number of respondents, 35 per cent, had intended to invest as diaspora investors but abandoned their investment plans due to the Ebola outbreak.

³⁹ For the purpose of this study, ‘Diaspora’ refers to people who are living transnationally, but have stayed connected to their country of origin – for example: a Sierra Leonean in the diaspora is someone who lives in the UK but maintains relations with Sierra Leone.

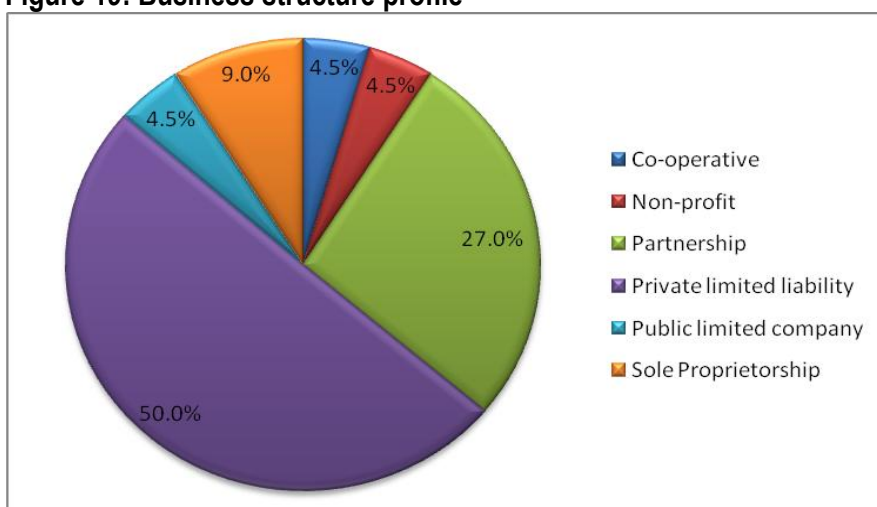
Figure 18: UK-based investors - diaspora and other



Profile of investors and business structures

The survey showed that 25 respondents (50%) were existing diaspora investors while two (4%) were other UK-based investors. Of those who responded to this question (sample = 22) half of the businesses were private limited liability companies; 27 per cent were partnerships and 9 per cent were sole proprietors. The other business structures represented were co-operatives, non-profits and public limited companies.

Figure 19: Business structure profile



In addition to investing in Sierra Leone, nearly 80 per cent of diaspora and foreign investors who answered this question had other occupations, the most popular categories being in community and social service, and management (16% each). Arts, design, entertainment, sports, and media also featured as popular occupations (10.5%).

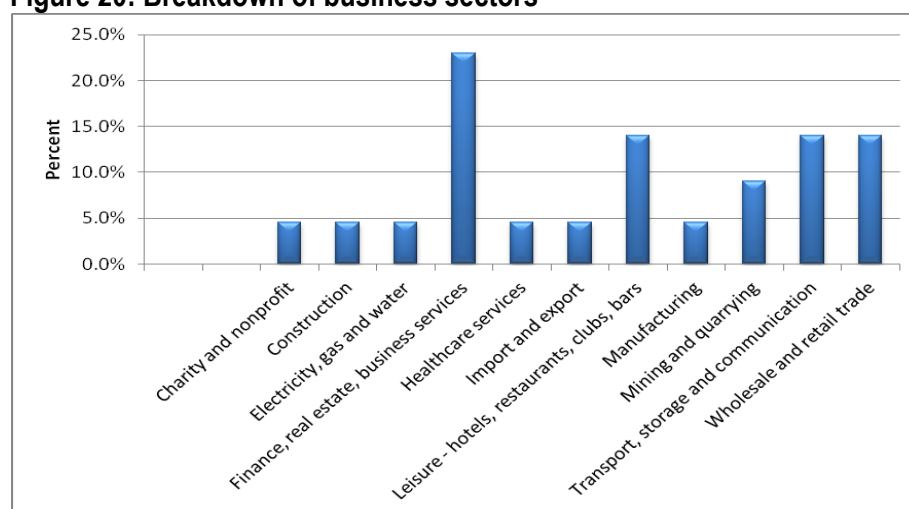
Business sectors for diaspora and UK-based investors

The bulk of investment by diaspora and foreign investors surveyed tended to focus on finance, real estate and business services (23% of respondents). The second largest sectors for investors (at 14% each) were in leisure, transport and wholesale. A breakdown of the sectors is shown in Figure 20.

Over 90 per cent of investors were investing in micro and small enterprises with less than 20 paid employees (based on Sierra Leone’s Ministry of Trade and Industry classification of enterprises)⁴⁰. Prior to the Ebola outbreak, nearly 40 per cent of investors employed between 1 to 4 staff; 32 per cent employed between 5 to 19 staff and 26 per cent had no employees. Only one investor was a medium enterprise, employing 20 to 49 staff. There were no large enterprises (50 and over employees) within the survey sample.

Approximately 90 per cent of investors indicated that their starting investment was below GBP 100,000, while only 5 per cent reported they started with between GBP 100,000 and GBP 499,999.

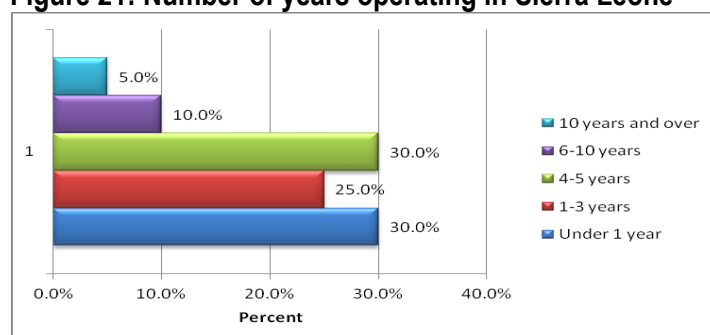
Figure 20: Breakdown of business sectors



Length of time in business

The survey shows that only a very small number of diaspora and foreign businesses were well established in Sierra Leone; only 5 per cent had been in operation for 10 years or over. 10 per cent had been established for 6 to 10 years. A significant number were relatively new businesses: 30 per cent of diaspora and foreign investors’ businesses had been established for less than a year. A further 30 per cent had been established 4 to 5 years; with 25 per cent in operation for between 1 and 3 years.

Figure 21: Number of years operating in Sierra Leone

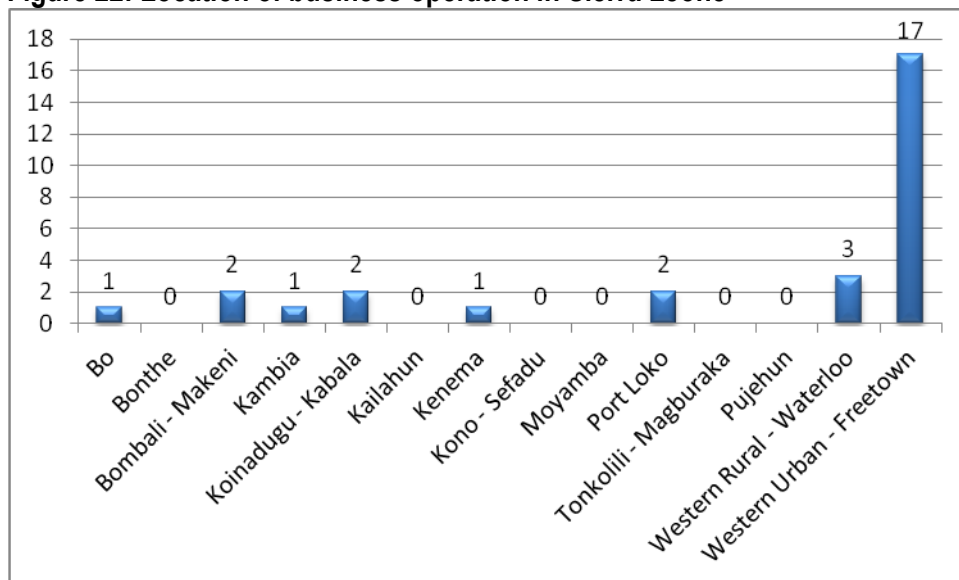


⁴⁰ Sierra Leone’s classification of enterprises only reflects the number of employees and does not currently reflect annual turnover. It classifies enterprises as follows: Micro – 0-4 employees; Small - 5–19 employees; Medium -20–49 employees; and Large 50 and over.

Location of businesses

The majority of investors surveyed had businesses were situated in Sierra Leone’s Western Area – in the capital Freetown, followed by Western Rural Waterloo. One investor was operating in Bo, Sierra Leone’s second largest city, in the Southern region, and Kenema in the Eastern province respectively.

Figure 22: Location of business operation in Sierra Leone

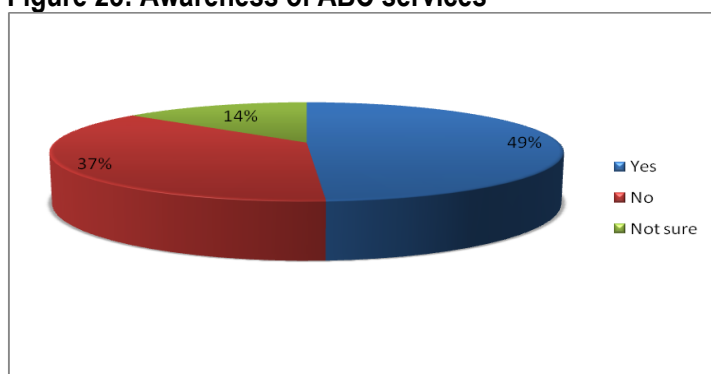


Awareness of ABC business support services

Approximately half of respondents in the survey were aware of the services the ABC offers, while 37 per cent were not, and 14 per cent of respondents were unsure.

For those aware of the ABC, over two-thirds, had accessed its *Doing Business in Sierra Leone* Briefing Sessions.⁴¹ Other popular support services used by respondents included business advice to traders and exporters doing business in Sierra Leone, and a ‘matching’ function – introducing local entrepreneurs seeking investment and partnerships to investors.

Figure 23: Awareness of ABC services



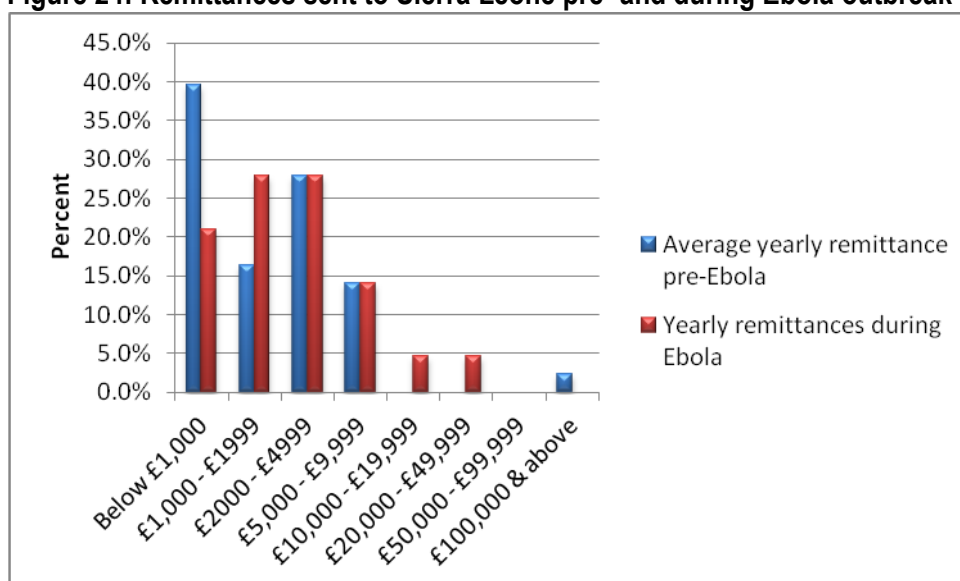
⁴¹ The ‘*Doing Business in Sierra Leone*’ package has three components: facts and figures about regulations and practicalities of doing business in Sierra Leone; presentation of types of businesses suitable for small/medium investment in Sierra Leone; case study testimony from people who have started and run businesses in Sierra Leone.

Remittances sent to Sierra Leone Pre- and during Ebola outbreak

A significant majority of respondents (88%) remitted funds to Sierra Leone. Over three quarters of those used formal specialised money transfer agencies such as MoneyGram and Western Union (52%) and other fragmented formal agencies including banks and bureaux (25%). Less than 20 per cent of remittances were sent through informal channels, such as via family, friends or relatives.⁴²

Prior to the Ebola outbreak, a majority (40%) of remittances sent were up to GBP 1,000 per year; only one respondent remitted over GBP 100,000. The amount of remittances increased during the Ebola crisis. More respondents (28%) remitted amounts of between GBP 1,000 and 1,999 during the outbreak, compared to 16 per cent prior to Ebola. Also, about 10 per cent of respondents remitted between GBP 10,000 to 49,999, while no one sent that amount prior to Ebola (sample of 43).

Figure 24: Remittances sent to Sierra Leone pre- and during Ebola outbreak



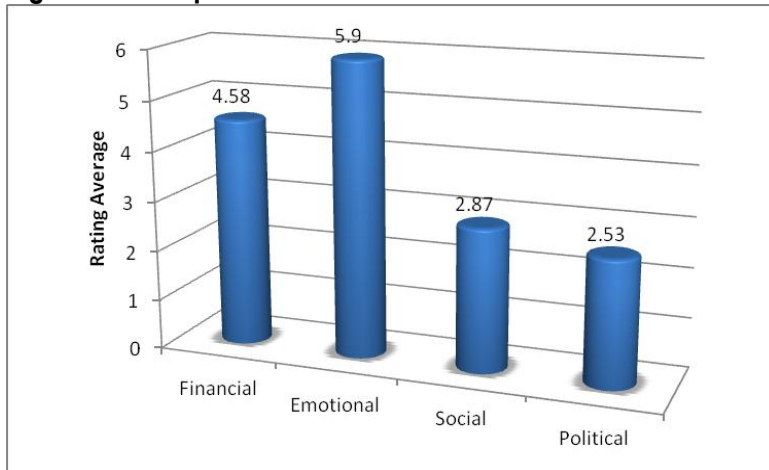
Diaspora investment motives

Diaspora investment is driven by various factors. However, a study has conceptualised these drivers into a motivational framework of four categories, namely: emotional (emotional satisfaction that comes with investment), financial (including profits), political (possibility of influencing government policy, and social-status (recognition gained within diaspora communities and organisations) investment.⁴³ This concept has been applied in this survey. Figure 25 shows that emotional returns are more important for diaspora investors compared to financial and other motives.

⁴² Remittances sent through formal channels present a significant prospect for economic development, compared to informal channels, which can promote savings and investment among recipients, and by extension improve foreign change and balance of payments for developing countries and their economies Developing Markets Associates Ltd (2011). *Constraints in the UK to Ghana Remittances Market* https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67581/Constraints-UK-Ghana.pdf

⁴³ Nielsen T. M. and Riddle, L. (2010). *Investing in Peace: The Motivational Dynamics of Diaspora Investment in Post-Conflict Economies*, Journal of Business Ethics.

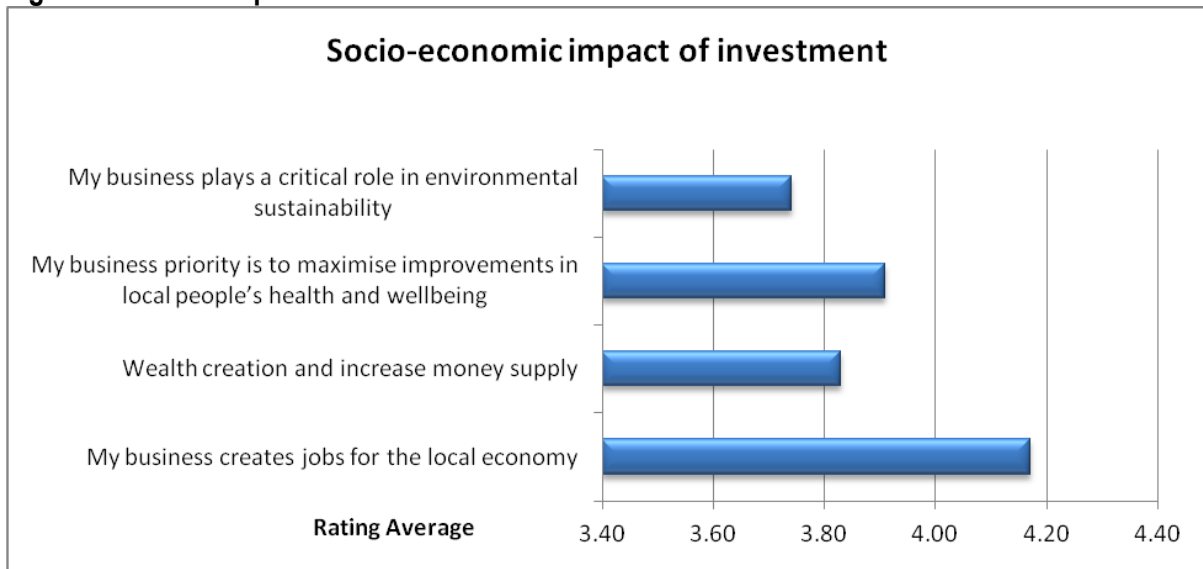
Figure 25: Diaspora investment motives



Social impact of business

Respondents were asked to what extent they felt they were making social impact through their investment in Sierra Leone. The ratings ranged from 1 to 5 – with 1 indicating ‘Strongly Disagree’ and 5 indicating ‘Strongly Agree.’ Questions specifically addressed areas relating to contribution to jobs and wealth creation, as well as environment and health. The survey revealed that the creation of jobs for the local economy was more favoured, followed by the need to maximise improvements in local people’s health and wellbeing. Wealth creation appears to be less of a priority amongst investors.

Figure 26: Social impact

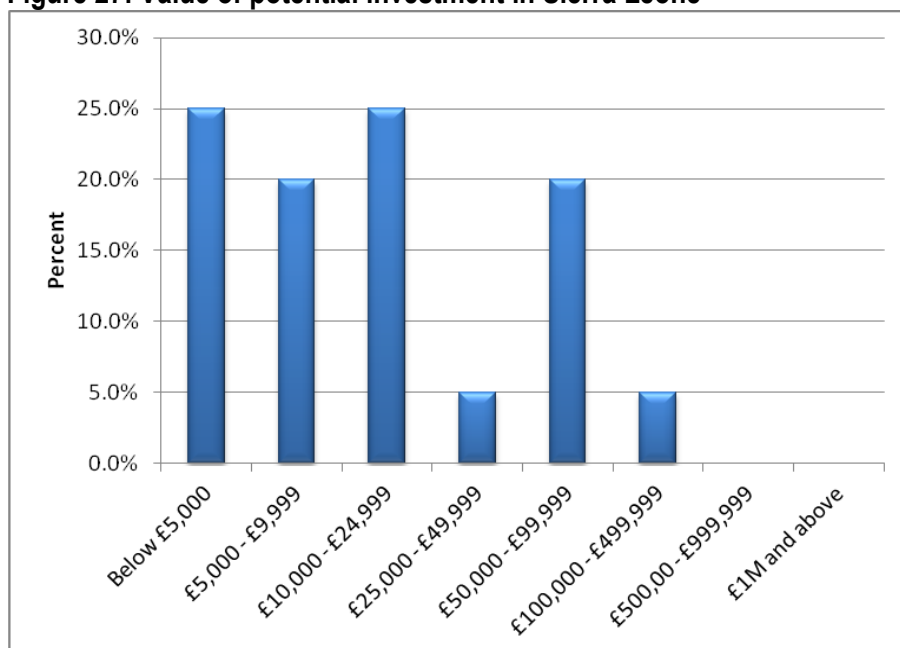


4.2 Impact of the Ebola Outbreak on Potential Diaspora and other Foreign Investment

The survey found that the Ebola outbreak has had a devastating impact on potential inward investment into Sierra Leone. Unsurprisingly, 81 per cent of those who had intended to invest reported that issues related to the outbreak effectively prevented them from actually investing. However, a small number of potential investors (19%) cited other factors such as: ‘lack of knowledge of opportunities’ and ‘unstable government.’ Most of them (70%) indicated that they had intended to invest less than GBP 25,000. Figure 27 gives a breakdown of the amount of potential investment.

Asked whether they would invest over the next 12 months if the situation returned to normal in Sierra Leone, an overwhelming majority (80%) said “Yes”. One respondent cited “*Desire to assist in the development of the country and creating opportunities for local businesses*” as the motive for investing. Another said: “*There is a lot of business potential in Sierra Leone, with the all clear by WHO, I am definitely thinking about investing again.*” However, 20 per cent (4 respondents), who were unsure whether they would invest, expressed uncertainty about the persistence of the EVD at the time.

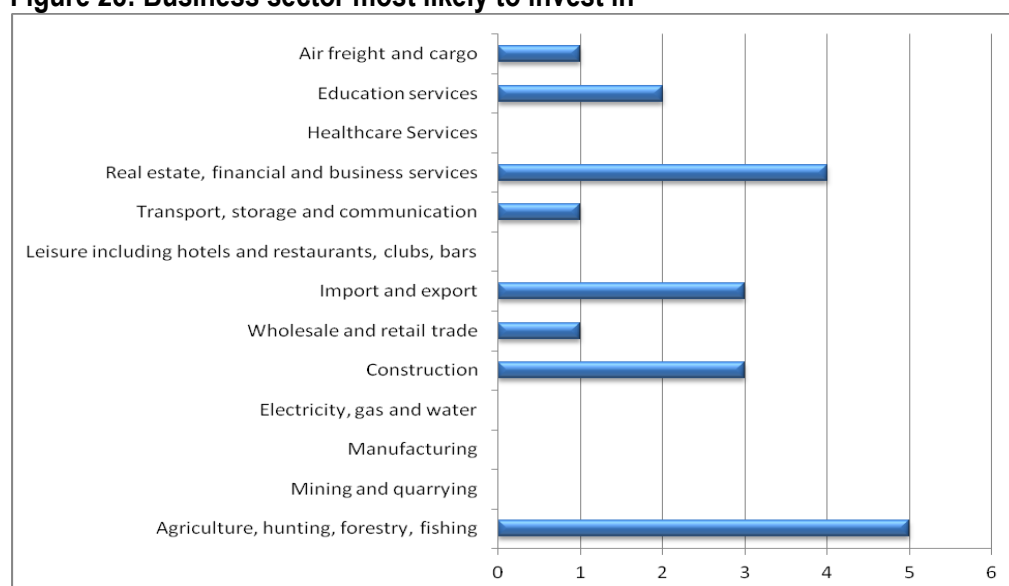
Figure 27: Value of potential investment in Sierra Leone



Potential diaspora investment

Figure 28 highlights the key sectors for potential diaspora investment, showing high interest in agriculture, hunting, forestry, fishing (25%), followed by real estate, financial and business services (20%).

Figure 28: Business sector most likely to invest in



4.3 Impact of the Ebola Outbreak on Existing Diaspora and other UK-Based Investors

Over 60 per cent (11 existing diaspora and other UK-based investors) categorised the impact of the Ebola outbreak on their businesses as ‘severe’ or ‘very severe’. Five investors reported that their businesses had been moderately impacted, whilst one investor reported that the impact had not been severe. Table 2 shows higher rates of impact of Ebola for diaspora and UK-based investors (response count = 17). Approximately 60 per cent of investors reported that business profits, sales and planned investment declined by 20 per cent during the Ebola outbreak compared to the same period in the preceding year. In addition, more investors reported their businesses running costs had increased. There was also a major decline in employment of paid staff, however, one investor reported that employment increased by 20 per cent and over.

Of those impacted severely, only three respondents (18%) closed down their business operations entirely as a direct consequence of the Ebola outbreak. The three businesses that closed down were owned by diaspora investors with no risk strategies in place. Two of these businesses were in transport, import and export sectors, which were significantly hit by the Ebola outbreak; the other was in the finance real estate and business services sector.

Table 2: Impact of Ebola on business

Percentage change	Decreased by 20% & over	Decreased by less than 20%	Remained the same	Increased by less than 20%	Increased by 20% & over
Cost of running the business	4	0	5	3	5
Employment of paid staff	4	5	7	0	1
Business profits	12	2	3	0	0
Sales	11	2	4	0	0
Planned investment	10	3	3	1	0

Impact of Government of Sierra Leone emergency measures and foreign travel restrictions

Respondents were asked to assess the extent to which they consider that measures imposed by the Government of Sierra Leone and foreign countries had impacted their business operations in Sierra Leone. Ratings were from 1 to 5 – 1 being ‘strongly disagree’ and 5 being ‘strongly agree.’

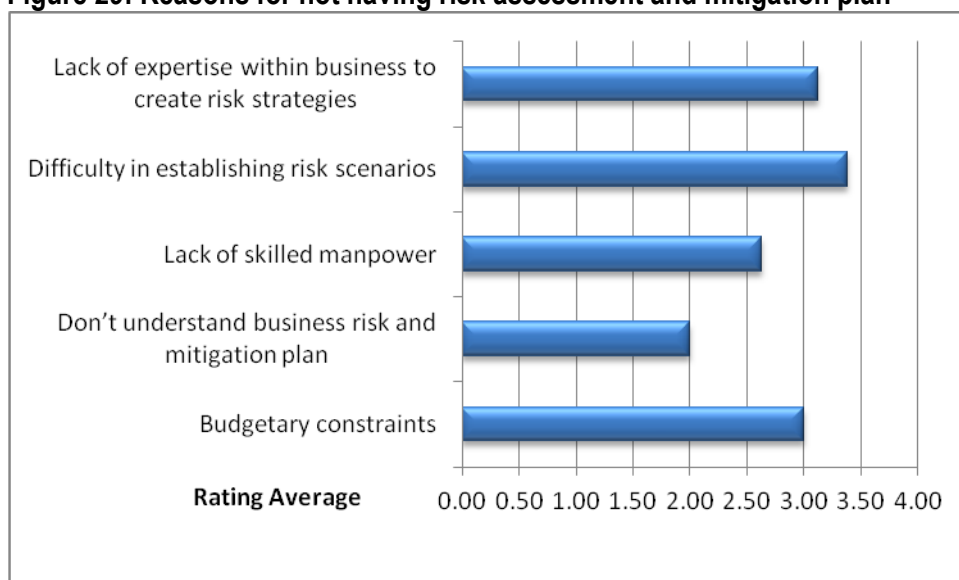
“Emergency measures and restrictions on movement of people imposed by the Government of Sierra Leone has had a negative impact on my business operation” and “Foreign Travel restrictions, including UK travel ban, placed on Sierra Leone has had a negative impact on my business operation” received average ratings of 4 and 4.12, respectively. In contrast the fear of being trapped in Sierra Leone and fear of contracting EVD were scored 2.71 and 2.47, respectively.

4.4 Resilience amongst Diaspora and other Foreign Investors

Respondents were asked whether they had any risk assessment and mitigation plans (RAMPs) in place prior to the Ebola outbreak. Among diaspora and UK-based investors, nine respondents (53%) said that they had RAMPs, while 8 respondents per cent (47%) did not. Those with minimal investment in their business were the most likely not to have provided for risk contingencies. The exact opposite applied to those with larger investments to protect. Of those with RAMPs, only 44 per cent had a formal written policy, explicit to their staff members, while 55 per cent had an informal policy.

Prior to the Ebola outbreak businesses organised training sessions conducted internally and externally to prepare staff for various risk scenarios. Figure 29 shows that for the majority of respondents without RAMPs, factors such as budget and expertise and difficulty in establishing risk scenarios were key constraints. Post-Ebola, over 70 per cent of businesses were interested in having a risk assessment and mitigation plan in place.

Figure 29: Reasons for not having risk assessment and mitigation plan



4.5 Post-Ebola Sierra Leone – Challenges for Diaspora and Foreign Investors

Existing and potential diaspora and other UK-based investors were concerned about the challenges shown in Figure 30 and 31 for both the immediate and long term in relation to doing business in Sierra Leone. However, they were most concerned about:

- Detailed post-Ebola recovery strategy or plan to restore business operation
- Impact of continuing restrictions to direct flights to Sierra Leone to their business operations (since restarted)
- Access to finance and revenue
- Employing staff with the right skills
- Government red tape

Figure 30: Short term challenges

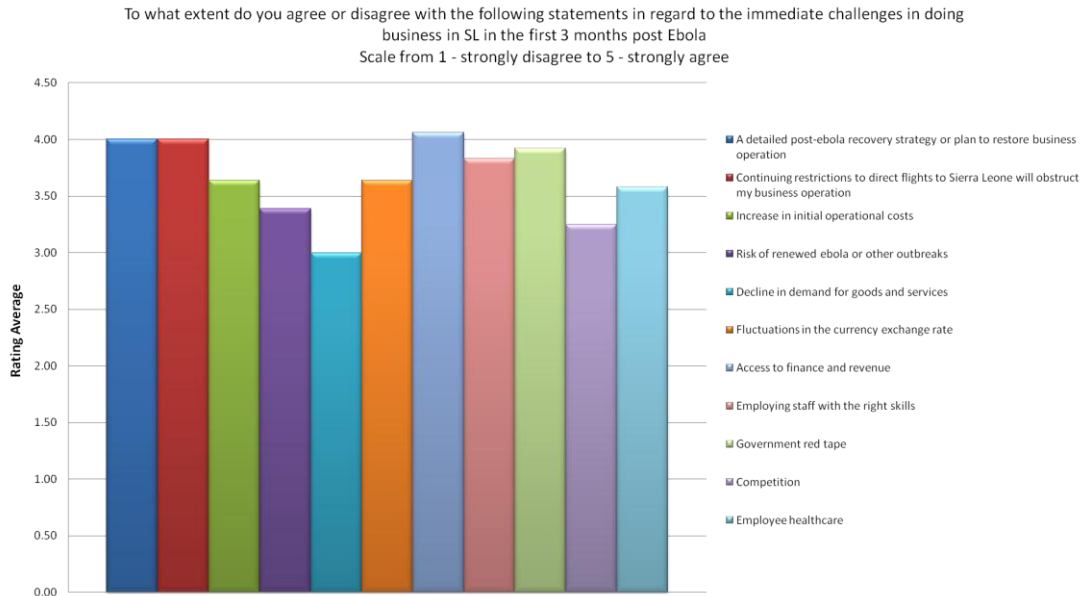
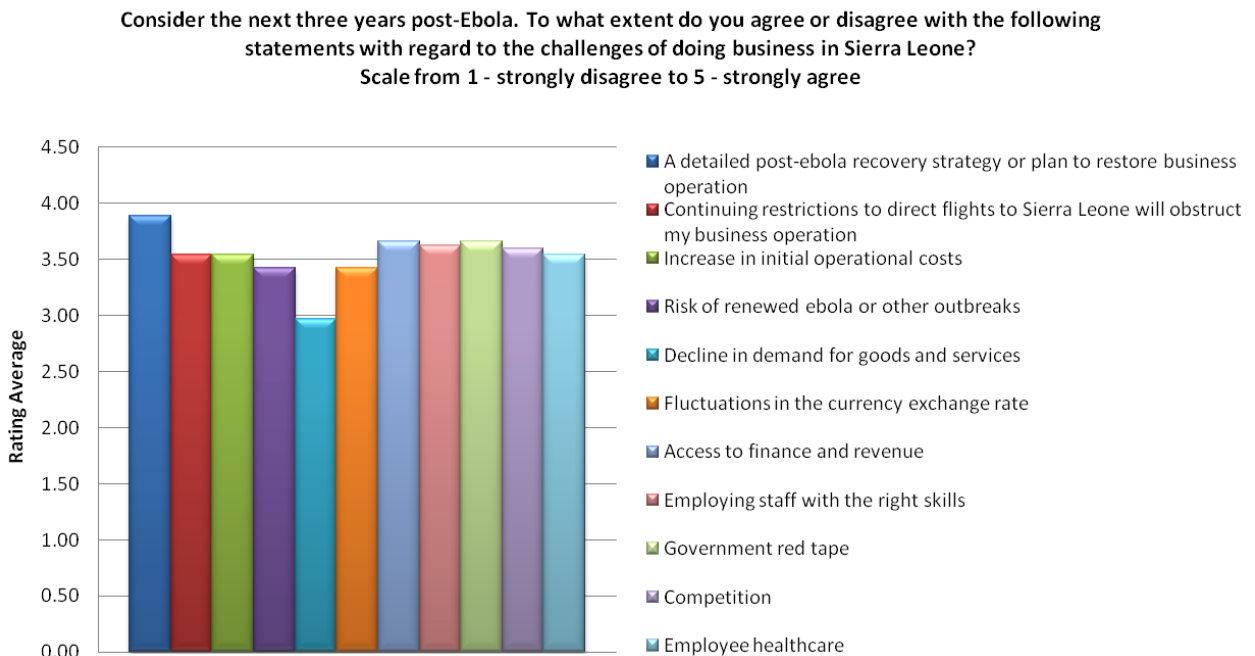


Figure 31: Long term challenges



4.6 Conclusions

Diaspora and other foreign-based investment in Sierra Leone play a vital role in supporting the country's economy by creating jobs and wealth. This study has shown that the Ebola outbreak has had a devastating impact on existing and potential diaspora and other UK-based investment, with investment plans halted, jobs destroyed, profits plummeting and some businesses closing down.

The survey results attest that, for the vast majority of potential investors, eight in ten of them, the Ebola crisis was the predominant factor that stopped them from investing in Sierra Leone. One respondent said: *"During the Ebola businesses were restricted especially in rural areas."* Another respondent, a farm owner, was worried that too many people on his farm could spread the virus. Data from the focus group discussions, held in London, show a strong link to this survey result. For example, one focus group participant had intended to invest in agriculture in the rural areas but had to halt this plan which was "severely affected by the Ebola outbreak."

The study revealed that eight out of 10 potential diaspora investors were more likely to invest in the country once things got back to normal. Their primary driver was emotional motivation aimed at job creation and the desire to make a meaningful contribution to Sierra Leone's development. This corresponds to findings from a World Bank survey (Riddle, 2015) on the Sierra Leone diaspora's perception to investing in Sierra Leone, which also indicates a strong emotional purpose for investing.⁴⁴ The most common underlying elements are a sense of personal duty and the pride that comes with investing.

Existing diaspora and other UK-based investors experienced an increase in the cost of running their businesses and a significant drop in profits as a result of the Ebola crisis. Approximately six out of ten investors reported that business profits, sales and planned investment declined by 20 per cent during the period of the outbreak, compared to the same period in the previous year. There was also a significant decline in employment of paid staff, although one investor reported that employment increased by 20 per cent and over.

Data from the focus group interviews overwhelmingly corresponds with this claim. One participant described the enormous impact of the Ebola outbreak on her friend's wedding planner business:

"I have a friend who's got a wedding business. Things came to a complete standstill. She had seven weddings planned in Sierra Leone, which had to stop. She already had consignments sent, people contracted... to then have to withdraw and move location. And if you look at clients who were not necessarily Sierra Leoneans but looking at Sierra Leone as a destination – as it was part of her service – well, you've lost those clients and their networks also for the future, which affects her business. Because nobody wants to go to this Ebola-torn country."

Another participant agreed and told the focus group that his family's mining company in Sierra Leone effectively closed down as the Government's emergency measures hampered his return to the country.

The Ebola crisis itself was not always the main issue faced by those doing business in Sierra Leone. Many of the problems faced by diaspora and other UK-based investors have been attributed to the *emergency measures* imposed by the Government of Sierra Leone. In August 2014, the Government imposed emergency measures and restrictions on movement of people aimed at preventing the spread of EVD. This research shows that this measure alone, together with quarantine measures, had far-reaching consequences, hindering both diaspora and other foreign investment into Sierra Leone.

⁴⁴ *Sierra Leone Diaspora Investment and Trade Study* (World Bank, February 2016). Accessed 15 January 2016: <http://www.worldbank.org/en/news/infographic/2016/02/05/sierra-leone-diaspora-investment-and-trade-study>

This was also highlighted in the focus group interviews. One participant said: *“It’s almost that the entire country has been quarantined, actually.”* Another participant agreed and went on to say: *“Prior to the Ebola, I would be going out to the region every 4 to 5 weeks; and I would spend 2 to 3 weeks in the country.”*

A third participant said: *“I was severely affected because certain areas were closed off... Internal movement was restricted. Even going from the western peninsula going into town – there were so many checkpoints... Also international travel was more expensive.”*

Only three diaspora businesses supported by ABC ceased trading during the Ebola outbreak as a direct consequence of the measures taken by the Government.⁴⁵ For example, one diaspora investor had a nanny and domestic support business, which went into a severe decline when demand for the service dropped due to school closures and the general lockdown imposed by the Government. Behavioural change meant that customers were reluctant to allow nannies and domestic support workers into their homes for fear of contracting EVD.

Furthermore, our study shows that foreign travel restrictions, including UK travel restriction to direct air services between the UK and Sierra Leone has had a negative impact on diaspora and British investors with business operations in Sierra Leone. The deleterious effect of the UK restriction has been highlighted in a range of news reports and feedback from numerous UK-based businesses.

While a majority of investors agreed that the Ebola outbreak was devastating, evidence from our focus group interviews indicated that the crisis, to a small extent, presented new business opportunities. One focus group participant described how she capitalised on some of the new opportunities that emerged during the outbreak:

“There were a lot of foreigners coming in that didn’t really know Sierra Leone. So people wanted information. So we were providing a lot of information to them. We found that because of the crisis, a lot of companies wanted to know what to do about their tax. So we got a lot of tax queries; a lot of liquidations; ... That created a new whole area of work that we hadn’t done before.”

Although this is just one story, it demonstrates that despite all the negative consequences of the Ebola crisis, new business opportunities also emerged, which some saw and pursued. Also, other investors pursued new markets in other countries in the region including Ghana and Nigeria, in addition to diversification and exploration of new revenue streams.

This study has highlighted serious issues in relation to resilience and risk management strategies, despite revealing that a majority of diaspora and UK-based investors continued operations in Sierra Leone. Those with the smallest amount of investment were highly unlikely to have risk contingency strategies in place. Of the small number of businesses with risk assessment and mitigation plans, a significant number of them had informal written policies. Of those that had RAMPs, while a majority said that it was somewhat effective when applied during the crisis, our evidence suggests otherwise. One participant in the focus group interviews argued that it was very difficult to anticipate and plan for major risks such as the Ebola crisis. Adding that whatever you had in place – the Ebola was so acute that all your plans were blown away. Other participants in the same focus group agreed.

However, those with risk assessment and mitigation plans did benefit from having them in place. Our study shows that some of the common strategies used by those with RAMPs included identifying and focusing significant resources to critical aspects of their business to minimise the risk. Also they managed to use effective methods of communication to keep their employees safe.

⁴⁵ The second business that closed was a tenant at the ABC incubation space. It produced and published the ‘Sierra Leone Yellow Pages’. The female diaspora proprietor left the country temporarily during the Ebola crisis. The third business was a stationery supplier. Similarly, the diaspora proprietor left Sierra Leone during the Ebola crisis.

Existing and potential diaspora and other UK-based investors complained about a range of challenges in both the immediate and long term to investing in Sierra Leone. A detailed post-Ebola recovery strategy was a major concern. Equally, the restrictions, in place at the time, on direct flights between the UK and Sierra Leone (now lifted, although some carriers have not resumed their service to the country) was a major obstruction to business operations. These concerns correspond with findings from our focus group interviews among existing and potential diaspora and other UK-based investors. Furthermore, most, if not all, of the participants agreed that the challenges that were present prior to the Ebola outbreak would be more prevalent post-Ebola. Participants expressed fears about the “*volatility of political stability or the face of the new Government*” as the next general election in Sierra Leone looms.

Concern was raised about the post-Ebola national strategy. One female participant said she was worried about “*uncertainty whether the post-Ebola [national] strategy can work.*” She also went on to talk about other issues unrelated to the Ebola outbreak: “*the second one is the looming election and political situation and whether Ebola would return.*” Another participant agreed and went further by suggesting solutions for addressing some challenges:

“I would like to see the employment laws reflect the need for more dynamic approach to hiring and firing, as the most basic... The local content policy that was recently passed – there needs to be home-grown perspective put in place for training and skills – so that people who actually get certificate [sic] can do the actual [work related to their qualification] from education to health.”

This view was shared by virtually all the participants in the focus group. In addition, participants complained about the minimum wage of Le 500,000 (approximately USD 122.57, depending on current exchange rates) imposed by the government of Sierra Leone in February 2015. One focus group participant explained what this meant for her business and employees:

“The Government insists that every employee must earn a minimum wage set at Le 500,000. It’s going to be a bit of a problem. Not a problem for me. If that’s the minimum wage - I am not paying more than that because I’ve provided accommodation; I’m not charging rent – he (employee) lives there... I pay medical bills and I do give benefits, like for Ramadan, Christmas. And there’s the rainy season advance [payment]. And the children [of her employees] have to go to school and get advance[s] as well...”

For her all these benefits are much more than the minimum wage. Given that many employees will lose these benefits, some are now wanting to stop being employees to keep these benefits. So she urged that this needs to be thought through properly.

This discontentment about the minimum wage resonated with all the participants in our focus group interviews. This issue raises profound questions around how Sierra Leone moves not just towards an effective minimum wage, but towards the ILO definition of a decent job, with its additional protection and rights for individual workers. Added worker protection and enhanced rights might ironically lead to greater worker informalisation if not handled appropriately.

Despite these challenges, the end of the EVD brings a sense of optimism, among investors, about the future outlook for doing business in Sierra Leone. Or perhaps, cautious optimism as one participant commented:

“...for me it gives me the confidence to jump on the plane now to go to Sierra Leone and explore, but keep my eyes wide open that this is not business as usual and that this is a country still recovering from a major crisis. I think a lot of people are eager and everybody is ... ready to go. There are also many opportunities that await. The crisis gave a lot of people to think outside the box. I look forward to ... organisations like AFFORD to help us navigate and set the vision as to what could happen next.”

5. RECOMMENDATIONS

The findings of this study in the UK and Sierra Leone of the impact of the Ebola outbreak on SMEs, as well as diaspora and UK-based investors, underscore that much-needed work is required to improve the business environment in the country. Essentially, the business ecosystem in order to support wealth and job creation requires an enhanced culture of entrepreneurship and continuous innovation across Sierra Leone. Development of the entrepreneurial eco-system should be done collaboratively with the Government, key development partners such as the World Bank, as well as the private sector and supporting agencies, such as ABC. The following recommendations have been made.

Recommendations for immediate application

The fact that emergency and quarantine measures imposed by the Government of Sierra Leone, as well as travel restrictions imposed by foreign countries, have been overturned may be welcome news for SMEs and investors operating in Sierra Leone. However, to accelerate the recovery of business in the country, other immediate steps need to be taken such as:

- **Improve access to capital/finance** – A lot of SMEs are currently struggling to recover in the wake of the Ebola crisis. Improved access to finance, with reduced interest rate loans, is an essential step that would help business deal with the immediate aftermath of the crisis.
- **Incentives to reduce business costs** – SMEs are confronted with high business costs, particularly for rents, warehouses, and customs duties. This is a challenge that has a high propensity to harm business profitability and sustainability in the country. Direct grants to reduce such costs should be considered.
- **Business development support** – There is scope for the ABC and other agencies that support the private sector to focus their business development programmes, primarily, to support business recovery in the immediate term.

Recommendations for the short and medium term

For ABC and agencies that provide business development support to SMEs:

1. **Revive and remodel SME capacity building programmes** - Ensure these are more aligned to supporting SMEs to overcome current challenges and stimulating business activity. Intensify outreach programmes so that more SMEs are targeted and can receive vital business development support to aid their recovery in both the short and medium term.

Capacity support should cover every aspect of risk management, and priority should be given to sessions on various unknown risk scenarios. Further support should specifically focus on areas that help SMEs to be investor-ready, as well as improve their capacity to access capital. Support should focus on areas to help SMEs build a strong business plan that integrates a robust financial management process, and risk management strategies. Also, SMEs should be supported to improve their understanding of the various financing options, as well as making an investment pitch. Business opportunities exist in global marketplace platforms and SMEs should be supported to build capacity in this regard. In addition, renewed efforts should focus on opportunities to connect diaspora investors to investment opportunities in Sierra Leone. For instance through networking events that share information on how to navigate the business

environment in the country, as well innovative schemes to improve diaspora investment such as matched funding.

2. **Advocacy and lobbying role** - There is a need for agencies that support the private sector to further strengthen their advocacy and lobbying role in order to support the ease of doing business in Sierra Leone. The ABC's recent action of facilitating a letter, by a group of Sierra Leonean diaspora and other investors, calling for urgent action by the UK Government for the resumption of direct air services between Sierra Leone and the UK, highlighted the importance of this kind of advocacy. Going forward, renewed advocacy work should focus on improving access to capital for SMEs. There is also a need to focus on decent and inclusive employment, as well as schemes to target groups that have received less attention over the years, including youth, women and people with disabilities, and now Ebola survivors. Challenges faced by employers around the minimum wage should also be highlighted. Meanwhile, specific schemes should cater for those interested in running their own enterprises as well as those seeking employment.
3. **Human resource development and skills training** – Lack of skilled labour force is another constraint to doing business in Sierra Leone. This is an opportunity for agencies (educational institutions, business centres etc.) to work collaboratively with partners to address this and other challenges. This will also complement Sierra Leone's local content policy.

For the Government of Sierra Leone and policymakers

4. **Access to capital/finance** – Build on immediate steps taken to improve access to finance and further strengthen policies aligned to improved SME financing for the longer term. Such policies should be aimed at supporting Sierra Leone's comparative advantage sectors such as agriculture, fishery and tourism.
5. **Improve access to information on doing business in Sierra Leone** – This study has shown a strong degree of dissatisfaction and frustration expressed by respondents, particularly diaspora and foreign investors, in relation to the practicalities of doing business in Sierra Leone. Investors complained about a lack of efficiency and transparency. For instance, respondents complained about lack of understanding of how long it should take to register a business and which specific documentations were required. There is a scope to streamline existing processes to improve the ease of doing business in Sierra Leone – including business registration and access to relevant information on investment opportunities. This can be done through a partnership between the Sierra Leone Investment and Export Promotion Agency (SLIEPA), the official body tasked with assisting investors and exporters, and enhanced private sector participation. This will drive innovation and improve efficiency and quality.
6. **Review of relevant trade legislation** – A review and reform of relevant trade legislation with the aim of improving the ease of doing business in Sierra Leone is required. For instance, the GoSL should consider applying agricultural pricing policies that promote the procurement of locally produced agricultural products such as rice and cassava. This would ensure lower prices for consumers for both local and export markets. Appropriate policies should also support SMEs to capitalise on opportunities presented in global marketplace platforms such as eBay, as well as integrated value chain.
7. **A streamlined diaspora policy** should also be considered, involving the active participation of Sierra Leone diaspora communities from formation through to implementation. A key component of this strategy should incorporate elements that support the facilitation of diaspora direct investment, diaspora volunteering and diaspora philanthropy.

8. **Access to finance for diaspora investment** – Diaspora investors face challenges in accessing finance. Low interest transnational loan schemes should be considered to facilitate access to affordable finance for diaspora investors. The GoSL and key development stakeholders have a vital role to play in supporting this.
9. **Infrastructure development** – The GoSL is making positive steps, however, basic (e.g. telecoms and energy supply) and physical infrastructure continue to be a major challenge for local and foreign businesses operating in the country. While infrastructure appears to be a major challenge to doing business in Sierra Leone, it also presents opportunities for investment, but this requires a sustained and considerable injection of capital over the long term. The Government and private sector need to work together to translate this challenge into opportunities that enhance the business environment and sustainable economic growth.

For SMEs and investors

10. **Risk assessment and management strategies** – SMEs and investors need to integrate risk management strategies at the heart of their strategic planning process, in readiness for implementation in future disaster scenarios. SMEs and investors also have a role to play in improving their own labour force, business planning and savings programmes, and taking proactive steps to improve their capacity through attending investment forums, conferences and training seminars.
11. **Utilising business and expert networks to support business in crisis management**
During any crisis timely and accessible information is vital for both the affected communities and businesses operating there; it supports community and business in crisis management. In the face of the Ebola crisis, the Ebola Private Sector Mobilisation Group (EPSMG), consisting of a group of local and foreign businesses operating in Sierra Leone, created a hub focused primarily on information sharing to help local and foreign businesses to deal with the immediate challenges they were confronted with. This was done through virtual meetings and information accessible via the group's website. The group was also actively involved in engaging with humanitarian actors and the Government of Sierra Leone to improve the humanitarian response. As the crisis continued, EPSMG's members, especially those on the ground, contributed financially, as well as provided vital logistic support such as vehicles used as ambulances and communications technology. But perhaps the most important thing its members did was to carry on doing business, driven by responding to and mitigating the risks. Going forward, it is essential for such networks to be enhanced and sustained to assist businesses with disaster preparedness and response, as well as risk strategies and post-crisis business recovery.

For Sierra Leoneans in the diaspora and friends of Sierra Leone

12. **For Sierra Leoneans in the diaspora and friends of Sierra Leone** – A range of news reports highlight the vital humanitarian role Sierra Leoneans played in the fight against Ebola. Also the EVD brought Sierra Leoneans from diverse backgrounds together in their response. Sierra Leoneans, along with friends of Sierra Leone, have a renewed role to play as ambassadors for rebranding Sierra Leone.

CONCLUDING REMARKS

Many of the negative consequences faced by enterprises in Sierra Leone, as well as diaspora and foreign investors, were not merely caused by the Ebola virus disease, but as a result of the emergency measures imposed by the government during the crisis. Similarly, actions and travel restrictions enforced by foreign countries had adverse effects. EVD also accentuated broader systemic challenges within the business eco-system.

The Ebola outbreak has caused enormous damage to SMEs and inward investment in Sierra Leone, and in turn to the country's economy. Furthermore, the presence of the EVD in Sierra Leone, highlighted some of the fundamental challenges that already existed prior to the crisis. This underscores the urgency of work to be done in order to improve the business environment.

This study has revealed widespread problems in relation to risk preparedness and management strategies among SMEs, diaspora and foreign investors in the face of a major crisis. Risk planning and management is particularly important for two key reasons. It improves business resilience and chances of weathering the worst consequences during a major crisis, thereby improving the prospects for business continuity. It also improves the chances of finding emerging opportunities, which can then be capitalised on and translated into success in the face of disasters.

Sierra Leone, and other West African countries affected, were not prepared for the eruption of Ebola and the consequences that subsequently accompanied it. Indeed, research shows that even some of the world's largest companies are unprepared for a possible unknown crisis. However, crisis preparedness is essential for businesses to minimise the consequences, while positioning themselves to capitalise on any arising opportunities.

There is no doubt that a crisis could have both a negative and a positive impact. The Ebola crisis in Sierra Leone has permanently or temporally devastated some businesses, while presenting a few opportunities for others.

The study findings show that the creation of jobs and improved health and wellbeing for local communities were more important for diaspora investors, driven more by emotional returns than other motives. Few attempts have been made to explore the social impact of businesses in the context of Sierra Leone. Given that little is known about the wider social contribution of businesses, this study offers initial empirical insights into understanding business social impact and hopefully forms the basis for further research. Diaspora investors raised important questions about policies such as the minimum wage and local content legislation which the Government has put in place to increase the social impact of business on Sierra Leoneans.

In conclusion, while the Ebola outbreak has had an adverse impact on business in Sierra Leone, it also revealed and reinforced other problems that existed before the crisis. Consequentially, while businesses and investors that endured the crisis gained vital knowledge to help them confront future disaster scenarios, there is now a compelling need for more to be done collectively, to address the fundamental challenges in the business environment in Sierra Leone.

AFFORD – The African Foundation for Development

Rich Mix Building, 34-47 Bethnal Green Road, Shoreditch, London
E1 6LA

Tel: +44 203 326 3750

www.afford-uk.org

“Enhancing Diaspora contributions to Africa’s development”