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Economic Impact of Covid - 19 On Tourism in Tanzania

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Abstract

This article examines the impact of COVID – 19 on the Tanzanian economy and tourism in the context of East Africa. Some suggested ways to recovery are provided. It has been shown that the impact of the pandemic was relatively mild in Tanzania in 2020 compared to other East African countries. For example, GDP growth in Tanzania was estimated to fall from 6.9 percent in 2019 to 5.5 per cent in 2020. It remained the highest in East Africa. Tourism's contribution to GDP also fell slightly from 17 percent in 2019 to 16 percent in 2020.

Although tourist arrivals in Tanzania were optimistically estimated by the government to rise to 5 million in 2025, this will cleanly depend on the speed of recovery and the implementation of some recommendations suggested in this article. The role of the government will be very important.

Keywords: Economic impact, COVID-19, economic recovery, tourism in Tanzania.

1.0 INTRODUCTION

If a recession is defined as a period of declining real income and rising unemployment (Mankiw, 2001), the Covid-19 pandemic may be regarded as a global recession. This pandemic started in China in December, 2019 and rapidly spread globally in 2020. Global economic growth was estimated to have contracted by - 4.9 percent in 2020. An estimated 40 millions of people in the least developed countries were immediately pushed to extreme poverty. This was mainly due to the sharp increase in unemployment in 2020 (WorldBank, 2020). Many of these countries were in Sub - Saharan Africa.

Furthermore, in Sub-Saharan Africa economic growth was estimated to be - 3.3 percent in 2020. The growth rate was 2.4 percent before the pandemic in 2019. In East Africa the recession was relatively mild in 2019/2020. For example in the core East African countries of Kenya, Tanzania, and Uganda, economic growth was estimated to be 2.3 percent in 2020 compared to 4.7 percent in 2019 (Institutes/Bureau of Statistics 2019/2020).

In Tanzania economic growth was estimated to remain the highest in East Africa. It was 6.9 percent in 2019 and dropped to 5.5 percent in 2020 (URT, 2020). Nevertheless, it should be stressed that the pandemic had a negative economic impact virtually on all sectors in Tanzania. As Ngowi (2020) points out, the pandemic severely disrupted tourism and other activities across the world including Tanzania.

The main objective of this article is to examine the impact of COVID - 19 on Tanzania's economy, focusing on the tourism sector. The second section presents a conceptual retrospective overview. Methodology is provided in section. The third section looks into the economic impact of the pandemic on Tanzania's economy with reference to some other East African countries. The emphasis is placed on the role of tourism. Section five provides the conclusion and recommendations on how to move forward.

2.0 CONCEPTUAL AND RETROSPECTIVE OVERVIEW

While an epidemic is a disease limited in spreading, a pandemic is a disease that spreads over many countries. The Covid-19 crisis the most recent example of a global pandemic. As noted in the introduction, this period may be regarded as a recession - a period of declining real income and increasing

unemployment and poverty. At the micro - level, almost all firms experienced declining sales and profits. As Mankiw (2001) and Case and Fair (2002) have mentioned, a prolonged and deep recession is referred to as a depression. Although the period for a recession is debatable, it is defined as at least two consecutive economic quarters. In this case Covid-19 pandemic period in 2020 may therefore be referred to as a global recession. However it may be questionable whether the period for pandemic was a recession in 2020 in some countries such as Tanzania given its relatively short duration there.

Before the Great Depression (1929 -1933) classical economists believed that recessions were self-correcting. Supply and demand analysis assumed that an excess supply of labor would drive down wages to a new equilibrium level, As a result, this unemployment would not persist. (Case and Fair, 2002) However, during the Great Depression, unemployment persisted for a long period and real income declined substantially. This depression covered North America and Europe at the same time and did not spare the remote corners of the world (Samuelson, 1990). East Africa and Tanzania (Tanganyika) in particular were also affected.

In 1936 John Maynard Keynes, through his publication of his famous book entitled *The General Theory of Employment, Interest and Money*, criticized the classical economists. Their analysis was squarely based on a micro- economic model which assumed perfectly free and competitive market. This idea is based on the concept of "the invisible hand" of the market according to the 18th century economist Adam Smith. Keynes argued that moderate government intervention was required to regulate unemployment and promote economic growth. Furthermore, the government role was to stimulate aggregate demand and lift the economy out of recession (Case and Fair, 2002)

Thus, Keynes also supported deficit spending and borrowing during the economic downturns. As the economy began to recover, he emphasized that fiscal policy should be strictly tightened to generate the necessary fiscal space to develop countercyclical main economic policy (Martin, 2020). It should be underlined that since the Great Depression other global recessions had taken place. In 1946 and between 1980 - 1982, for example, severe recessions took place in the United States (Case and Fair, 2002).

Many of these recessions did not spare other countries given that they occurred simultaneously with global shocks. One example is the global recession basically due to the oil crisis in the late 1970s and early 1980s. East Africa, especially Tanzania, was affected severely since the situation was exacerbated by negative internal factors like the 1979/1980 war (Tanzania vs. Uganda) and macroeconomic fiscal and monetary policy problem (Kapunda, 2017 and Bilame, 2017)

The most recent case of a global recession is the current global pandemic. It started in December, 2019 in Chinese city of Wuhan and rapidly spread globally in 2020.

Before examining the impact of the pandemic itself on Tanzania and its tourism sector, it is important to examine the role of tourism in Tanzania. Tourism may be regarded as a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business /professional purpose (Busungu, 2020). It is a complex sector which is interconnected with other activities such as transportation, travel services, recreation and entertainment, food and beverages, and agriculture. Tanzania is rated as being among the top five countries with the best tourism attractions (Spillane 2020:13). Nearly 30 percent of the country's land is devoted to National Parks. For instance, the Serengeti National Park, is one of the most famous and best parks in the world. It is home for more than one million species of large mammals. It is a world heritage site being regarded as one of the seven wonders of the world (Ngowi 2020). In addition, Tanzania has the highest mountain in Africa - Mount Kilimajaro. An estimated 50,000 tourists climb the mountain annually. Most international tourists who come to Tanzania are classified as long haul travelers.

The pre - COVID -19 performance of tourism and related activities was generally good. For instance, in 2018 tourism accounted for 17 per cent of Tanzania's GDP and employed over 11 percent of its labor force. It also accounted for 25 percent of foreign currency (Busungu, 2020). According to the Five Year Development Plan (2016-2021) tourism in the country was anticipated to grow by 6.2 per cent; raise its GDP share up to 18.3 percent; increase its contribution to the exports to 21.4 percentage and raise its share of employment to at least 12 percent of the labor force (Spillane,

2020). The Vision 2025 for Tanzania regarded tourism not only as a key pillar for national development but also as a mechanism to alleviate poverty, generate foreign revenue for the government and contribute to wildlife conservation. There are similar mechanisms at work in other East Africa countries (Spillane, 2020). However, the Covid-19 pandemic has affected negatively on the whole Tanzanian economy and the tourism sector in particular.

3.0 METHODOLOGY

The data used in this article originates essentially from international sources such as the World Bank and the World Travel and Tourism Council (WTTC). Government publications such as bureau of statistics are also a source of data. Others include resources in libraries and private documentary collections such as the extensive collection of newspaper clipping at the Tourism and Hospitality Department at St. Augustine University of Tanzania in Mwanza, Tanzania. The data are mainly concerned with the year of 2019 and 2020. Thus this study has employed basically literature review and related analysis. The study also uses some descriptive statistical analysis.

4.0 IMPACT OF COVID -19 ON THE TANZANIAN ECONOMY

4.1 The Impact of Covid-19 on the Tanzania Economy with Reference to East Africa.

As noted in the introduction, in Tanzania real GDP growth in Tanzania was estimated to fall from 6.9 percent before the COVID -19 pandemic in 2019 to 5.5 in 2020. Nevertheless, the GDP growth remained the highest in the core countries of East Africa in 2020 (See Table 1)

Country	2019	2020
Tanzania	6.9	5.5
Kenya	5.7	1.5
Uganda	1.8	-3.2

Source: URT 2020, Bureau/Institutes of Statistics, Various Countries

As Masare (2020) maintains, while many African countries, including other East African countries, introduced curfews, lockdowns and similar strict measures, Tanzania opted for a relaxed approach. This allowed economic activities to continue during the pandemic. In fact, Tanzania managed to join the World Bank's classification as a middle income countries in July, 2020. Its Gross National Product (GNP) per capita reached the World Bank minimum threshold of US\$ 1,036.

However, in general economic activities in East Africa and Africa as a whole were affected negatively due to lockdown and similar strict health measures. This led to a sharp reduction in revenue, an increase in debt vulnerability and other financial problems. By contrast, Tanzania had the lowest estimated debt burden in East Africa in 2020. It has a debt - GDP ratio of 27.1 per cent compared to the higher ratio of about 60 per cent in the case of Kenya. This level is 10 per cent above the IMF recommended threshold of 50 per cent. Uganda's similar ratio was 47.5 per cent in 2020 while that of Rwanda was about 58 per cent in 2020 (Lyimo, 2020).

Tanzania also tried to stimulate aggregate spending as recommended by Keynes. In July, 2020 Tanzania reduced income taxes on salaried worker to enable them to spend more on goods and services. As a consequence, there was a boost in the country's economy.

4.2 Impact of Covid-19 on the Tanzania 's Tourism Activities

As noted in the introduction, the global pandemic disrupted tourism and related activities across the world. The World Travel and Tourism Council 2020 (WTTC) stated that a staggering 174 million travel and tourism jobs were estimated to be have been lost worldwide in 2020. This trend will continue if the current global travel restrictions to curb the spread of the coronavirus are continued. In Tanzania, however, due to the relatively mild impact of Covid-19, tourism performance was relatively and generally satisfactory. As shown in Table 2, the number of tourist arrivals were estimated to fall only slightly from 1.9 million in 2019 to 1.8 million in 2020. But this is much lower than the hoped for increase to 5 million by 2025 as the Government is planning. Similarly, tourism's contribution to GDP would slightly fall from 17 percent in 2019 to 16 percent in 2020. However, the contribution would

below the hope for increase to 19 percent in 2025. For details, see Table 2.

No.	INDICATORS	2019	2019	2020
		2025*		
1	Number of Tourist arrivals(million)	1.9	1.9	1.8
		5.0		
2.	Contribution to GDP (0/0)	17.0	17.0	6.0
		19.0		
3.	Contribution to employment (0/0)	11.0	11.0	10.0
		13.0		
4.	Revenue from tourism (US\$ billion)	2.6	1.5	1.0
		9.0		
5.	Sectoral Growth (%)	6.2	6.9	6.0
		7.0		
6.	Accommodation and food activities services	12.1	13.0	15.0
		17.0		

*Note: Projected

Sources: Ministry of National Resource and Tourism, 2020

In short tourism will remained attractive and dynamic in Tanzania despite the pandemic. With the highest mountain in Africa, Mount Kilimanjaro, Zanzibar island as well as the world famous attraction of the Serengeti National Park, Tanzania still has major magnets to attract international long haul tourists. These are the main reasons why the government has given tourism its top priority in the 2020 - 2025 Plan of Action. However, international long haul travel will have to wait for the recovery of international air travel. It is not predicted to return to previous levels until at least 2024. In addition all international health and safety protocols must be prepared to receive these international visitors including an effective and wide spread vaccination program.

5.0 CONCLUSION AND RECOMMENDATIONS

This article has examined the impact of Covid-19 on the Tanzanian economy in the context of East Africa. As a solution to the problem, the Keynesian economic approach would be appropriate. Keynes argued that government intervention (public policy) is required to promote economic growth. Specifically the government should stimulate aggregate demand and lift the economy out of the recession. This can be done by increasing people's purchasing power i.e. decreasing workers' and

investors' taxes and directly raising workers' salaries. This is the primary way or approach to recovery.

The second way is borrowing during the economic down turn and recovery period. This is another part of the Keynesian approach. However, care should be taken to observe the IMF's recommended debt to GDP ratio of 50 percent. Fortunately, Tanzania had a relatively low estimated debt: GDP ratio of only 27.1 per cent in 2020. Thus, Tanzania can take advantage of the low debt burden ratio.

The third approach is to keep on maintaining and improving methods of preventing the epidemic from spreading or re-occurring. The fourth approach is to promote infra- Africa trade and self-reliance given the relatively low impact of the epidemic in East Africa and Africa in general. The fifth approach is to ensure that arriving tourists and other travelers are thoroughly checked before entering the country to avoid the spread or re-occurring of the pandemic.

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