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SIERRA LEONE – LIBERIA-REPUBLIC OF GUINEA: THE SLEEPING BEAUTIES?

Countries data profile - 2015

	Guinea	Liberia	Sierra Leone
Size (sq km)	245,800	99,000	71,700
Population (million)	12.6	4.5	6.4
Demographic growth (%)	2.7	2.2	2.4
Urban areas > 1 million	Conakry: 1.6	Monrovia: 1.2	Freetown: 1.0
Last presidential elections	2015	2011	2012
Next presidential elections	2020	2017	2017

Source: IMF and World Bank

Recent return to stability

After long years of armed conflicts in Liberia and Sierra Leone and half a century of military regimes and several coups d'état in Guinea, the three fledgling democracies' return to peace and stability is still relatively recent.

Sierra Leone and Liberia suffered from some of the bloodiest civil wars in Africa until early 2000's, which resulted in over 200,000 casualties, more than 2.5 million people displaced and the destruction of the countries' main infrastructures. In Sierra Leone, Ernest Bai Koroma, became president in 2007 and won a second mandate in 2012. In the neighbouring Liberia, Ellen Johnson Sirleaf, Africa's first female president, was elected in 2005 and then in 2011.

In Republic of Guinea, the first democratic elections were held in 2010. Alpha Conde became president and was re-elected for a second term in 2015.

Although risk of protests and instability persists, the three republics have made significant progresses to build stable, democratic states. In July 2016, the multinational peacekeeping force established in Liberia in 2003 was reduced. If they are now firmly on the path towards further consolidation of democracy, human indicators remain very low. The three nations still rank among the world's poorest countries with significant challenges in terms of poverty, education and development.

Next election are planned for 2017 in Sierra Leone and Liberia and 2020 in Guinea.

Rapidly growing economies until Ebola crisis:

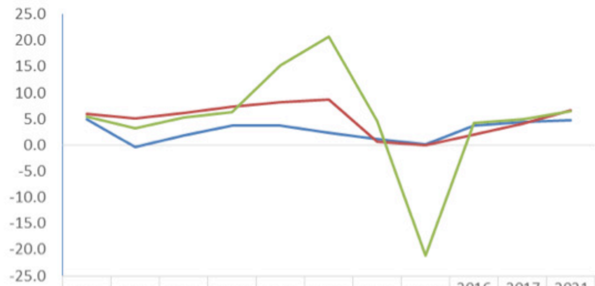
Economic data - 2015

	Conakry	Liberia	Sierra Leone
GPD growth (%)	0.1	0	-21.1
FDI (% GDP)	1.3	35.1	11.6

Source: IMF

Economies have been dominated by the mining sector which accounts for the majority of the export revenue (90 % in Sierra Leone and Guinea) and to a significant share of GDP growth, due to abundant reserves of bauxite, gold, diamonds and iron ore. Boosted by the mining sector, Sierra Leone had one of the highest GDP in Sub-Saharan Africa's generating a double-digit growth in 2012 and 2013.

While the service sector represents more than 40% of the GDP in Liberia and Guinea, Sierra Leone's economy is dominated by agriculture (55% of the GDP).



	2008	2009	2010	2011	2012	2013	2014	2015	2016 (f)	2017 (f)	2021 (f)
Guinea	4.9	-0.3	1.9	3.8	3.7	2.3	1.1	0.1	3.8	4.4	4.7
Liberia	6.0	5.1	6.1	7.4	8.2	8.7	0.7	0.0	2.0	4.0	6.6
Sierra Leone	5.4	3.2	5.3	6.3	15.2	20.7	4.6	-21.1	4.3	5.0	6.5

Source: IMF

In January 2014, the three countries were severely hit by the most severe and largest outbreak of Ebola epidemic which started in Guinea and further spread to Liberia and Sierra Leone. WHO, on August 2014, declared the epidemic to constitute a public health emergency of international concern. Several declarations about the end of the epidemic were issued in 2015, followed by resurgence of the virus until 2016.

The virus is reported to have cause 11 300 deaths in the three countries: 4 800 in Liberia, 3950 in Sierra Leone and

2 540 in Guinea according to WHO.

During the crisis, local operations had to close down (including some mining companies) and investments dramatically decreased. As a result, growth dropped down significantly in 2014 and stagnated around 0 % in 2015 in Guinea and Liberia and 21% in Sierra Leon, compounded by the sharp decline in commodities prices.

The World Bank estimates the overall impact of the Ebola crisis on Guinea, Liberia, and Sierra Leone at $2.8 billion ($600 million for Guinea, $300 million for Liberia, and $1.9 billion for Sierra Leone) [1].

Under-exploited tourism potential

Three international airports are located in the capital cities. Proposed new airport projects are reported in Monrovia and Freetown, but haven't been launched.

Based on the data available, traffic seems to have increased steadily from 2009 to 2013, boosted by the mining activities and the launch of new lines as from 2010, reaching however a limited traffic (200 000 to 300 000 passenger movements by airport before the crisis).
In 2014, under the combined effect of the economic slow-down and Ebola crisis, several flights where halted and some lines were provisory or permanently suspended, reportedly generating an immediate drop in passengers traffic. Since 2015, traffic has been slowing resuming as companies are progressively reopening lines.

Impeded by the political instability in Guinea and strongly affected by the civil wars in Liberia and Sierra Leone, the tourism industry has remained underdeveloped, suffering from the lack of investment.

Due to the diversity of their topography, climate and culture, around different natural regions, the three countries benefit from a significant tourism potential. As a matter of fact, in the 70's and the 80's, Sierra Leone was a well-positioned and upper-scale tourist destination with attractive beach resorts, appealing to the European market.

They benefit from significant coastlines, where beautiful beaches and several islands could offer opportunities for beach tourism, especially in Sierra Leone (400 km) and Liberia (580 km). The natural and wildlife wealth also offers a high potential to tap into the adventure and eco-tourism market, including several protected areas and reserves such as Mount Nimba (world heritage) for instance. In addition, the countries benefit from cultural and heritage tourism (remnants of transatlantic slave trade, indigenous culture, and diversity of ethnicities). The national authorities of the three countries have seized this potential and are trying actively to attract investors with the improvement of the legal and institutional framework of the tourism industry.

However, the growth of the sector is still hampered by limited to moderate air connections, lack of structured products, poor accommodation standards as the destinations lack visibility and still need to improve their image. Tourist arrivals have thus remained limited since the end of the conflicts. They hit rock bottom in 2014 during Ebola Crisis and are estimated to have dropped by around 40%.

Individuals and groups coming for leisure tourism are still very limited. The business segment represents the majority of the demand.

Hotel facts and figures

2015	Conakry	Liberia	Sierra Leone
Hotel rooms in country	4,500	n/a	1,500
Relevant hotels in capital city	11	6	9
Rooms in capital city	1,300	350	600

Source: Horwath HTL

Limited hotel markets

As they are poorly developed in international hospitality units, these markets are poorly documented.

The majority of the national hotel supply is located the capital cities, gradually positioning as business destinations. Financial and economic centre of the countries, they host the headquarters of the largest companies of the country. Their economy are strongly linked to their ports.

In Liberia and Sierra Leone, many hotels were destroyed during the civil war. Accommodation supply hence developed anarchically to respond quickly to growing hotel demand. Individual homes transformed into small hotel / guest houses. As a result, the supply is ill-adapted, low-end and exhibits major defects in terms of design. In

1: Including the shocks in 2014 and 2015, and the projections for 2016 as the economic impact is outlasting the epidemiological impact.

Conakry the market has followed a similar trend, boosted by the mining activity. It was long dominated by small independent units and two hotels operated under the Meridien and the Novotel brands.

Overall, the acceptable international supply is very limited, amounting to 1300 rooms in Conakry, 600 rooms in Freetown, and 350 rooms in Monrovia, including small independent size units providing alternative options and state properties. Brands have recently arrived and are still underrepresented accounting for 187 rooms in Conakry (Noom), 270 in Freetown (Radisson & Golden Tulip). Monravia has currently no branded properties.

Compared with other countries in West Africa, markets remain immature and narrow. However, this should be put in perspective with the low development of the countries and the recent return to stability.

Boosted by the rapid development of the mining industry and the improvement of the business climate, many units have been renovated and/or undergone extension work. As Conakry and Freetown have witnessed significant changes over the last 5 years, Monrovia hasn’t registered any substantial modifications of the hotel market and lag behind in terms of hotel projects.

Conakry has seen the opening of new independent hotels, the withdrawal of Accor (Novotel Independence), the renovation of 2 historical units (Camayenne and Kaloum), and the opening of a 4* Noom hotel (187 keys).

Freetown hotel market registered the arrival of 100 independent rooms, as 2 hotels have been reconverted and opened under international brands: Radisson Blu Mammy Yoko (171 keys) and the Golden Tulip Kimbima (65 keys planned, currently 20) in 2016.

In parallel, the cities have witnessed the development of a significant supply of aparthotels or residences equipped with kitchenettes, suited for longer stays.

Pipeline

In Conakry, 650 rooms are due to open in 2017 including a Onomo and a Sheraton hotels and some 500 additional rooms could further enter the market if other projects materialize (Azalai and Radisson namely). This would amount to 70-80% of the current relevant supply.
In Freetown, 350 international rooms should enter the market by 2018 including a 5*Hilton (200 keys) a 3*Seen hotel (140 keys).

In Monrovia, a renovation project of the Ducor Palace hotel was launched in 2009, but has been suspended since. A hotel project is also planned as part of the airport renovation project. Only one international project should be developed (100 rooms) and is planned for 2018.

Performances

Business demand has followed a positive trend until Ebola crisis, which impacted the market average occupancy.

In 2013, the average hotel occupancy of the relevant properties was estimated to 60-65% in Conakry and Monrovia and 65-67% in Freetown, reaching 70% to 80% for the highest performing units, explained by the limited number of rooms and the size of the hotels.

During Ebola crisis, national hotel performances were estimated to have dropped significantly to reach a level of 20 to 30% in the heart of the crisis. However, international hotels located in the capitals benefited from the presence of NGO and International organizations and maintained high occupancy rate, even during crisis.

In 2015, the occupancy rates were below 2013 level, due to the slow recovery of the economy, a less performing mining industry combined with the entry of new supply in Conakry and Freetown in 2013 and 2014.

Prospects

World Health Organization declared Sierra Leone free of EVD transmission in March 2016, Guinea and Liberia in June 2016.

Growth is expected to improve gradually in 2016 to reach 4 to 5% in 2017 in the three countries supported by the mining activity. In Liberia the recovery has been weaker as the mining sector has experienced a severe decline.

We estimate that business demand should increase at a moderate rate in the short-term. However, the countries have a significant potential due to their resources and a rebound in commodities prices might have a positive effect.

Whereas many opportunities remain largely impeded by the underdevelopment of infrastructure, and an investment and business climate to improve, economic growth prospects are encouraging for the coming years under the impact of the mining sector and the opportunities offered by oil.

In Conakry, the arrival of additional international operators should further structure the market, with the strengthening of the mid-range segment. However, based on the significant pipeline, despite the economic rebound, we expect the market to experience a drop in occupancy until the absorption of the additional unit in the mid-term. In the current economic condition, we expect the same trend in Freetown, whose market has already integrated 300 rooms in two years and should absorb 350 more within 2018.

We anticipate the performance in Monrovia to increase moderately, due to the slow economic recovery.
In the short-term, based on the current size of the market and the expected pipeline, projects should be considered with caution. However, in the mid-term, hotel demand should increase faster, supported by economic growth. In this perspective, we believe that operators should start to identify opportunities right away to position in the mid-term.

We believe that the consolidation of the international supply will have a positive impact on the markets, offering suitable and secured alternatives for business travellers, especially in Freetown and Monrovia, with a potential for midrange products.

Although tourist flows remain very limited, we believe that in the long-run there should be a potential for the development of leisure tourism namely with the redevelopment of beach tourism in Sierra Leone and potential opportunities for Liberia on this market (given their wide coastal resources), as Guinea benefiting from wide natural resources could tap into the adventure and ecotourism market.

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Béatrice Montagnier worked as a research manager for a hospitality consulting company before working as a consultant for a tourism & leisure consulting company for five years. During her career, Béatrice both conducted and participated in numerous feasibility, market, territorial strategy and economic impact studies.
She joined Horwath HTL in 2006 as a senior consultant and then as director. Béatrice specialized in market and programming studies and hotel strategies, especially for urban or resort projects. Her international experience includes Maghreb, the Mediterranean region and more specifically Sub- Saharan Africa, where she has been working since 2008. In charge of Horwath HTL Dakar (Senegal) for 4 years, she is now based in Yaoundé (Cameroon).

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