



**PROPOSAL BY THE
TOURISM AND TRAVEL SECTOR TO THE
GOVERNMENT OF THE REPUBLIC OF
BOTSWANA FOR RESPONSE TO CORONA
VIRUS (COVID 19) PANDEMIC**

1) INTRODUCTION

1.1. This note has been prepared by the Hospitality and Tourism Association of Botswana (HATAB) as a proposal to the Government of Botswana for an emergency response to save the Hospitality and Tourism Industry in Botswana from the COVID-19 (Coronavirus) pandemic. Though no COVID-19 case has been recorded yet in Botswana, it is safe to assume it is only a matter of time before one is. Even more important, and relevant to HATAB's decision to prepare this proposal, the absence of a recorded case does not make the pandemic a distant threat. Its impact has already been deeply felt in every facet of the economy and society in Botswana. The hospitality and Tourism industry is especially vulnerable because of its dependence on travel, which must be limited in order to contain the spread of COVID-19.

1.2. Botswana's hospitality and tourism industry has already suffered substantial losses of business and value. Hotels are operating at less than 10% of capacity. Many guest houses and camping sites are closed. Trends elsewhere suggest that investors in the hospitality and tourism industry will lose more than half of the value of their investments. Extensive loss of business will throw many firms in the hospitality and tourism industry, especially Small and Medium Enterprises (SMEs), into bankruptcy. Jobs will be lost by the thousands; and thousands of households will be thrown into destitution as enterprises struggle to meet their operational costs and retrench. It is possible that COVID-19 could cost the hospitality and tourism industry more than 80% of its output. There is, therefore, need for bold and decisive measures to limit the extent of the damage to the industry and to lay the platform for a speedy and effective post COVID-19 recovery. It will cost a lot of money, hundreds of millions of Pula, if not billions, and will require decisive leadership, effective coordination, efficient execution, and active and close monitoring. HATAB makes the following proposals:

GENERAL (ECONOMY WIDE) RECOMMENDATIONS

1.3. Much of what needs to be done to save the hospitality and tourism industry is not unique to the sector. The entire economy is being battered. Thus, there is, above all, need for a comprehensive emergency response to COVID-19. HATAB recommends as follows:

- a) **Emergency COVID-19 Containment and Recovery Plan (ECCRP):** HATAB suggests to the government that it mounts a bold Emergency COVID-19 Containment and Recovery Plan (ECCRP). The proposals are premised on the view that COVID-19 is not just a health crisis; it is also an acute economic crisis and an existential threat to society as we know it. Experts estimate that even in developed countries, 40-80% of the population could be infected before the COVID- 19 pandemic is overcome. South Africa expects 60-70% of its population to be infected. The Botswana economy is certain to be thrown into recession unless containment and recovery measures are mounted successfully. Extensive loss of business will throw many firms, especially Small and

Medium Enterprises (SMEs), into bankruptcy. Jobs will be lost by the tens of thousands and tens of thousands of households will be thrown into destitution. The urgent task for all stakeholders is to limit the depth of the descent into recession and to lay the foundation for a speedy recovery.

b) **Establishment of an Emergency COVID-19 Containment and Recovery Fund**

(ECCRF): This is the cornerstone of the ECCRP. The ECCRF is a necessary intervention for the entire economy and society. It should fund: (i) measures to prevent the spread of the virus and; (ii) measures to mitigate the impact of COVID-19 on the economy and livelihoods and undergird a speedy recovery. It will take hundreds of millions of Pula to put in place the public health safeguards necessary to contain the spread of the virus and to help firms and households cope with the impact of COVID-19, protect productive capacity and save jobs, and lay the foundation for a rapid post COVID-19 recovery. Setting up and resourcing the ECCRF means Botswana may have to go deep into deficit financing and break its own fiscal rules over the short term.

c) **Public Health Response Surge**

1.4. Though COVID-19 is both a public health crisis and an economic crisis, an effective public health response remains the central front in the quest to overcome the disease, and minimise the risk of loss of life and damage to the economy. The government has proposed a raft of practical measures to minimise the risk of the spread of COVID-19. Even so, additional measures are required to ensure: (i) adherence to the mandated standards of social distancing at work, in public spaces and at home; (ii) access to adequate information for individuals and households; (iii) better informed COVID-19 monitoring and management. HATAB recommends the following additional measures:

- *Universal application of social distancing rules:* There are glaring gaps in social distancing that can and should be plugged urgently through regulation. The rules on social distancing must apply to public transport. Taxis, combis, and busses, trains and airlines must be required to comply with social distancing rules in order to protect customers and employees. At a minimum, there must be an open seat between individuals in any mode of transport. Sedans must carry no more than three passengers. The ECCRF should be used to extend revenue support grants to operators that stay in business to help them meet their operational costs.
- *Universalisation of access to sanitizers or clean water and soap:* Sanitizers should, by regulation, be readily accessible in all public places and business premises. All operating businesses, including public transport vehicles, should be required to have approved sanitizers or clean water and soap readily available for customers and should be regularly cleaned and disinfected.
- *Aggressive testing:* Accurate and up-to-date data on COVID-19 is critical for an effective response to, and monitoring of, the disease. Key to containing the spread of COVID-19 is identifying and isolating of those who have or might have the virus and their contacts early, in order to prevent the further spread of the virus. That requires extensive testing to detect

asymptomatic cases that might otherwise escape regular screening mechanisms such as temperature checks. HATAB therefore calls for a sharp increase in the investment in capacity for screening and testing residents for COVID-19. It is important that as many people as possible are tested for COVID-19, not just those who show symptoms. Undetected asymptomatic cases are seeding for exponential growth in new infections.

- *A more aggressive and more visible multi-actor and multi-stakeholder COVID-19 Information, Education and Communication (IEC) campaign:* The battle against COVID-19 will be won on the strength of viable agency by individuals, households and firms. This requires high degrees of functional COVID-19 literacy to ensure compliance with mandated standards of behaviour. The government must aggressively mobilise its own agencies, business, labour and civil society to ensure rapid and broad-based skilling of the entire population on appropriate personal, household and workplace behaviour and practices to contain the spread of COVID-19.
- d) **A compact between the government, labour and business to save firms, the economy and jobs:** The government should lead its social dialogue partners towards a speedy consensus on the sacrifices all stakeholders must make in order to save firms, minimise the economic costs of COVID-19, and save jobs and livelihoods. It is suggested that a temporary wage cut of 50% should, subject to a minimum take home of pay of P3,000¹, be introduced to provide relief for firms that keep workers on their payroll. The payroll cost of affected employees will therefore be shared equally by the firms and the ECCRF. Furthermore, emergency measures should be put in place to allow companies in COVID-19 induced distress, to send employees on unpaid forced leave for up to three months to avoid outright retrenchment. Half (50%) of salaries of employees on unpaid leave to be paid out of the ECCRF.

HOSPITALITY AND TOURISM INDUSTRY SPECIFIC RECOMMENDATIONS

- a) **Wage costs relief for firms in COVID-19 induced distress:** The ECCRF should fund 50% of the wage costs of every worker who remains on the job. This is an essential measure to protect the incomes of the tens of thousands of workers in the hospitality and tourism industry who now face severe financial difficulties. The measure will also stave off the more economically damaging effects of widespread business closures and retrenchments that will result in substantial long-term loss of productive capacity. In Ireland and the United Kingdom, consideration is being given to wage-support of 75-80% of income for workers on the job. It is a pain the fiscus must take in order to protect jobs and productive capacity, and to aid a speedy post COVID-19 recovery.
- b) **Emergency credit for firms in distress:** HATAB proposes a soft loan facility to provide interest-free, long-term credit to firms to help them mitigate the adverse impacts of reduced business volumes and a generally hostile trading environment. The facility should include an

¹ BWP3,000.00 is the target public sector minimum wage set ahead of the last round public sector salary negotiations. It is also labour's estimate of a Living Wage.

unsecured component but should, in all instances, be extended subject to normal rigorous assessment of creditworthiness. Within its package of support for business, the Republic of Ireland, for instance, offers concessional loans of up to €1.5 million, with an unsecured component of €500,000. Such a facility is needed to save firms and jobs; and will save many.

- c) **A 90-day moratorium on loan repayments and debt restructuring:** A government sponsored 90-day moratorium on loan repayments (principal plus interest) is proposed for the hospitality and tourism sector (for firms and for employees of those firms), and for businesses in general. This will ease cash flow pressures on firms and accord them opportunity to restructure their operations, adapt to the new operating environment, and survive the crisis. It is further proposed that government intercedes with financial institutions on behalf of industry, to pave the way for debt restructuring to ease the burden of loan repayments. HATAB will urge its members to proactively engage creditors but it would help for the government to lend its support to the sector and pave the way for a more systematic response from financial institutions.
- d) **Tax relief:** To help ease pressure on the tourism and hospitality industry, HATAB proposes emergency tax relief for firms in the industry. It is specifically proposed that VAT and Pay as You Earn (PAYE) obligations be suspended for the 12 months to March 2021 to ease cash flow pressures on the industry. These obligations can be suspended or deferred and a repayment plan agreed for a period spanning up to two (2) years with the relevant authorities.
- e) **Accelerated payment of outstanding invoices for services to the Government and State-Owned Enterprises (SOEs):** To help improve the liquidity positions of firms in the hospitality and Tourism Industry, it is proposed that the government instructs all its departments and SOEs to settle all outstanding invoices within seven days to help firms improve their cash flow positions and sustain themselves in the current hostile trading environment pending a recovery plan. It is further suggested that where purchase order cancellations by the Government and SOEs result in penalties, the penalties be settled by the concerned government departments and SOEs. This is especially important for travel agencies, who are penalized by airlines and other suppliers for cancellation of bookings.
- f) **Extension of leases and waivers of obligations requiring investment of capital:** To mitigate the substantial business losses that operators are enduring, and to accord them relief from investments mandated by their leases, the government should extend leases that are to expire within a year by at least 12 months and suspend all lease related obligations to make capital investments. The priority for leaseholders is to survive the COVID-19 crisis, save jobs and make speedy post crisis recoveries. Extensions of leases will compensate for COVID-19 induced losses. Waiving investment obligations will conserve cash for operational purposes and mitigation of the effects of COVID-19 on operations.
- g) **Revalidation of Visas:** Rather than cancel visas outright, as is currently the practice, government should instead revalidate them on future dates to avoid, to the extent possible, the necessity of refunding clients who have been unable to travel on account of COVID-19. The priority should be to postpone rather than cancel travel. Where revalidation is not

possible, perhaps because the client does no longer want to visit, the cost of refunds should be absorbed by the government or be charged to an emergency facility such as the proposed ECCRF. Visa extensions for visitors who are already in the country should be more readily granted to lengthen their stay.

- h) Create a semblance of certainty:** The association recognizes that the COVID-19 situation is evolving fast and appreciates that the government has to make decisions fast. Even so, it urges that effort be made to maintain a measure of certainty for the industry. For instance, bans or suspensions of activities should not be open-ended. Rather, they should be for fixed periods of time even though possibilities for extensions remain. Furthermore, stakeholders should be given lead-time of at least three days before decisions come into effect so that they may prepare themselves.
- 1.5. Containing COVID-19, its spread and its socioeconomic impacts, will cost Botswana a lot of money. Around the world, countries are putting together bold plans to rescue their economies from the impacts of the COVID-19 pandemic. Australia, for instance, has put together a US\$189 billion rescue package for business. This amounts to about 10% of GDP but is needed to moderate the descent into recession, save productive capacity and jobs, and lay the foundation for a rapid post COVID-19 recovery. Botswana will have to dip into its reserves and borrow to mount a bold initiative to save business and the economy from collapse. Global trends suggest an adequate recovery plan would cost in the region of 10-15% of GDP.
- 1.6. HATAB is alive to the resource limitations faced by the Ministry of Health & Wellness (MOHW) for hospitalisation, quarantine and isolation as the impact of COVID -19 unfolds in Botswana. In that regard, HATAB, through its members, is prepared to avail some hotel facilities for such purposes to be manned, managed and resourced adequately by the MOHW. This will be done on a cost recovery basis to reduce the burden on the MOHW.

SUMMARY OF RECOMMENDATIONS

GENERAL

1. **Emergency COVID-19 Containment and Recovery Plan (ECCRP)** to save firms, save jobs, mitigate damage to the economy, and lay the foundation for a speedy post COVID-19 recovery.
2. **Establishment of an Emergency COVID-19 Containment and Recovery Fund (ECCRF) to finance the ECCRP**
3. **Public Health Response Surge, prioritising the universal application of social distancing rules, Universalisation of access to sanitizers or clean water and soap, aggressive testing, and a visible and aggressive multi-actor and multi-stakeholder COVID-19 Information, Education and Communication (IEC) campaign**
4. **A compact between the government, labour and business to save firms, the economy and jobs that requires sacrifices from all parties, including a temporary wage cut of 50%, subject to a minimum take home pay of BWP3,000.00 unpaid forced leave for up to three months to avoid outright retrenchment, during which 50% of the salaries of employees on unpaid leave will be paid out of the ECCRF.**

HOSPITALITY AND TOURISM INDUSTRY SPECIFIC RECOMMENDATIONS

5. **Wage costs relief for firms in COVID-19 induced distress in the order of 50% of the wage costs of every worker who remains on the job.**
6. **Emergency credit for firms in COVID-19 induced distress in the form of low-interest, long-term loans.**
7. **A 90-day moratorium on loan repayments and debt restructuring** for firms and workers in the hospitality and tourism industry
8. **Tax relief**, specifically, suspension of VAT and Pay as You Earn (PAYE) obligations be suspended for the six months to September 30 to ease cash flow pressures on the industry. These obligations can be suspended or deferred and a repayment plan agreed for a period spanning up to two (2) years.
9. **Accelerated payment of outstanding invoices for services to the Government and State-Owned Enterprises (SOEs).**
10. **Extension of leases and waivers of obligations requiring investment of capital.**
11. **Revalidation of Visas on future dates**, rather than outright cancellations to reduce hassle costs for customers and avoid the necessity of refunding clients.
12. **Create a semblance of certainty**, (a) more specifically, bans or suspensions of activities should not be open-ended and (b) stakeholders should be given lead-time of at least three days before decisions come into effect.