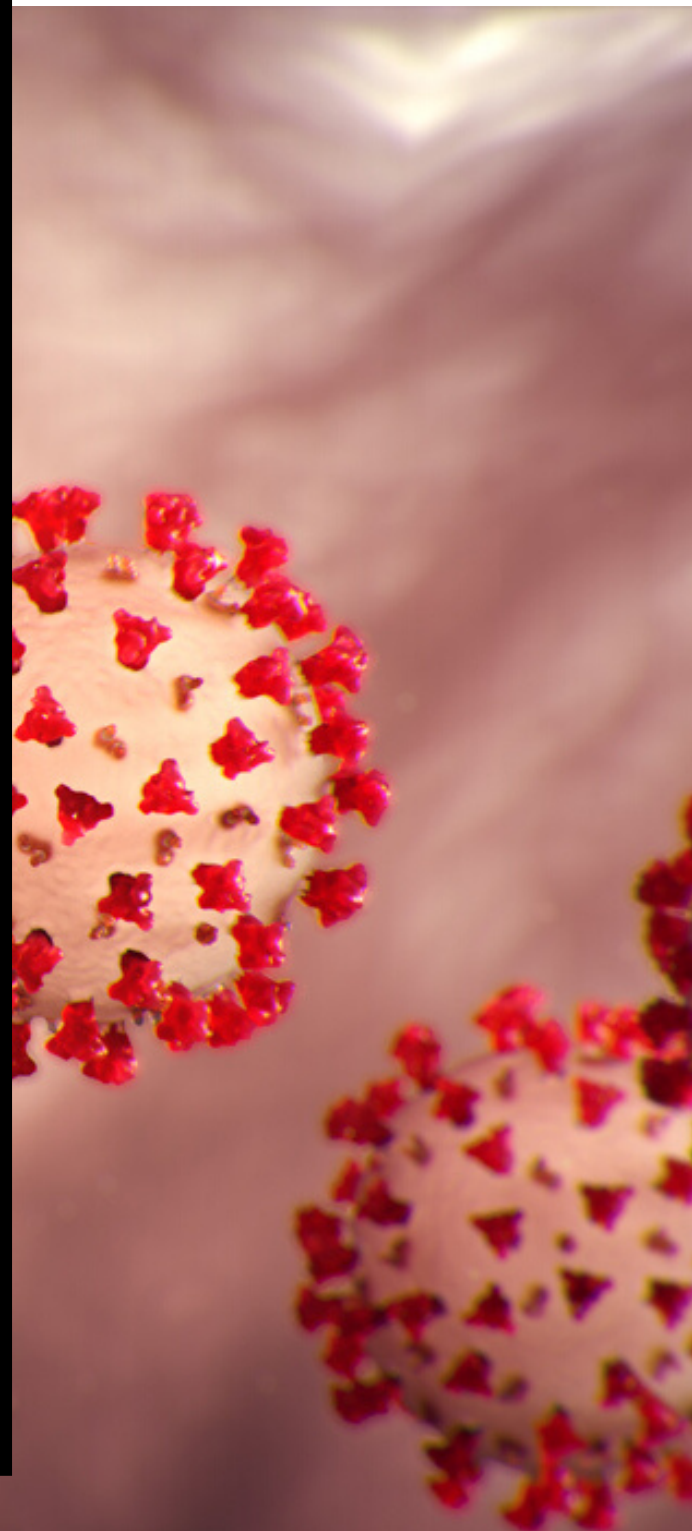


CONFEDERATION
OF TANZANIA
INDUSTRIES

**ANALYSIS OF
THE IMPACT OF
CORONAVIRUS
DISEASE 2019
(COVID - 19)
OUTBREAK TO
INDUSTRIES.**

May 2020

9th Floor - NIC Investment House
Samora Avenue
P.O. Box 71783
Dar es Salaam, Tanzania



1. INTRODUCTION

COVID-19 Disease is an acute and severe respiratory syndrome that was first reported to WHO on 31st December 2019 in Wuhan, China.

In Tanzania, the Ministry of Health, Community Development, Gender, Elderly and Children reported the first case on 16th March 2020, and regular updates are issued from time to time. The Ministry urged members of the public to adhere to measures aimed at preventing the spread of the disease, emphasizing on maintaining social distancing, regularly washing hands with water and soap or using a sanitiser, refrain from touching the face and eyes, avoiding contact based greetings, and where possible, practicing self-isolation especially for the elderly population.

Following the outbreak, the Government formed a national coordination committee under the leadership of the Prime Minister to deal with the outbreak and took other measures to control the spread of the disease. The measures included closing all schools and colleges, banned public meetings, stopped all sports competitions, public ceremonies, political rallies and large social gatherings until further notice.

Within a short time, businesses in the country started experiencing the adverse effects of the outbreak. On 8th April 2020, TPSF in collaboration with CTI and CEO Roundtable sent a communication to the Government, through the Minister for Finance and Planning, presenting the preliminary assessment of the impact of COVID-19 to businesses and the proposed Government interventions to alleviate the impact.

In efforts to have informed policy recommendations on the impact of COVID-19 on industries and businesses in general, CTI undertook a Members' Survey on 30th March 2020.

This brief report seeks to present the impact of COVID -19 on the industrial sector and related business, along with policy recommendations to the Government based on the response of the survey..

2. IMPACT OF THE PANDEMIC

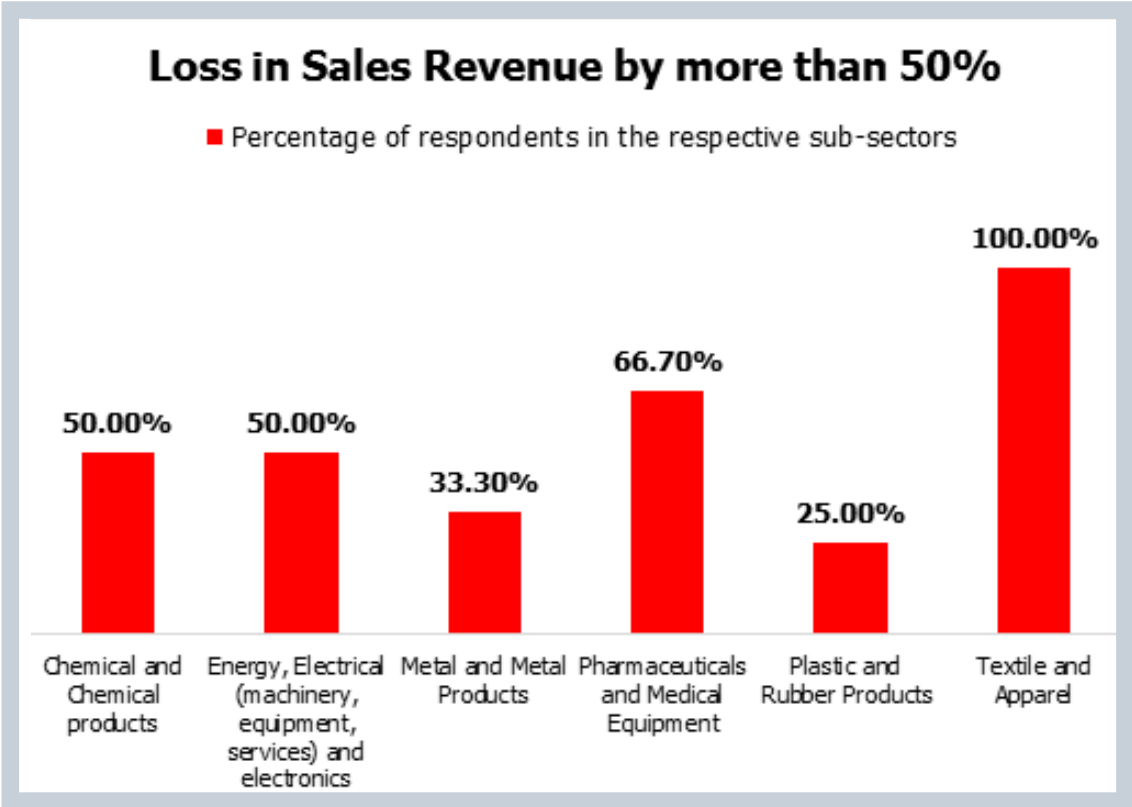
The data from the survey was collected using an online questionnaire sent to all CTI members, who are mainly manufacturers. The objective of the survey was to collect the views of the manufacturing sector and related businesses on the impact of COVID-19.

Based on the response collected, **97.9%** of the respondents confirmed that their businesses have been affected by COVID-19

Specifically, respondents have been impacted on the following key areas:

LOSS IN SALES

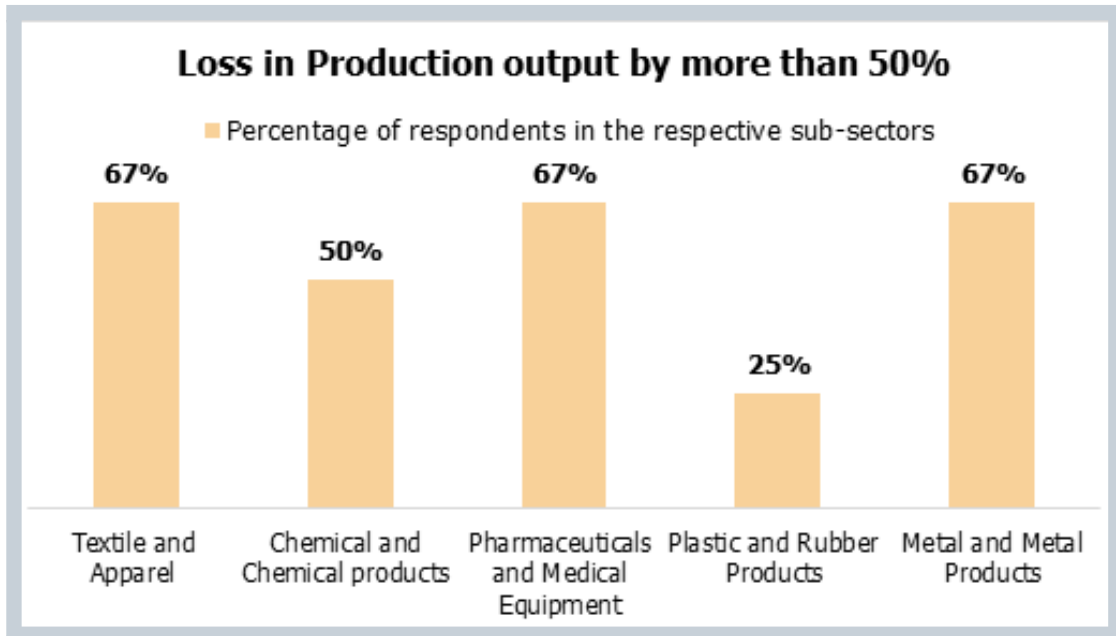
97% of respondents indicated increasing cash flow challenges. Sub-sectors that project more than 50% loss in sales revenue are shown in the diagram below



LOSS IN PRODUCTION



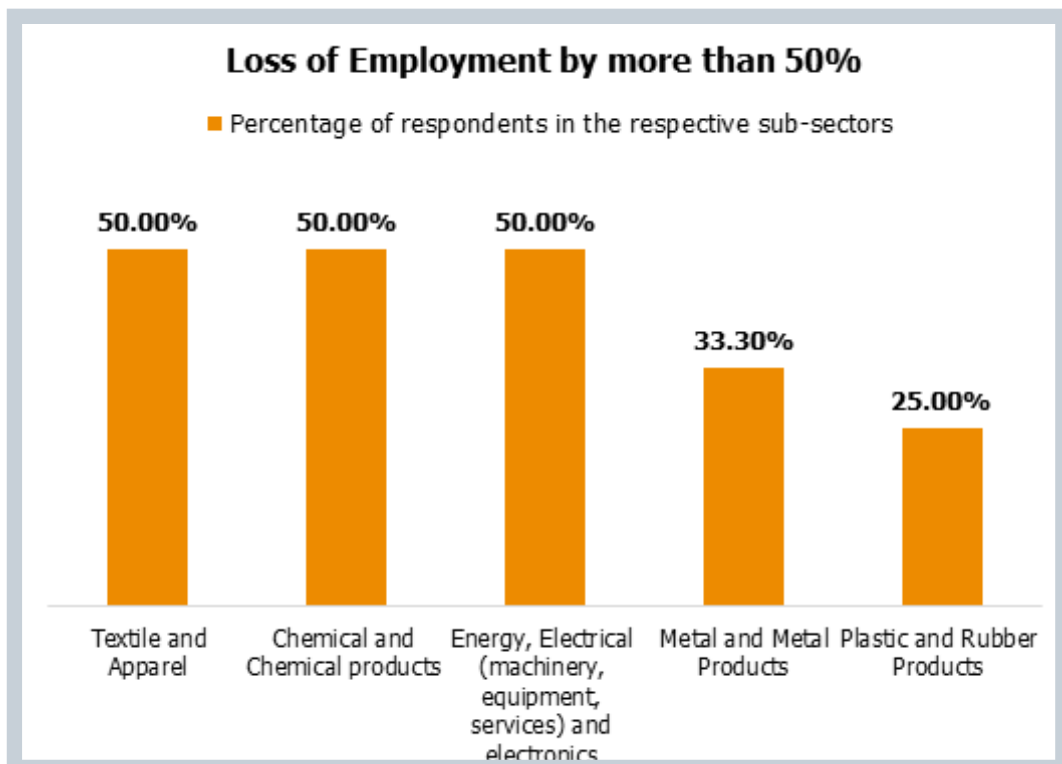
93.8% of respondents indicated that COVID-19 would have impact on their production output. The diagram below provides a sub-sector analysis of members projecting more that 50% loss in production output.



LOSS IN EMPLOYMENT



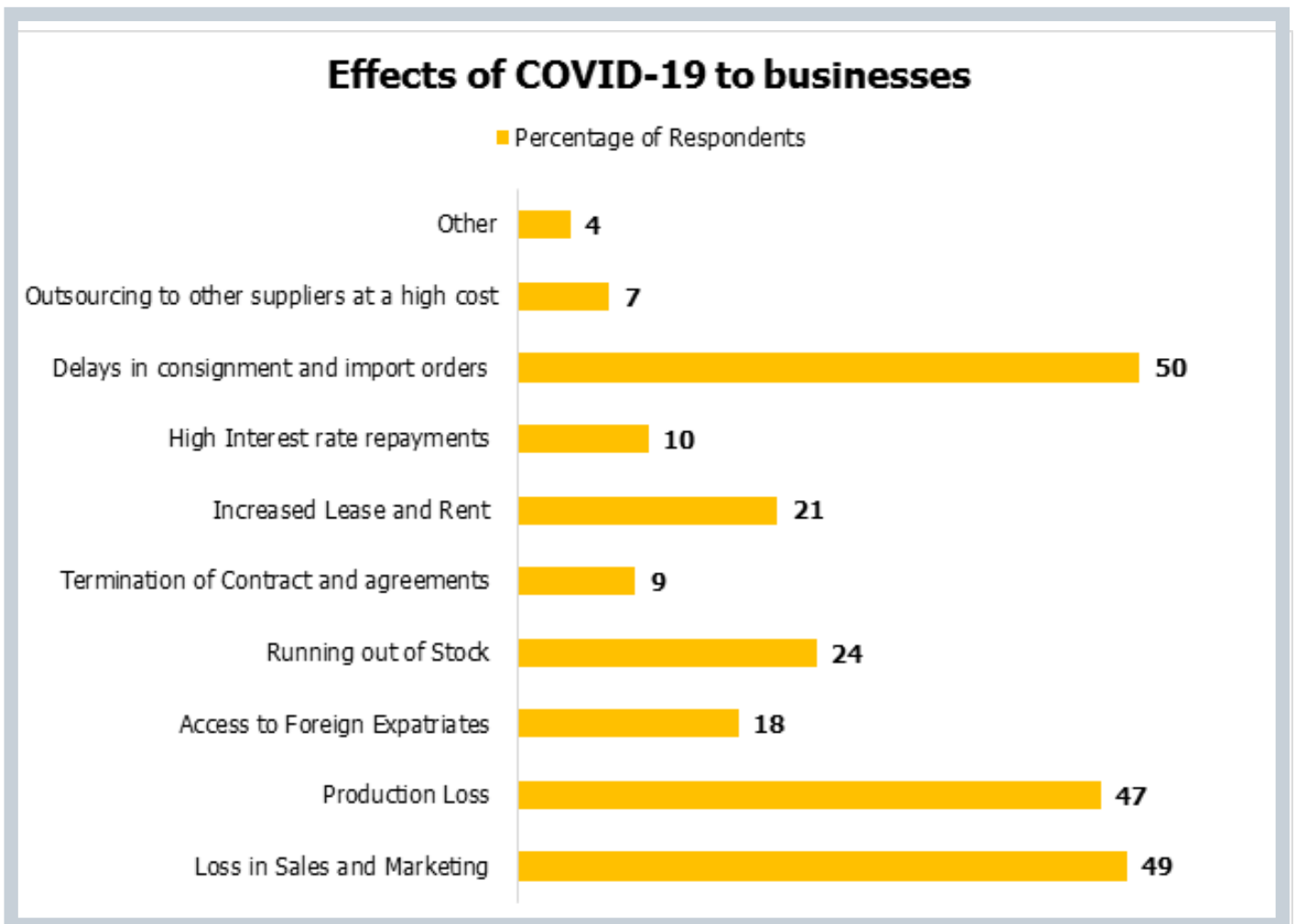
91% of respondents anticipated cutting down on employment. Sub-sectors projecting slashing down more than 50% of their staff are indicated below.



In general, the impact of the COVID-19 to businesses has been the disruption of global value chains and services. The survey shows that the main areas of supply chain affected by the outbreak include:

- Delays in receiving imported consignments of raw material / production input and delivery of sales orders (**50% of respondents**),
- Loss in sales revenue (**49% of respondents**) and
- Loss in production output (**47% of respondents**).

The overall impact of the outbreak on the different aspects of the value chain is depicted on the diagram below



3. MEASURES TAKEN BY CTI MEMBERS IN RESPONSE TO COVID - 19 OUTBREAK

According to the data so far collected, the members took the following prompt measures to combat the spread of the virus and mitigate its impact on their businesses:

- Enhancing hygiene and workers safety (**96.8% of respondents**).
- Providing guidance and education to workers (**83.9% of respondents**).
- Increasing monitoring of the supply chain to ensure compliance to consumer safety and health measures (**61.3% of respondents**).

It is noteworthy that the less desirable measures such as laying off workers, reducing working hours and shutting down operations are also being considered as industries monitor the situation.

The increasing impact of delays in receiving imported consignments has forced some industries to consider sourcing some of their raw materials locally in the future. The following sub-sectors have expressed the intention to do so:

- Pharmaceuticals and Medical equipment (**66.7% of the respondents** from the sub-sector).
- Food, Beverages and Tobacco (**62.5% of the respondents** from the sub-sector).
- Plastic and Rubber Products (**50% of the respondents** from the sub-sector).
- Paper, Paper Products, Printing, and Packaging materials (**33.3% of respondents** from the sub-sector).

However, the respondents were indifferent on the impact of the measures undertaken by the private sector to combat the outbreak:

- **46% of the respondents** were indifferent on whether the measures taken by private sector would have any impact at all.
- **31%** felt that the private sector was doing enough.
- **15.6%** strongly felt that the private sector was doing enough.
- **12.6%** were of the view that the private sector was not doing enough.

4. RECOMMENDATIONS

The adverse impact of COVID – 19 to industries cannot be overemphasised.

There is therefore a need for both private and public sector to work closely to alleviate the social-economic impact of the pandemic.

RECOMMENDATIONS TO TANZANIA INDUSTRIES (INDUSTRY TO INDUSTRY)

The following are some of the proposed measures to be taken by industries to mitigate the impact of the COVID-19 are:

- **Adhere to measures advocated by health** authorities in preventing the spread of the disease.
- **Focus on consumer welfare** to maintain prices and availability of commodities despite increased operational and distribution costs arising from the requirement to comply with preventive measures during distribution.
- **Provide personal protective gear** such as masks and gloves as well as clean water and soap for washing hands and/or sanitiser to the workforce.
- **Support and help the workforce** mitigate the impact of the disease on their wellbeing. This may include:
 - o Reduce working hours, increase the number of shifts and use of online platforms for meetings and, where possible, working from home.
 - o Providing meals for staff at the factory premises and offering other facilities such transporting staff to and from the factory.
 - o Provide guidance and education on the prevention of COVID-19.
- **Prepare post COVID-19 strategies** such as marketing and sales plan for recovering the lost production output and sales revenue.

RECOMMENDATIONS TO THE GOVERNMENT

Based on the respondents of the survey, proposed measures to be taken by the Government to mitigate the impact of the outbreak are:

- **Fast track repayment of outstanding claims** by industries including **VAT, 15% additional import duty on industrial sugar** and **services and goods supplied** to the government, with the aim of giving business the need for liquidity to boost their working capital during and post COVID-19 recovery period.
- **Issue a short-term waiver on overdrafts interest charges** and **short-term loans** issued by Commercial Banks.
- **Reduce payroll taxes** such as **Skills and Development Levy (SDL), Workers Compensation Fund (WCF)** and **Pay As You Earn (P.A.Y.E)** to reduce pressure on operational/administrative cost and stimulate domestic consumption.
- **Reduce Value Added Tax (VAT), Corporate Income Tax** and **other taxes** to alleviate the financial burden on industries.
- **Promote consumption of goods produced in sufficient quantities locally.** This can be done through:
 - o Provision of special incentives to agro-processing industries and SMEs.
 - o Enacting policies to promote investment in the manufacture of pharmaceuticals and medicated equipment such as masks, sanitisers, liquid soaps and medicine.
- **Conduct dialogue with the industrial sector** in formulating policies (including the Economic Recovery Plan) and plans to avoid shutdowns / lockdowns.

CALL TO MEMBERS

As we continue engaging with the Government and other shareholders on the best ways and means of alleviating the impact of the outbreak to industries and businesses in general, we urge members to continue sending in their views on the matter – specifying how they are impacted, what they are doing to mitigate the challenges and what they request from the Government and other stakeholders.

The Confederation of Tanzania Industries (CTI)
9th Floor - NIC Investment House
Samora Avenue
P.O. Box 71783
Dar es Salaam, Tanzania.
www.cti.co.tz
social media: @TanzaniaCTI

