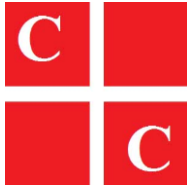


COVID19 Enterprise Impact Assessment *Key Survey Findings*

18th June 2020

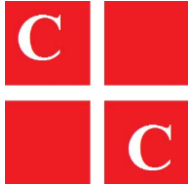
The Tonga Chamber of Commerce & Industry Inc. (TCCI), in collaboration with the ILO's Bureau of Employers Activities, conducted an enterprise needs assessment survey to identify the current status and challenges faced by businesses in Tonga resulting from COVID-19.

A total of 216 enterprises took part in the survey between 23 April and 06 June 2020



VISION

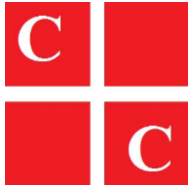
***"To enhance the growth of
Tonga's businesses and
communities"***



ABOUT US

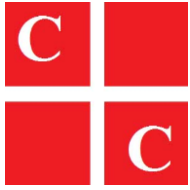
Tonga Chamber of Commerce & Industry (TCCI)

- Tonga's recognized National Private Sector Organization (NPSO)
- Established in 1976 and incorporated in 1996
- A non-profit, non-government organization
- Endeavours to represent the interests of its members, private sector businesses, and to promote economic growth in the Kingdom of Tonga.
- Boasting businesses membership ranging from 50 to over 150 over the years, from all industry sectors
- Represented by an active member-elected Council & Executive Committee who meet monthly,
- Provide valuable business facilitation services to members and all businesses throughout Tonga.



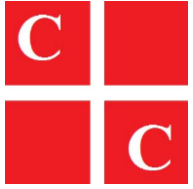
ABOUT US

- Governed by a fourteen-member Council, which includes four Affiliate Council members.
- Affiliate Council members are from across the business sectors and the wider business community.
- The direction for the day to day operations of Chamber is in the hands of the Executive Committee (EC) which consists of the President, VP, Secretary, Treasurer and a Council member.
- The EC reports to the Council.



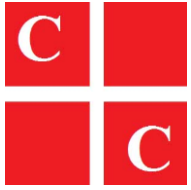
THE COUNCIL

President	– Paula Taumoepeau
Vice President	– Samiuela Vea
Secretary	– Maliu Mafi
Assistant Secretary	– Sinai Tu’itahi
Treasurer	– Aloma Johansson
Assistant Treasurer	– Liz Cowley
Council members	– JP Chapman, - Filimone Tu’ilokovatu, - Dharmesh Lal - Maliana Tohi
Affiliate Members	– Tonga Chinese Business Council



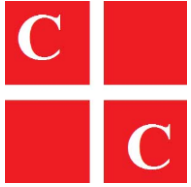
OBJECTIVES

- Making representation to Government to improve the current business climate
- Creating training and learning opportunities for business people
- Fostering a mutually friendly atmosphere for networking among members
- Providing timely and adequate information on the business environment in Tonga



OUR SERVICES - TCCI

1. Providing a source of information to businesses
2. Representing Private Sector interests with Government, international & regional bodies and aid donors
3. Cooperating with other business organisations in Tonga & overseas
4. Maintaining trade information to assist importers and exporters
5. Promoting new business opportunities for members
6. Protecting the business interests of members
7. Providing vital training to the private sector
8. Bi-monthly member events/Networking functions
9. Providing diagnostic tools/advice for businesses



OUR SERVICES - TBEC

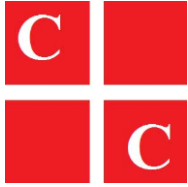
The Tonga Business Enterprise Centre (TBEC) was established in November 2010 to help advance Tonga's private sector businesses by providing:

- Business advisory/mentoring services
- Support programs to business development
- Training related to all business activities
- Participants trained – 4,707
- Businesses trained & supported – 1,523
- MFAT assistance ended December 2016, but continues on a limited scale
- Registered with Tonga National Qualification Accreditation Board (TNQAB) as a Training Provider

**Tonga Business
Enterprise Centre**

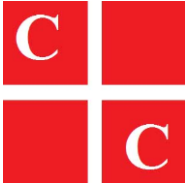
Senita Fale'i ki he
Ngaahi Pisinisi 'o Tonga





SECTORAL REPRESENTATION

- Agriculture Sector Growth Committee
- Food and Security Livelihood Cluster
- Economic & Social Recovery Cluster
- Manufacturing Association of Tonga
- Tonga Retail and Wholesale
- Tourism Association
- Tonga Fisheries Council
- Construction Association
- Tonga Youth for Employment and Entrepreneurship
- Tonga Handicrafts
- Women In Sustainable Enterprise
- Tonga Chinese Business Council



GOVERNMENT COMMITTEES

1. Liquor Advisory Committee
2. Environmental Assessment Committee
3. Nutrition Advisory Committee
4. Tonga Competent Authority
5. Reef to Ridge Committee
6. ICT Board
7. Transport Board
8. Tonga Development Bank
9. Utility Board
10. Natural Disaster Cluster Committees
11. ILO Tripartite Committee
12. National Sustainable Development Board
13. Joint National Action Plan Taskforce

COVID-19 Impact Assessment

Tonga Chamber of Commerce and Industry (TCCI)

15 June 2020, Nuku'alofa

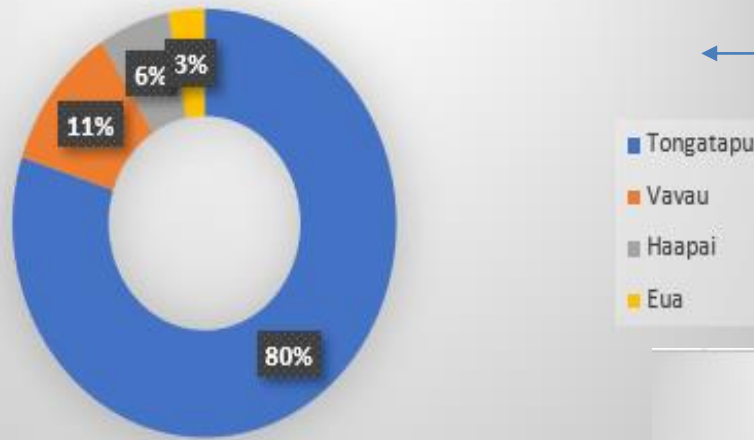


OBJECTIVES

- ▶ Which types of enterprises are being most impacted by COVID-19 (small, medium, large)?
- ▶ Which sectors are being most impacted by COVID-19?
- ▶ Which geographical regions are being most affected?
- ▶ What is the current state of business operations (open, teleworking, relocated or closed)?
- ▶ Are enterprises experiencing large drop in demand for key products/services?
- ▶ What are the most pressing challenges faced by enterprises (e.g. cash flow, staffing, supply chain disruptions, lower demand)?
- ▶ Do these challenges create impediments to doing business over the short- and/or long-term?
- ▶ What is the financial impact on enterprises?
- ▶ Can enterprises access loans or grants to support business recovery?
- ▶ Are business owners considering permanently closing their business?

Location & Year Established

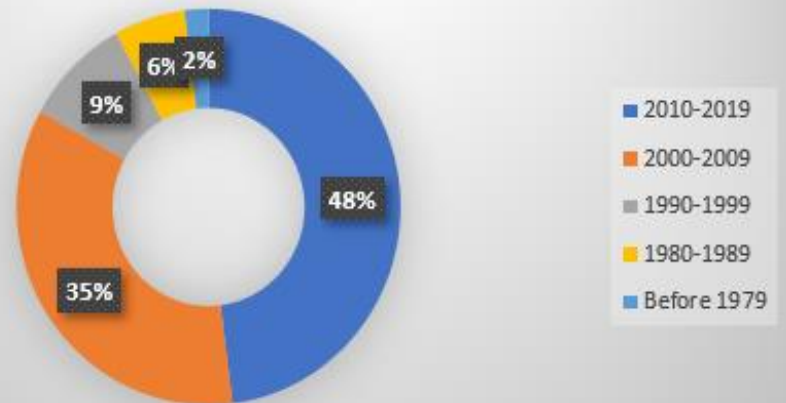
Participant Location



Participants

80% = 173 Businesses : Tongatapu
 11% = 24 Businesses : Vava'u
 6% = 13 Businesses : Ha'apai
 3% = 6 Businesses : 'Eua

Year Established

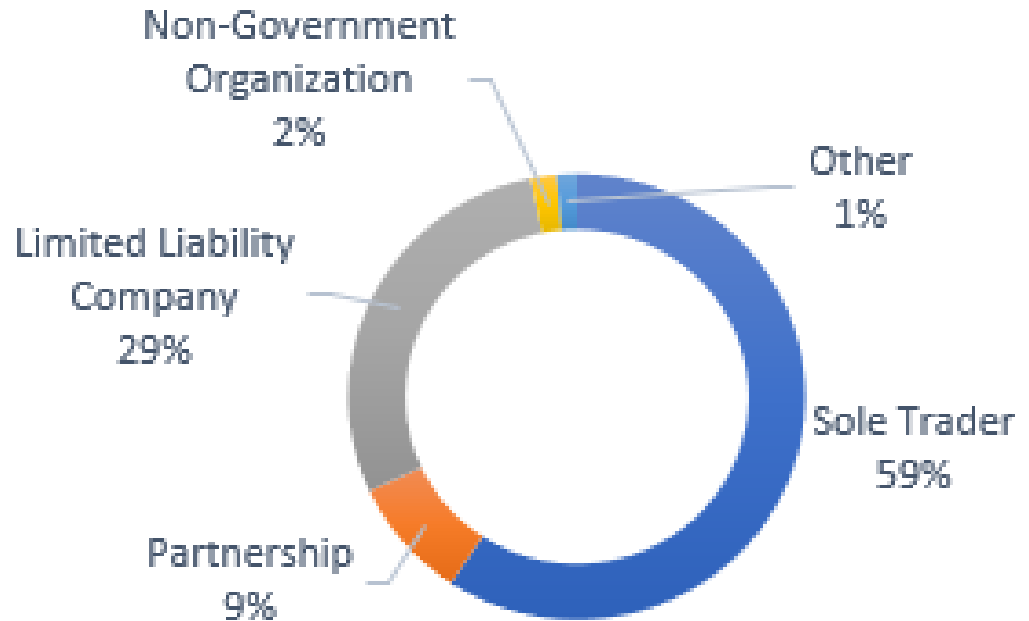


Year Established

48% = 104 Businesses : 2010-2019
 35% = 76 Businesses : 2000-2009
 9% = 19 Businesses : 1990-1999
 6% = 13 Businesses : 1980-1989
 2% = 4 Businesses : Before 1979

Type of ownership

- Sole Trader
- Partnership
- Limited Liability Company
- Non-Government Organization
- Other



Type of ownership

59% = 128 Businesses : Sole Trader

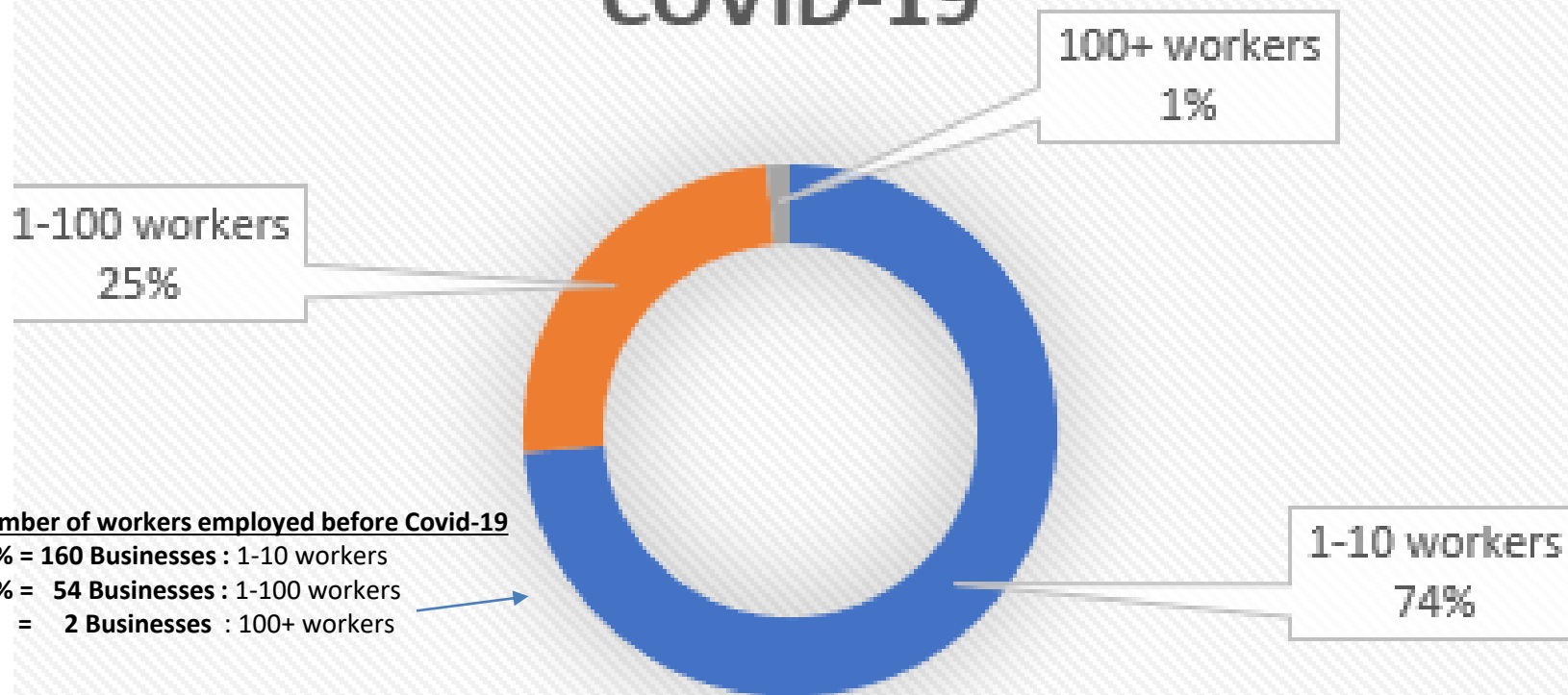
29% = 63 Businesses : Limited Liability Company

9% = 19 Businesses : Partnership

2% = 4 Businesses : Non-Government Organization

1% = 2 Businesses : Other

Number of workers employed before COVID-19



Number of workers employed before Covid-19

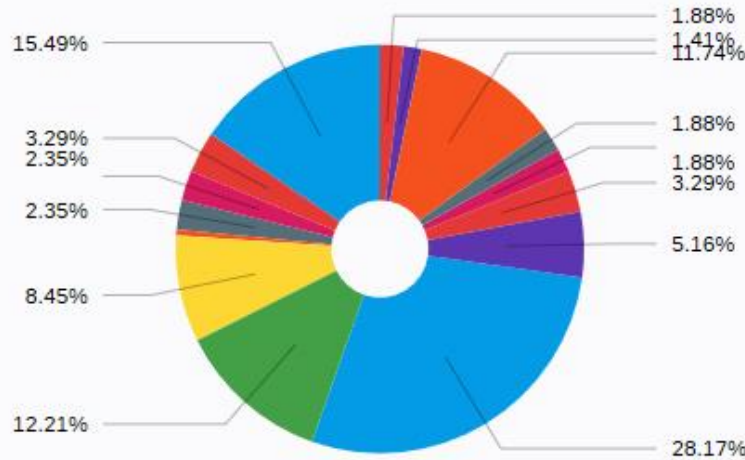
74% = 160 Businesses : 1-10 workers

25% = 54 Businesses : 1-100 workers

1% = 2 Businesses : 100+ workers

■ 1-10 workers ■ 11-100 workers ■ 100+ workers

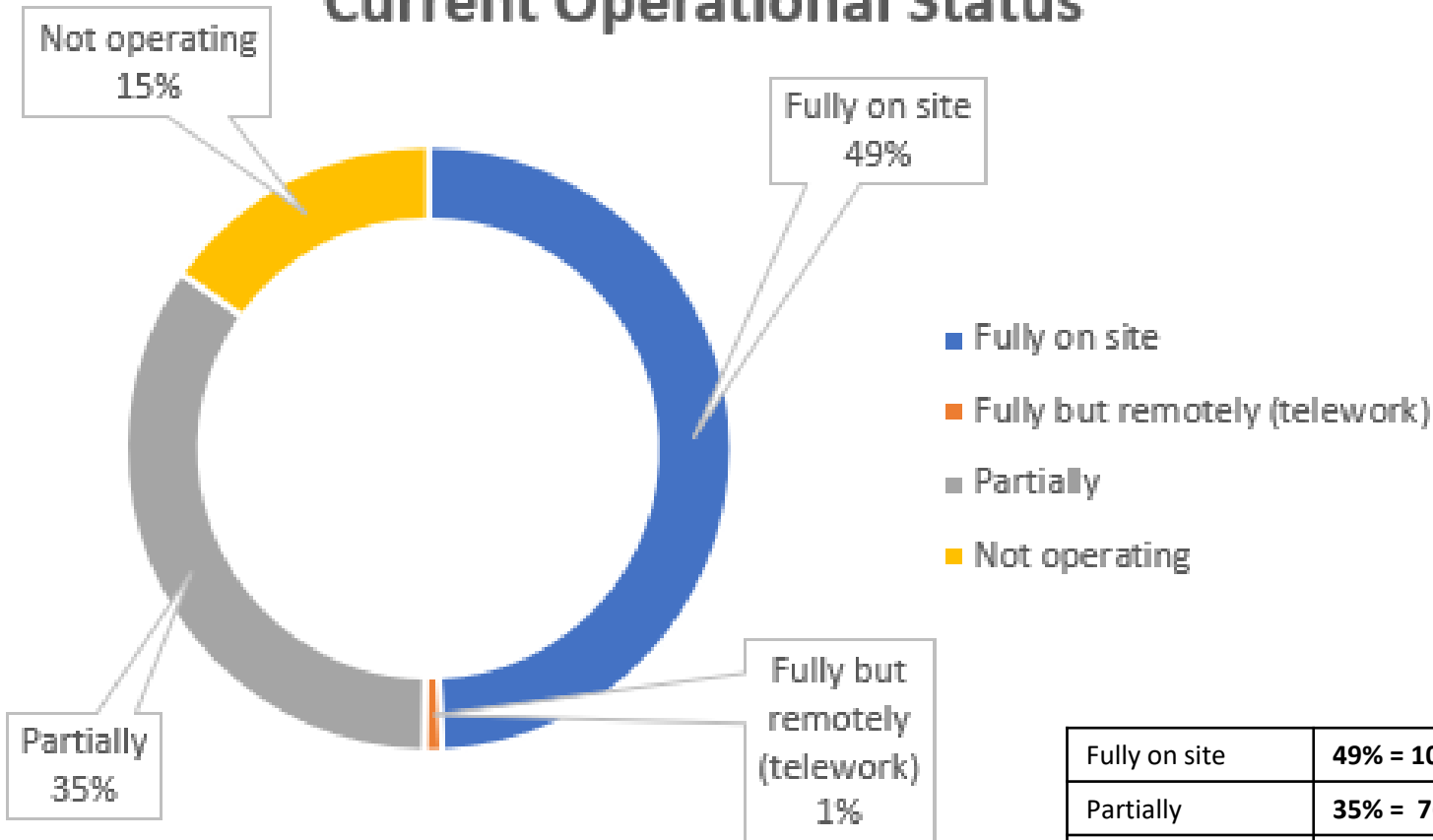
Sector of operation



Hotel/Tourism	28.17% = 61 Businesses
Retail/Sales	12.21% = 26 Businesses
Food & Beverages	11.74% = 25 Businesses
Restaurants	8.45% = 18 Businesses
Education	15.49% = 33 Businesses
Other	23.94% = 53 Businesses

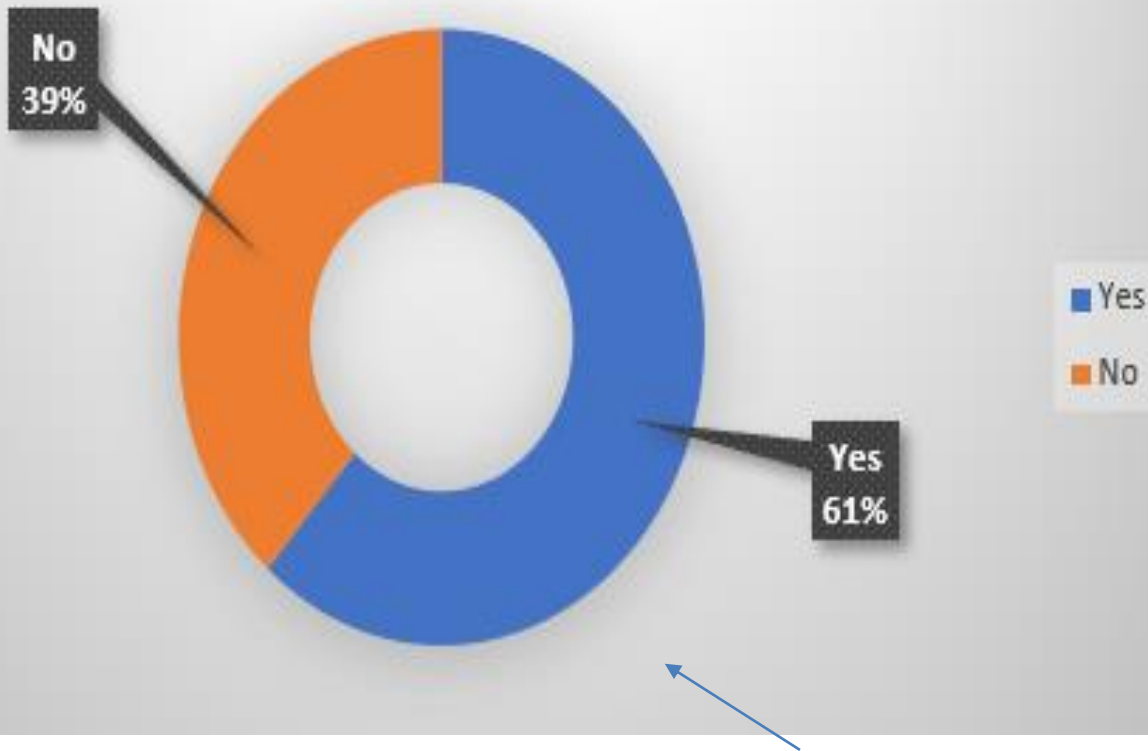


Current Operational Status



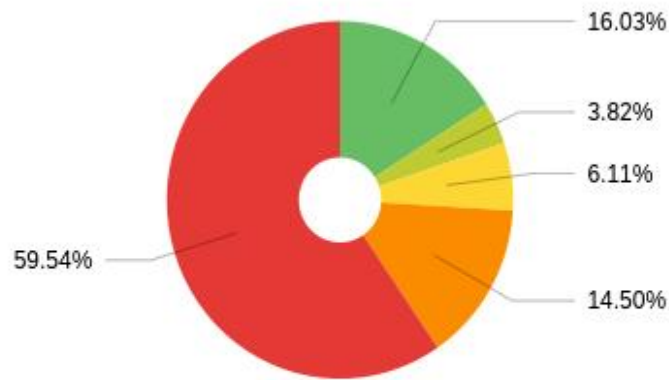
Fully on site	49% = 106 Businesses
Partially	35% = 76 Businesses
Not operating	15% = 32 Businesses
Fully but remotely	1% = 2 Businesses

Planned or Dismissed Workers



Planned or Dismissed Workers	YES	61% = 132 Businesses
Planned or Dismissed Workers	NO	39% = 84 Businesses

% of workforce – planned or dismissed

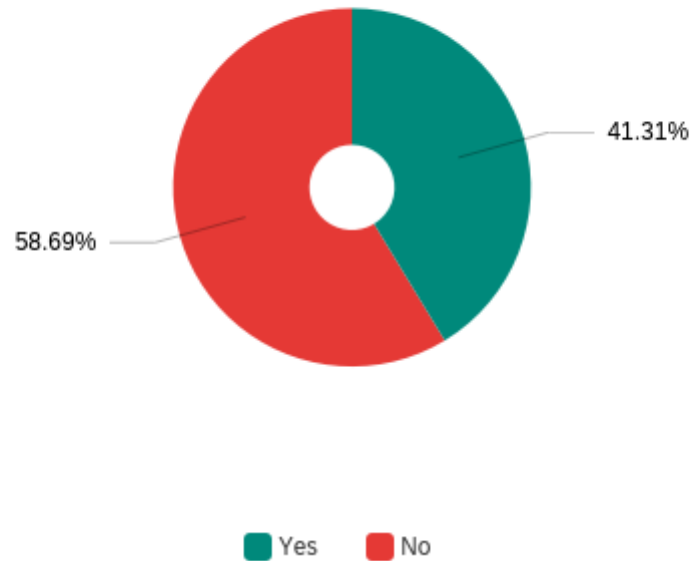


16.03% = 35 Businesses : 1-10% of workers
3.82% = 8 Businesses : 11-20% of workers
6.11% = 13 Businesses : 21-30% of workers
14.50% = 31 Businesses : 31-40% of workers
59.54% = 129 Businesses : Over 41% of workers

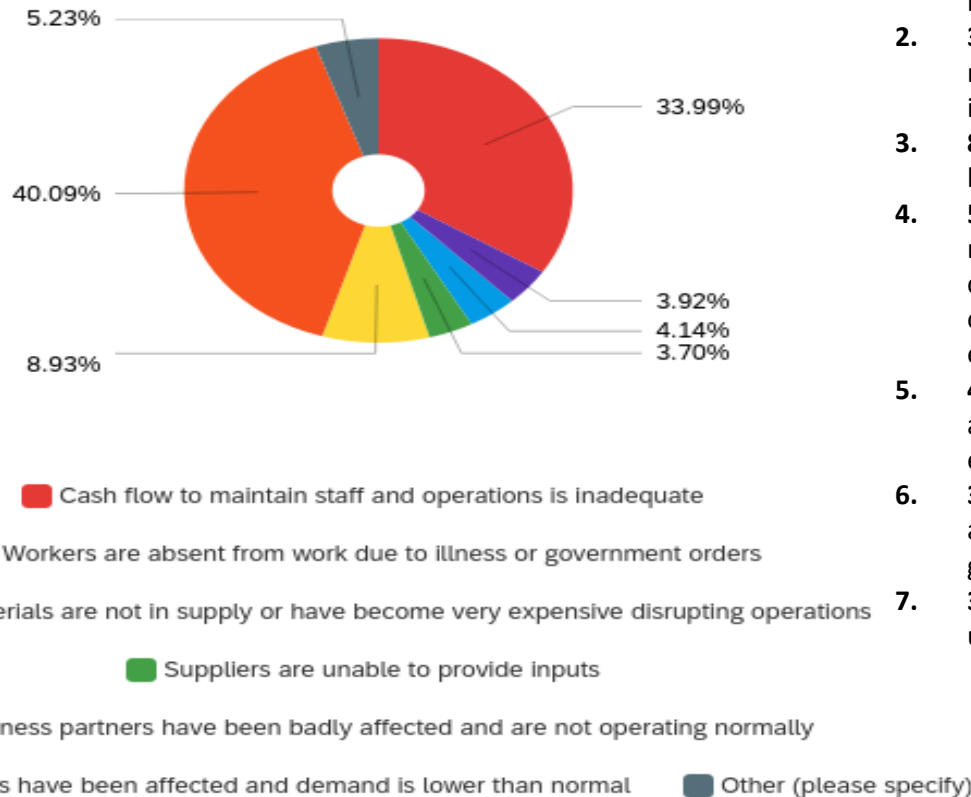
1 - 10% 11 - 20% 21 - 30% 31 - 40% Over 41%

Written Business Continuity Plan (BCP)

41.31% = 89 Businesses : Yes
58.69% = 127 Businesses : No

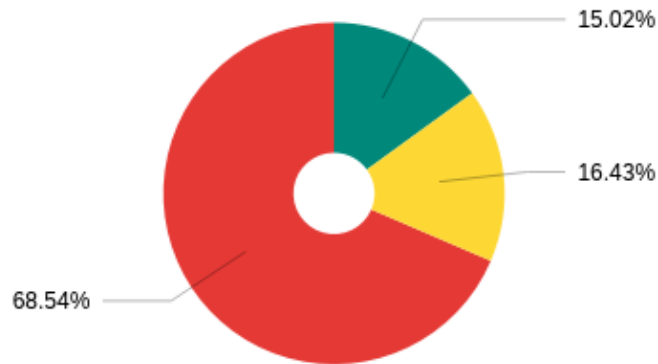


Main Challenges



1. **40.09% = 87 Businesses** : Customers have been affected and demand is lower than normal
2. **33.99% = 73 Businesses** : Cash flow to maintain staff and operations is inadequate
3. **8.93% = 19 Businesses** : Business Partners have been badly affected
4. **5.23% = 11 Businesses**: Border lockdown, no tourists, no domestic air service, curfew, stress caused by restrictions, loss of market, damaged goods, high electricity bill
5. **4.14% = 10 Businesses** : Raw materials are not in supply or have become very expensive disrupting operations
6. **3.92% = 8 Businesses** : Workers are absent from work due to illness or government orders
7. **3.70% = 8 Businesses** : Suppliers are unable to provide inputs

Business insured

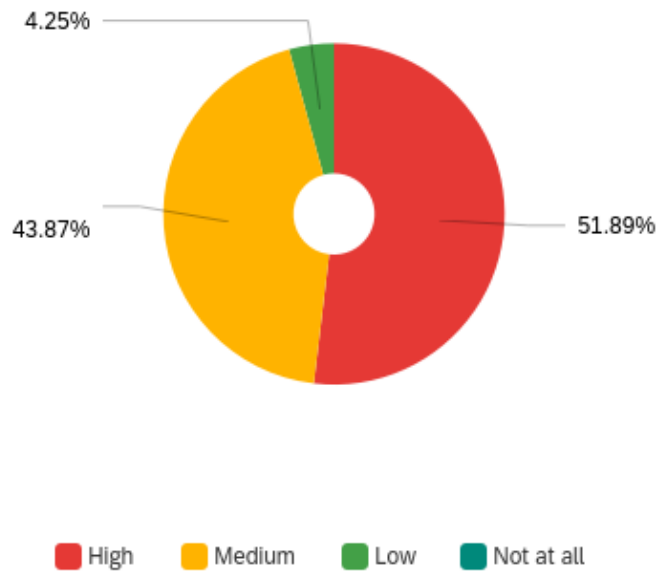


■ Fully ■ Partially ■ Not at all

Business insured

Fully → 15.02% = 32 Businesses
Partially → 16.43% = 36 Businesses
Not at all → 68.55% = 148 Businesses

Level of financial impact



Level of financial impact

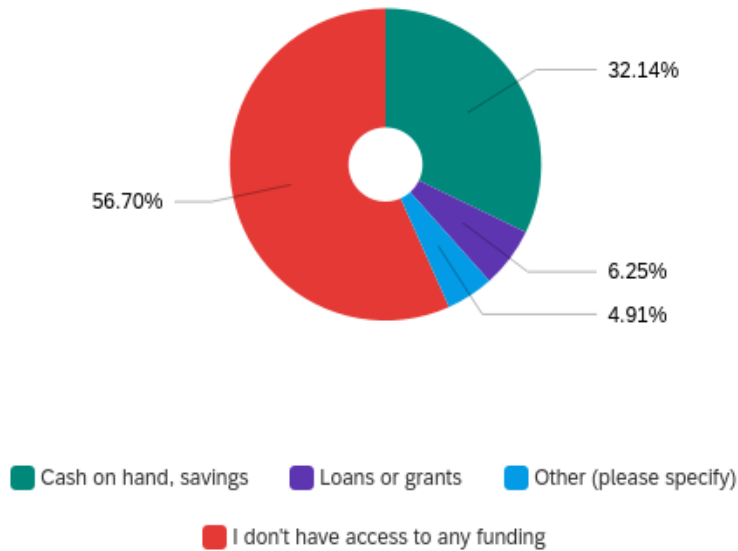
High → 51.89% = 112 Businesses

Medium → 43.87% = 95 Businesses

Low → 4.25% = 9 Businesses

Not at all → 0%

Access to funding



Business Access to funding

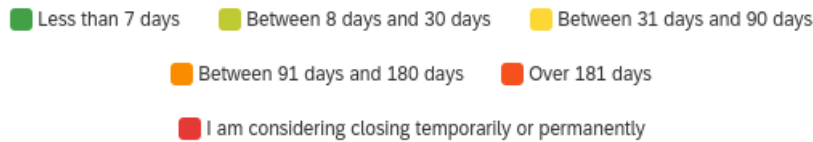
Don't have access to any funding	→	56.70% = 122 Businesses
Cash on hand, savings	→	32.14% = 69 Businesses
Loans or grants	→	6.25% = 14 Businesses
Other	→	4.91% = 11 Businesses

Time to restore operations



Days to restore operations

- Less than 7 days → 8.49% = 18 Businesses
- Between 8 days and 30 days → 8.49% = 18 Businesses
- Between 31 days and 90 days → 16.51% = 36 Businesses
- Between 91 days and 180 days → 27.36% = 59 Businesses
- Over 181 days → 23.58% = 51 Businesses
- Considering Closing → 15.57% = 34 Businesses



RECOMMENDATIONS:

*With reference to meeting with Hon. Minister of Trade and Economic Development
(on 18th March 2020)*

TCCI suggests government considers some of the measures below to assist businesses & the community overcome the impacts of COVID-19:

1. Ensure basic utilities/services/infrastructure continue to operate
2. Request banks and lending institutions:
 - (a) be flexible with businesses, organisations, employees & bank customers whose existing loans, mortgage repayments, etc are affected by COVID-19
 - (b) be flexible with businesses, organisations & employees requiring new loans & financial services because of COVID-19 impacts

3. Offer temporary tax and/or duty relief to businesses, organisations & the community impacted by COVID-19, and which is workable under the government budget. This may include:

- (a) Reducing the CT rate
- (b) Extend further the duty and tax free assistance already given to assist with hurricane reconstruction
- (c) Grow employment & reduce imports by supporting new import-substituting businesses and existing import-substituting businesses by making capital equipment, inputs required to produce & package the finished product/s, duty free.
- (d) Defer other tax & duty payments due, on a case by case basis to assist businesses affected by COVID-19

4. Seek programmes/grants from International donors eg World Bank, IMF etc and donor countries to fund government work to assist private sector impacted by COVID-19

***With reference to letter to Hon. Minister of Finance and National Planning
(dated 03rd April 2020)***

Rescue Phase:

1. The private sector needs an urgent injection of cash now. Regardless of the size of the business, we all feel the pain. Businesses have loans and bills to pay and Banks expect these businesses to live up to their loan obligations.
2. Many employees have been sent home without pay. These employees have families to support. As employers we need to keep them on the payroll, even at a reduced wage. Government needs to help businesses to keep their staff on the payroll and enable them to support their families.

Recovery Phase:

1. Government to urge donors to consider bringing infrastructure projects forward. This will benefit businesses & people that work/supply these projects and will circulate money in the economy during the difficult COVID-19 recovery period.
2. Government to urge donors to maximise the use of locally sourced labour, materials, equipment, etc for these projects.
3. Provide accelerated depreciation to businesses & ordinary citizens if they build or renovate property and the value of the works is in excess of \$100,000. This will create a stimulus in the economy for people or companies to start work and will benefit businesses & people that work/supply these projects and will get money circulating in the economy.
4. Government to give special incentives to churches who planned to have building & maintenance programmes or new churches & halls projects, to move them forward.
5. Government to subsidise 30% (by giving equivalent tax credits to the businesses) for flights & accommodation package to any resident in Tonga to travel and stay anywhere in Tongatapu and the outer islands. This will assist some of the hardest hit tourism businesses.

Recovery Phase:

6. Delay the roll out of requirement of POS machines for businesses for 12 months to provide cash flow relief to businesses and to allow them to concentrate on keeping their business operating for now.
7. Set up a Fund to assist struggling businesses and to encourage the start-up of new businesses. This is not a grant, but a short-term-low-interest loan scheme administered by TDB (similar to the existing Government Development Loan scheme) but with a wider scope. Government can request that TDB administer the scheme, based on criteria to be developed by TCCI in consultation with TDB.

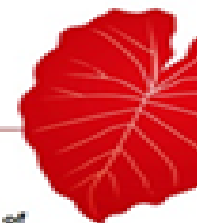
As of now, businesses have been greatly affected by COVID-19. If and when COVID-19 arrives in the country, the impact on businesses will be worse than it is now.

COVID19 Enterprise Impact Assessment



**Tonga Business
Enterprise Centre**
**Senita Fale'i ki he
Ngaahi Pisinisi 'o Tonga**

TBEC is a Business Training facility of
Tonga Chamber of Commerce & Industry Inc.



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