

# NATIONAL UPDATE

## “ TANZANIA ECONOMY: ASSESSMENT ON SOCIAL- ECONOMIC IMPACTS OF COVID-19 TO TANZANIA ECONOMY 2020 ”

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## Abstract

Investments in health and health financing policies should be addressed in terms of the interaction between health and the currently economy of the country. Just as growth, income, investment and employment are a function of the performance and quality of the economic system, its regulatory frameworks, trade policies, social capital and labour markets, etc, so health conditions (mortality, morbidity, disability) depend not just on standards of living, but on the actual performance of good health systems themselves.

Health performance and economic performance are interlinked. Wealthier countries

have healthier populations for a start. And it is a basic truth that poverty, mainly through infant malnourishment and mortality, adversely affects life expectancy.

National income has a direct effect on the development of health systems, through insurance coverage and public spending.

Therefore, Analysis of the economic impact of COVID-19 addresses a number of policy questions concerning the consequences of disease. Some of these questions relate to the microeconomic level of households, firms or government – such as the impact of COVID-19 on a household's income or a firm's profits – while others relate to the macroeconomic level, including the aggregate impact of a disease on a country's current and future gross domestic product (GDP).

It is now a fact that the coronavirus (COVID-19) outbreak is a pandemic according to World Health Organization (WHO), and just from that stand point, the Economy is not safe from the pandemic pinch.

The world is on its heels, nations are now rolling a series of aviation restrictions to curb the virus outbreak, limiting numerous sociology-economy operations over space and time which also have ripple effects on Economy.

Currently, more than 318,554 people have died and over 4,805,430 have been infected and 1,787,539 recorded globally according to the WHO.

In Africa—the virus has recently brought two death (in Egypt and Algeria) and serious cases in several nations, including Ethiopia, Morocco, Senegal, Nigeria, Egypt, Algeria, Tunisia, Democratic Republic of Congo (DRC), South Africa, Togo, Tanzania and Kenya.

According to WHO, there are now more than Confirmed cases 88,264, Number of deaths 2,832, Recoveries 33,898, Active cases 51,534 cases recorded in more than 11 countries in Africa, Egypt having more than half of the cases.

In light of the outbreak magnitude, there is a concern that the tourism industry is yet to see more changes that could hurt the most lucrative and paying sector in the continent.

Recently, Italy, Unites States, and the United Kingdom to mention a few big-players stepped up their precautions and postponed gatherings and other leisure interactions until the upper-hand is gain on the deadly virus.

## *General Overview of the current situation*

Numbers do show more, the World Travel and Tourism Council (WTTC) says up to 50 million jobs could be lost because of the pandemic, while the travel sector could shrink up to 25 per cent in 2020.

In that context, the region could witness a massive drop in arrivals, compared to 2019 whereby—the United Nations World Tourism Organization indicated growth in arrivals of 4 per cent in line with the global average.

The pandemic is now considered as a threat to the industry by the body, and ripple effects are seen in Kenya, Tanzania, Egypt, South Africa, Egypt, Morocco as one of Africa's vibrant and renowned tourist hotspots in the continent.

Tourism is one of the most important industries in Africa and contributed 8.5 per cent (equivalent to \$194.2 billion) of the continent's gross domestic product (GDP) in 2018, according to the WTTC.

Also, Africa was the second-fastest growing tourism region with 5.6 per cent growth in 2018 against a global average growth rate of 3.9 per cent.

The WTTC research found that tourism in Africa was mainly (71 per cent) leisure-driven, with the remainder (29 per cent) being business-driven. Domestic tourism contributed 56 per cent with international tourism contributing 44 per cent to Africa's tourism industry.



Tanzania with exotic safari adventures have felt the virus pinch. Tanzania has lost over 477,000 directly jobs , lost over 75% of it's revenues , over lost over 10,000 tourists destined for several tourism-hotspots, Tanzania tourism contributes to 17.6% for GDP seconds sector from Agriculture.

Egypt on the hand is also facing its hurdle, as still tourist cancel their reservations and raising concerns to local businessmen and women.

According to information from Middle East Eye, an employee at the Cairo-based Chamber of Tourism said that the recovery was now under threat after 70 to 80 per cent of reservations in both hotels and cruises ship were cancelled over the last a Month.

Tourism is relied upon by many locals in Egypt as their source of livelihood, the pandemic could lead them into economic hardship.

The whole world is experiencing uncertainty and hardship due to the unprecedented COVID-19 pandemic. This pandemic came at a time when the global economy was already facing tough times. Hence, in the given situation, it is important to take prudent financial actions, both preventive and corrective, to ensure overall financial wellness of an individual and his/ her family.

Still, Egyptian tourism actors, are trying to salvage what they have, by zeroing down onto local tourist, with modest packages to keep their business afloat.

In South Africa, the Tourism Minister Mmamoloko Kubayi-Ngubane Spoke on the pandemic impact onto tourism, during the Tourism Leadership Forum on Monday, noting that the outbreak of the Coronavirus has already affected the tourism industry negatively.

The number of Coronavirus cases in South Africa has risen to seven after four more new cases were confirmed on Monday.

However, according to South African Government News, Kubayi-Ngubane said to mitigate against the potential negative impact on businesses and jobs, the South African government will work with all stakeholders to implement measures that will assist to bring relief to affected businesses and individuals.

“The longer these restrictions continue, the hardest-hit part of the value chain will be the core industries which include accommodation, food and beverage services, recreation and entertainment, transportation and travel service,” the Minister said.

Further, Kubayi-Ngubane said the South African government will engage treasury to assist businesses in distress to access the employment incentives that have been put in place and will negotiate with various meeting and events owners to postpone to future dates based on scenarios to minimize cancellations.

Morocco is yet another exotic destination with a coronavirus case and also hurting from it economically. According to information from Morocco World News, the Moroccan Ministry of Tourism and the national airline (Royal Air Maroc) predicted mass cancellations in March.

The body predicted a loss of about 100,000 tourists in March and coming months. Hence—as the outbreak unfolds further in the rest of the continent, predictions indicate more downturn for the tourism sector.

According to the UNWTO, in 2018 African had a 5 per cent share of the global 1.4 billion international tourist arrivals in 2018, with receipts topping at # 38 billion.

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## 2 Research Methodology

### Study Area

**Tanzania** ( Swahili: [tanza' ni.a]), officially the **United Republic of Tanzania**(Swahili: *Jamhuri ya Muungano wa Tanzania*), is a country in East Africa within the African Great Lakesregion. It borders Uganda to the north; Kenya to the northeast; Comoro Islands and the Indian Ocean to the east; Mozambique and Malawi to the south; Zambia to the southwest; and Rwanda, Burundi, and the Democratic Republic of the Congo to the west. Mount Kilimanjaro, Africa's highest mountain, is in northeastern Tanzania.



The United Nations estimated Tanzania's 2018 population at 56.31 million, which is slightly smaller than South Africa, making it the second most populous country located entirely south of the Equator. The population is composed of about 120 ethnic, linguistic, and religious groups. The sovereign state of Tanzania is a presidentialconstitutional republic and since 1996 its official capital city has been Dodoma where the president's office, the National Assembly, and some government ministries are located. Dar es Salaam, the former capital, retains most government offices and is the country's largest city, principal port, and leading commercial centre. Tanzania is a *de facto* one-party state with the democratic socialist Chama Cha Mapinduzi party in power.

As the fear of the global economy moving towards a recession grows, it is likely that there will be a liquidity crunch coupled with high inflationary pressures. In this situation, setting up short-term financial goals becomes important. Any investment decision during this period should be made factoring in the short-term goals of an individual. The **investments** should be adequately liquid to address contingencies and short-term needs.

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## Data Collection and Analysis

This research collected both primary and secondary data. This section explains the data collection process and the mechanism for data analysis in detail.

### Primary data

The main source of data and information for this study is the primary data collected at different levels explained from household level. This instruments were used to facilitate the primary data collection process, namely structured and semi-structured questionnaires, narrative (ethnography) interviews and participant observation methods. The primary data collection process took place from April to May 2020.

### I) Data Collection Instruments

Questionnaires: sets of questionnaires were developed for the purpose of this study.

(i) Household questionnaires designed to collect information at the household level.

(ii) Electronics questionnaires designed for the households to facility interviews.

Narratives and participant observation methods:

The narratives and participant observation methods were used to excavate more qualitative understanding of the accessibility of health care services and coping mechanisms through observation, and formal and informal discussions during the fieldwork.

Pilot study:

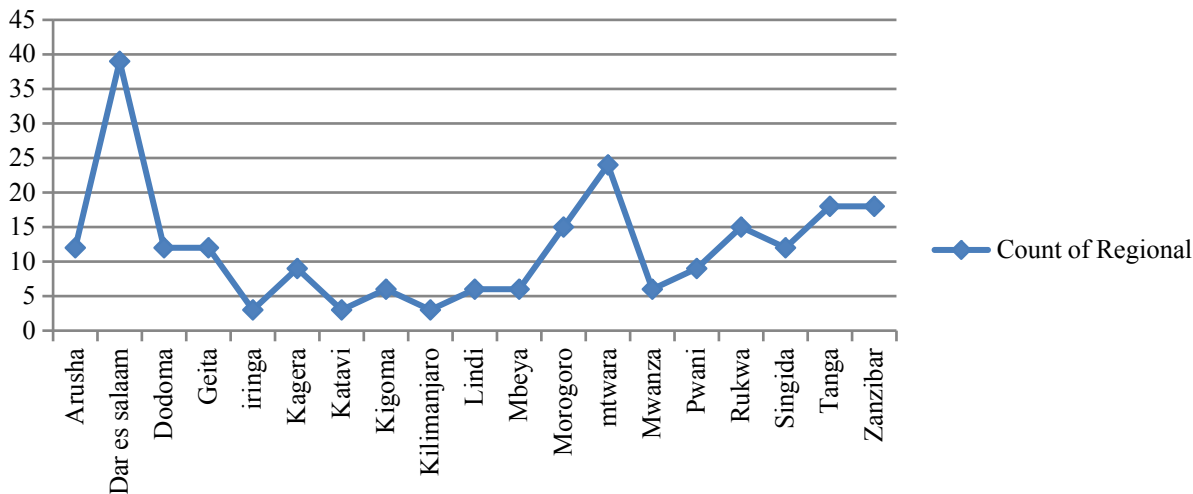
The questionnaires used in this study were pre-tested in March 2020 and feedback from this exercise was used to revise and finalize the questionnaires before proceeding to the main exercise.

## Magnitude of Primary Data Collected

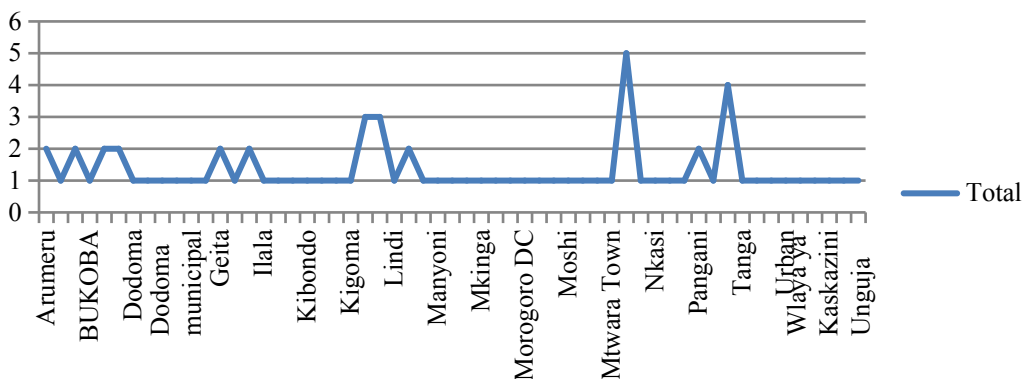
Household survey data: This exercise covered 300 households covered all regional in Tanzania with an average of 3-5 respondents each Districts level in all Regions. The household survey took place from April to May 2020 by using the Mobiles household questionnaires. The period that the survey was conducted was carefully determined, taking into consideration the seasonal patterns of COVID-19 in Tanzania.

Efforts to blunt the impact of the coronavirus pandemic have led to some of the most abrupt negative economic changes in modern history. First-time unemployment claims hit record highs as businesses shuttered or were otherwise restricted to reduce gatherings of people. Oil traded at negative prices as demand dried up and suppliers started running short of places to store the stuff.

## Count of Regional



## Total





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## Data Management and Processing

### Quantitative data and Qualitative data

The quantitative data collected through the structured questionnaires (household) was entered and processed using Microsoft's Excel. On each data set, a 'data matrix' was prepared to facilitate the organisation of data and the data entry process. The data sets were then analysed using STATA, one of the most convenient statistical packages for working with household survey data.

### Secondary data

The following methods were used to obtain secondary data and information.

#### Documentary review

Documentary review was used to collect the required information from published and unpublished documents. The key sources of information include the Ministry of Health and WHO.

### 3 Results and Discussions

#### Socio-economic Characteristics of Respondents in the Study Area

The analysis of socio-economic characteristics in the study area was done to give a general overview of the distribution of the socio-economic factors such as; gender, marital status, education, sources of income, occupation of the head of household and location of Business. These characteristics are considered to be important in Assessing impacts of COVID-19 to Economy Change. The study used descriptive statistics such as: frequencies and percentages to analyze socio- economic characteristics of respondents as the analysis meant to simply present the distribution of these variables of interest.

#### Respondents by Gender

The analysis of distribution of gender of respondents by districts was done so as to observe gender differences in participation. Figure 1: shows that the proportion of males was 77.4% of the total 300 respondents from the all Regions the proportion of females was 22.6%. Distributions of gender of respondents in individual regions shows that Male were many as they proportionally constituted. The implication of these findings is that gender difference is that many women work in informal jobs and are thus not covered by social protection plans, such as unemployment insurance.

Higher male mortality from COVID-19 makes it even more imperative for women left behind to be able to access social protection or other income support for their families.

There is also the unequal distribution of care work between men and women within households. During normal times, women

and girls bear the responsibility for household and family care due to social norms (see Figure 2). They will now most likely shoulder the increase in care demands brought about by the closure of schools, the confinement of elderly people, and the growing numbers of ill family members. There is a high risk that this will prompt many women worldwide to leave their jobs, especially those that cannot be performed remotely, with potentially long-lasting negative effects on female labor force participation.

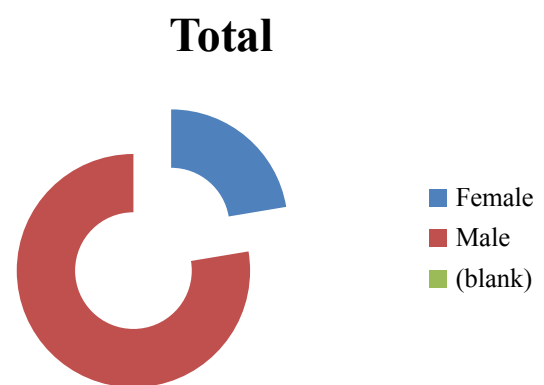
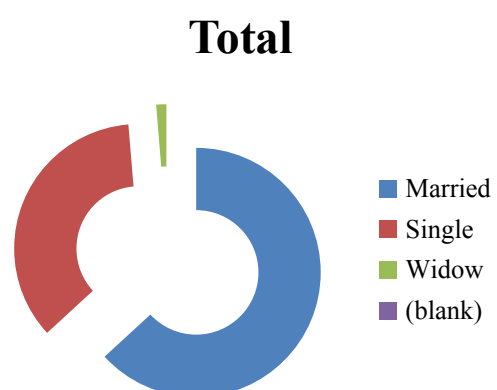


Figure 1: Gender

#### Respondents by Marital Status

The study intended to observe spatial distribution of respondents by marital status of in the study area. The information on distribution of marital status is important as it expresses how marital status can affect households . Figure 2: shows that the proportion of married respondents was high as they constituted 64.3 % of 300 respondents. These findings suggest that category of married respondent Incomes was the most affected by COVID-19 disease as compared to other groups of marital status.

Figure 2: Marital Status

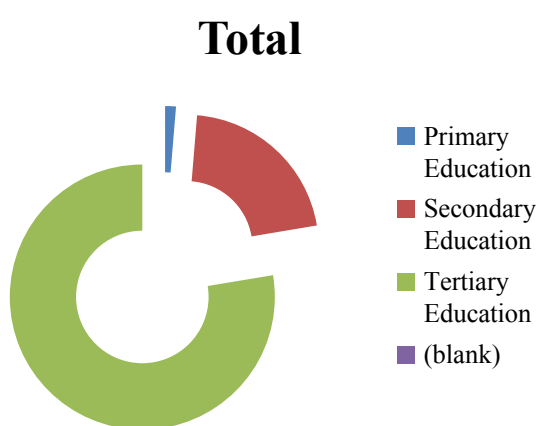


### Respondents by Education

The study analyzed respondent characteristics in terms of their education. Figure 3: reveals that the proportion of respondents with Tertiary education in the all districts is high (76.5%) as compared to other groups. In the category of secondary education (22.2%). The implication of these findings is that The COVID-19 pandemic has affected educational systems worldwide, leading to the near-total closures of schools, universities and colleges.

As of 18 May 2020, approximately 1.725 billion learners are currently affected due to school closures in response to the pandemic. According to UNICEF monitoring, 156 countries are currently implementing nationwide closures and 29 are implementing local closures, impacting about 98.5 percent of the world's student population. 8 countries' schools are currently open.

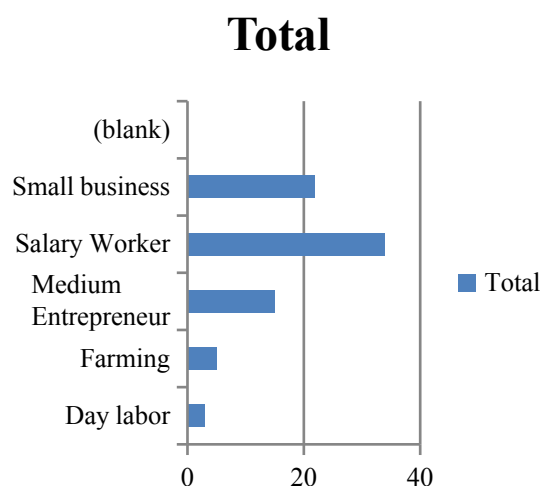
Figure 3: Education



### Respondents by Main Occupation

Occupational structure of people is one of the significant determinants of spatial diversity in socio-economic development. Table 1 shows that Salary workers is the dominant group among other occupations as it constitutes 45.2% out of 300 respondents with an average of more than 50 respondents from all districts. The percentage of Small Business is 27.4% with an average of more than 25 respondents in all districts. These findings imply that, Salary workers and small businesses are the most affected by COVID-19 in all Regions.

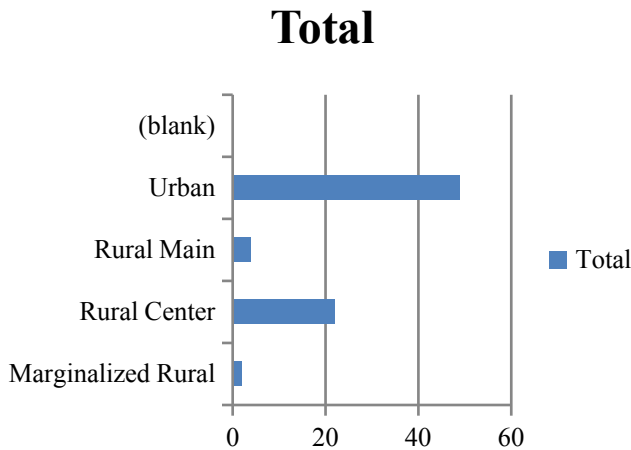
Table 1: Occupations



### Respondents by Business Location

The study observed the location of the Businesses also are the one of the main factor contributes to affected by COVID-19 to the Economy. This is due to the fact that location of the Businesses gives an indication of the distance that beneficiaries have to travel to access services and information while there's a lockdowns. This study considered urban center as the centre of development in areas. Therefore, settlements located in the Urban centres have better chances to access service and information. Table 2 shows that majority of the respondents were drawn from Urban centre with accounting 65.9% of households with an average of more than 45 respondents, followed by Rural Centres with 26.8%.

Table 2: Business Location

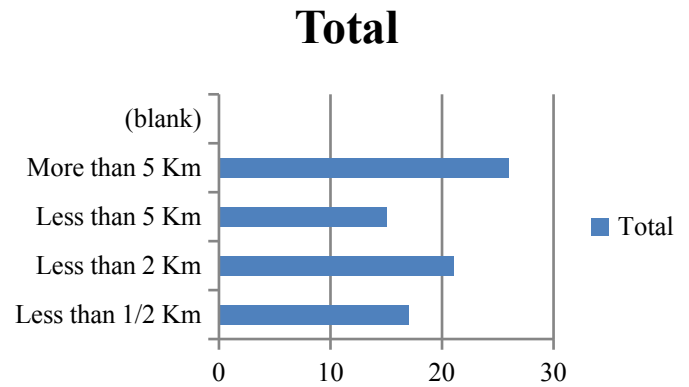


**Distance to the Business area**

The study focused on the analysis of district differences by the distance travelled by participants to reach business services. The idea behind this analysis was to assess the influences of distance on how it's affecting the Economy during this COVID-19 periods. Results in Table 3 show that there 31% of the 300 respondents travels more than 5 Km which is about more than 25 average of the respondents in all regions, while 25% of the respondents travel less than 2Km with an average of more than 20 respondents. This is significant variation in terms of distance which participants travel to the reach business offices.

These results suggest that when involved quarantines and widespread restrictions on labour mobility and travel, These measures imply a sizable output contraction whilst the effects of the outbreak persist. This findings support argument of genuine participation in the decision-making process requires appropriate avenues and comfortable distance, where citizens can interact with their leaders and other social actors in making development choices.

Table 3: Distance travel to business area



The side indicates that 95.3% of the respondents agree that the know about COVID-19 as indicates on table 4 below, and 94.4 respondents agree they know practice knowledge on how to prevent from COVID-19 as indicated on the table 5 below, but also apart from knowing the practice knowledge of COVID-19 but also table 6 below shows that 89.7% they practice knowledge on how to prevent themselves from COVID-19.

Table : 4 knowledge about COVID-19

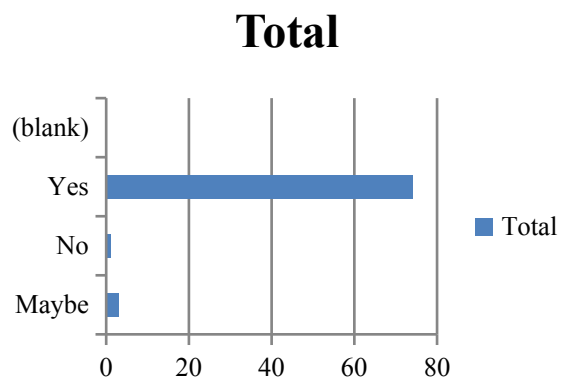


Table 5: Practice knowledge on how to prevent from COVID-19

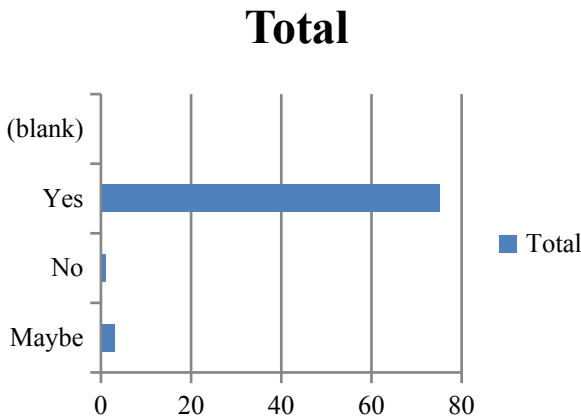
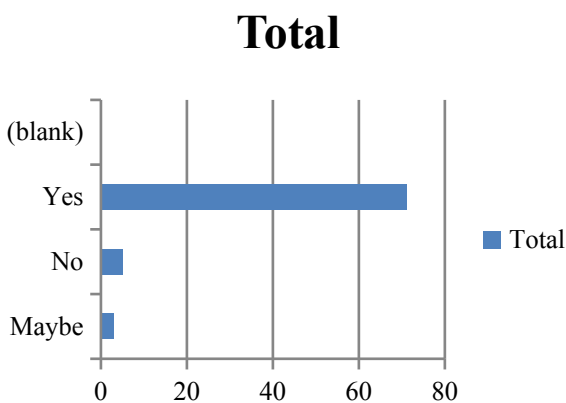


Table 6: respondents practices knowledge on how to prevent from COVID-19

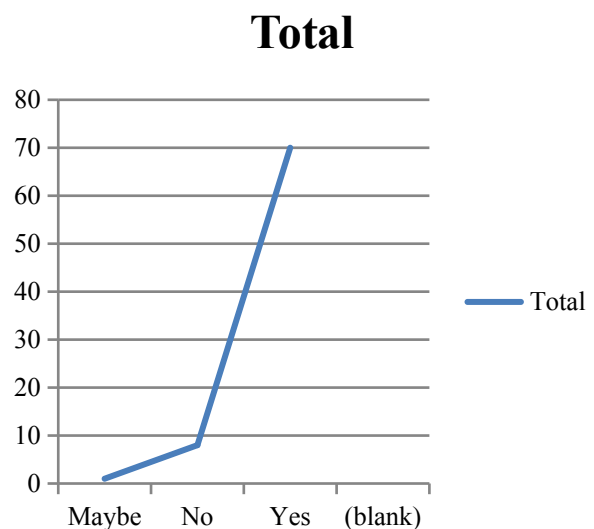


**Respondents by lost Income Change**

The study considered that, income Change due to COVID-19 among districts is one of the strong characteristics which could be responsible for Assessing impacts of COVID-19 to the Economy. In this regard, this study analyzed distribution respondents by incomes change due to COVID-19. Table 7 shows that among the all districts, ranked first with 89.4% with an average of more than 60 respondents proportion of respondents with

respondents in all District while 9.4 % with an average of more attractive 5 respondents experienced no income changed during this COVID-19. The implication of these findings is that 84.9% experienced income change due to the reasons that 30.1% of the 300 respondents have seasonal incomes ( don not have regular income) as shown to Figure:4 below, Figure 4 below shows 47% have permanent income, 30.1 % have seasonal income, while 22.9 % have temporarily income generating activities.

Table7: Income Change



### Respondents by depending source of Income

In order to address the observed household depending income variation among the all districts may require different strategies. Results in Table 8 show that household difference source of income variations. It shows that 36.9 % depending on Small business as a source of the Income which is equally to ana average of more than 25 respondents in all district, while 22.6 % depends on NGO as a source of incomes which is about more than 15 respondents to each Regions. This implies that most of the household lost income during this COVID-19 as it shows in the table 7 above.

Figure 4 : Source of regular Income

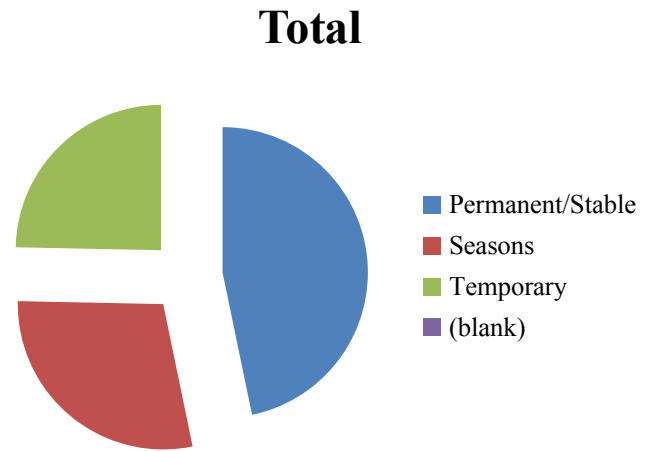
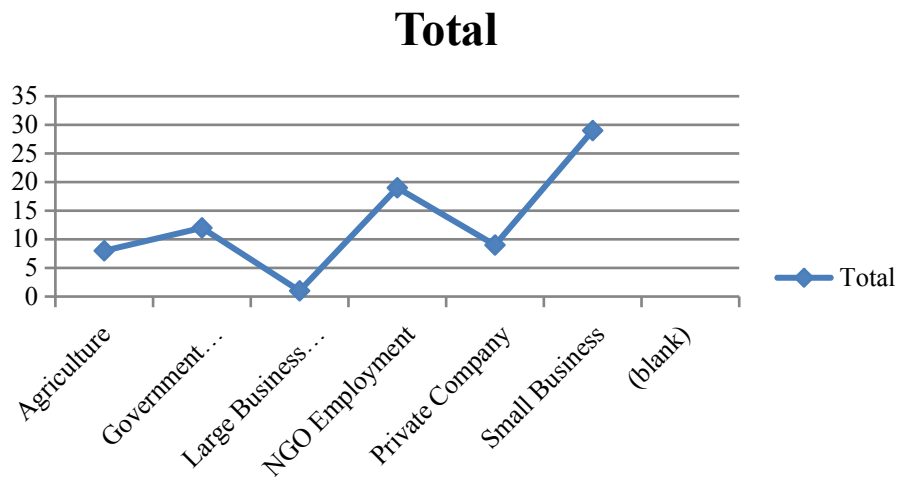


Table 8 : Depending Source of Income



### CASES : DIFFERENT REASONS FOR BUSINESSES/ EMPLOYMENTS LOST DUE TO COVID-19

Low earnings, higher consumption; foreexample constant revenue, workers' payments, bills

failure to repay bank loan due to distort of business due to Covid 19 outbreak

Operational cast

Our project donors cant donate us for different project during this epidemic period

During this pandemic crissis (COVID19) we lost alot of money since there is unpayed debts from women to whom we empowered.

Postponing of the planned activities resulted to returning received grant from our development partner / donor

Loss of my business income

Experienced loss in employment

NGO employment lost

Some of my friends have lost their employment because they depend on tourism activities. Since the covid 19 started up to now they suffering on food and shelter

Loss of customers

Salary cut off,payments stopped

Possible reduction of man power

Marketing for my agricultural products declined

Loss of customers,No needs of family,eg Food nk

KUTOPATIKANA KWA KIPATO

Project phasing out

I cant estimate exactly but not less than TZS.15Million

due to delay of salary I did not able to by my chicken food so I decide to stop my home small project which some times it help me

Distraction of goods (perishables) after transport barrier

I can not afforde domestic uses

Low sales

Selling goods in low price

Many liabilities that cant be paid nw

Now day's We are not imprementing activities due to covid-19 we are remaining homes and we are not gaining anything else than loosing money

failed to pay taxes

We shouldn't conduct Community sensitization for escape conjunction due to the COVID-19

decline of revenue due to limited number of customers

I loss the buyers and the money because the people needs the things for credit

Financial

Well in the private sector under this current regime we were barely surviving has things were difficult but to make it worse with this covid-19 pandemic the little bread we were making it's no longer there.

No time to move to move shamba to look after business of shamba business.Expect less harvest.

there was a plan of 30 days field trip that has stopped and we didn't have a pay

I am self employed so I have lost income due to the pandemic

Incomes We dont have any project, our donors closed their office and activities

Am lossing in income, as you know every person when working, is a time for him/her to get money which can help my family problems regardless where i have got a money, it may be i get a money from my small business or in NGO that will be whatever. so when this COVID-19 started each and every thing stopped, as a result the family problem are increasing with no solving it.

Loosing salary ones you have family problems, being paid below the requirements of the basic needs as well as what happened at this COVIC19

daily gain turn up have gone down

Staying home caused me to use my savings because I am no longer working as the same to the past days before

**CASES : DIFFERENT STRATEGIES USED FOR OTHER PREVENTION FROM BUSINESS  
/ EMPLOYMENT DUE TO COVID-19**

Being honest and hard working person

To have any other means of earnings include fishing entrepreneurship

Establishing the own income generating activities in the home areas

Kufanya kazi kwa weledi, kuenda na mda pia heshima kwa wateja

0655756535 need a job on data collection or analysis !

Doing online businesses of direct selling

Diversey my income sources

According to the situation and marketing strategy we deal with it

Hardwork and risk taker

Knowledge in business, sales and marketing

working from home and if necessary going to the office

In my employment,the management setted aside a budget for operations purpose so as to ensure regular salary pay and smooth operations. Even though due to COVID –19 the company has faced some economical challenges

Nothing

I still invite people and if they don't come I just go to them

Mantain economically stability

planning to start a new business especial food business

Accuracy of service

Undertake business performance review /evaluation and strategically improve delivery of business services in a competitive manner

As i'm paid with the government nothing has happened yet but with the continuations of COVID 19. Its a metter of time

Just a minimal of consuming food items and other related unwanted matters.

I have a very big market share in Rural and urban ares which is more helpful in case of price fluctuation.

To get sensitizy prevantion measures I have taken to improve my trips public with prevations measure in use.

No strategy as the people we used to have are no longer there

Employment adjustment typically follows economic contraction with some delay (see, for example, the increase in the unemployment rate following the global financial crisis in 2009). In the current crisis, employment has been impacted directly as a result of lockdowns and other measures and on a greater magnitude than initially predicted at the start of the pandemic

To promote more effort, new ideas and respect everyone

I have got a government contract of permanent and pensionable employment

Change that business



**CASE:** challenges you have experienced in your Business or Employment during this COVID-19 period

People fearing moving from one place to another. My business depends on customers who are travelers

fear to lose my collateral due to failure to repay bank loan

–Unfaithfully to customer's come from Dar es salaam region, –Reduce working hours – Increase of operational cost, eg cost soap na sanitizers

Demand and supply

We can't reach our client, also our partners can't donate our programs during this period

Loss my customer, change my budget due to close school,

Failed to pay workers salaries Failed to pay bills such as rent,water, electric,tax fees etc.

Declining income, increasing bills, uncertainty in survival of the business

Postponing of some planned activities that could create some money to meet my special needs

Decreased number of customers for my business

Shortage of income as there is no guest coming in this made the company not having enough money to pay employees

Business went slow, because people little move to fetch basic and self esteem needs.

Irregular conditions

Loss of customers

lockdown and loss of some relatives and friends, reduction of family economy

Few customers or client, and difficult in managing supplies.

Less to no customers per month

staff do not come to work as it used to be,inability to feed my family and meet other basic needs,limited accessibility

Lack of the customers during this period

Kupungua kwa Wingi wa wateja

No customers, companies stuck to pay staff salaries

No activity

Loss of customers

No challenges

cash flow problem

challenges of business available due to the situation in a few people who have come to my place.

Job Burden

No pay of house rate of business placeNo advantage business

Low income in business

not regular to go to the office

JAMBO LA HARAKA , HALINA MUDA MAALUMU,MZUNGUKO WA KIPATO HAKUNA

No or less activity implementation

Lack of business transactions/sales, income loss, delay in payments for my services provided, can't pay tax due etc

In fact there is no business run by TUCTA but may be to tackle it in a partial way; to date we have experienced difficult in carrying out our daily normal task to safeguard our workers at the work place

No salary as you know that I employed in private company

Transportation problems, minimal number of customers, and social interactions that create business goodwill prohibited.

There is a problem to meet the target that we have planned. Some of duties has been

## CASE:suggest way forward for Leaders or Policy Makers to take measures during this COVID-19 period.

Provision of education to the Entrepreneurs on how to cope with the situation. Also provision of aids instead of loans. Aids like spreading medicine in our areas in order to make people comfortable. As well as reducing the amount of revenues

to support businesses which has been affected by the outbreak of Covid –19

–To provide public education about COVID-19 through medias. –To encourage people to take measure such as to stay home, uses of sanitizers and to wash hands with clean water, soap and to use traditional medical as they can, eg kujifukiza kwa miti shamba.

The Government should adopt lockdown measures

I suggest that to our beloved leaders they should take appropriate measure such as lockdown every way that can spread COVID-19 at least 21 days, Also policy makers should make proper policy that can insure that could control all calamity occurs

The leaders and policy makers should consider the people with low income by providing them humanitarian needs and PPEs

The policy makers should be practical, formulate policies which will ensure safety and prosperity to people. They should try to create packages to relieve the citizens during these kind of periods. Also making sure that handsome amount of funds are set aside for health related researches and investment

Policy makers should include and advocate for not only political but also scientific experience and findings on Cross cutting issue including infections outbreaks that can occur so as to make both peace and well-being of the people stable. Also the clear and broader understanding and knowledge of term "Cross-cutting issue" as it includes also the killing infections like Covid-19 so to make these people able to practically address them while engaging in their daily socio-economic activities.

Despite economic challenges the country is facing the way forward is for our leaders to consider "people's lives first, the country economy should come after"

To help those who are renting house or making sure foods seller are not rising food prices

To encourage people to work hard rather than lock themselves at home – better you die working rather than die slept

1. Reduce tension for responses 2. Well coordinated to the response team 3. Training on IPC 4. Awareness to the community and health workers

Providing alternative ways of life

Disaster management has to be considered in the government budget every financial year; The government has to improve social economic development activities and projects as Tanzanian as a whole;

To have a keen consideration on health safety, while managing the economy on that ground, and developing myraid of economic policies for each sector on the grounds of digital implementation.

Improve the treatment facilities and more education to people on preventive measures. Restricting some areas with high population density . On public transports half number of the bus capacity would help.

1. Provide protective gears freely so that all citizens access them. 2. Close collaboration between public and private sectors rather than taking it as a government issue

Make people stay at home and prevent unnecessary movements

For effective lockdown to avoid the spread, NSSF and the co should cover for at least months salaries equivalent to monthly contributions

To subsidy agriculture

Assist people to build businesses online

Use security fund to support the most needy

must've tell the situation according

For those family or person who cultivate the crops that depend on season markets such as sweet potatoes, sunflower, cotton and others government have to note that in order to avoid hunger because they always depend on it in order to buy basic needs. not only that for those microfinance banks which financing small industries and individuals should finance those small industries and individual with low interest in order to them be

## 4 Conclusions and Recommendations

The coronavirus (COVID-19) outbreak has already brought considerable human suffering and economic disruption. Many efforts have involved quarantines and widespread restrictions on labour mobility and travel. These measures imply a sizable output contraction whilst the effects of the outbreak persist.

This is Special Questionnaire for the "Assessment of Socio-Economic Impacts of COVID-19 to Tanzania Economy"

The unfolding contagion in corporate credit markets has begun to erode the solvency of businesses across affected countries. Businesses, particularly those with high debt, are finding it difficult to meet short-term cash need for debt repayments, taxes, and significant operational expenses. Faced with these shortfalls, businesses will have little choice but to reduce costs and employment to withstand insolvency pressures.

Consequently, rising unemployment will reduce household consumption and consumers' capacity to repay loans. In combination, higher defaults on business and household debt would erode the asset quality of banks and other lending institutions. In light of global market contagion, recent actions by central banks to lower policy rates and extend bond purchasing programmes and special crisis facilities are important steps to address these liquidity challenges.

In addition, international regulatory bodies have called upon national authorities to lower counter cyclical capital buffers, and use post-crisis regulatory tools in an appropriately flexible manner. Nevertheless, addressing short-term liquidity in the financial system will not be enough to address acute insolvency risks from COVID-19.

An immediate, comprehensive policy response is needed to address the emerging solvency challenges that are rapidly engulfing businesses affected by the pandemic.

For the last few months, businesses around the world have had to rapidly adapt to the impact of COVID-19.

In a time where it seems like things change every day, it can be difficult to gauge whether the challenges your business is facing are widespread.

## Policy considerations

A rapid, comprehensive policy programme to safeguard the solvency of businesses and households could rest upon several pillars:

### Expand central bank liquidity support

Many central banks in our countries have taken actions to provide further monetary policy accommodation to provide ample liquidity to ensure well-functioning markets. Further actions could follow:

1. Central banks should give careful consideration to terms of their programmes to ensure that indebted corporates with acute liquidity challenges are granted needed liquidity. Central bank policies generally adhere to investment grade bonds as collateral in operations, quantitative easing programmes, and even crisis facilities. Also central banks should consider how to adapt policies during this crisis environment. Appropriate collateralisation policies and risk monitoring can help ensure taxpayer resources are not exposed to material credit risk.

2. At the same time, central banks should consider how to address moral hazard associated with programmes to lower-rated issuers. Appropriating pricing of lending facilities to take into account risks would create market-oriented mechanisms to attract only those borrowers with genuine need. Where possible, central banks could link the terms of their facilities to equity and guarantee programmes by finance ministries to ensure needed financing while mitigating risks.

3. Central banks and bank supervisors should consider market-based solutions to address rising non-performing assets on bank balance sheets. Where rising defaults weigh on bank asset quality, banks will be less able and willing to make new loans to support business and consumers. Financial authorities may wish to consider ways to

reduce the burden of non-performing assets through asset-disposal vehicles, which have been utilised in prior financial crises to allow banks to improve their asset quality. Urgent fiscal support to viable businesses.

4. Central bank should implement much greater targeted spending toward affected businesses and employees, to strengthen market and business confidence immediately.

5. Channel a combination of equity, debt and credit guarantees to affected businesses. Programme design and terms of conditionality will be central to effectiveness while addressing moral hazard.

o Programmes could be delivered through existing banks, development banks and SME loan agencies that are already well equipped to evaluate those solvent entities that would benefit from interim financing until economic conditions improve.

o Focus should be on getting cash to businesses on a timely basis, particularly by reducing bureaucratic obstacles to cash transfers.

o There must be incentives to repay as the business recovers, for example, restrictions on dividends. Use of equity warrants could help ensure taxpayer funds are amply compensated during business recovery.

o A clear path to exit this extraordinary support, so as not to raise sovereign debt sustainability concerns.

6. Further support to improve near-term cash flows, which could include permitted delays in tax filings, and support for particular operating expenses.

7. Where fiscal initiatives include new forms of temporary to medium-term state ownership, Guidelines on Corporate Governance of State-Owned Enterprises is important to ensure that governments are effectively managing their responsibilities as

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company owners. This will help to make state-owned enterprises more competitive, efficient and transparent.

8. Emphasise commitments to internationally recognised instruments of responsible business conduct, such as the Guidelines for Multinational Enterprises and the Due Diligence Guidance for Responsible Business Conduct, which can help ensure that businesses benefitting from fiscal support are appropriately managing the broader environmental, social or governance risks.

9. Assess the need to temporarily share fiscal burdens from businesses affected by the pandemic where individual States are unable to shoulder the burden of the health and economic consequences of the pandemic. In this respect, extending lending facilities may serve to alleviate temporary pressures of countries undergoing a major upsurge in fiscal deficits to address the economic and health challenges from the virus.

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