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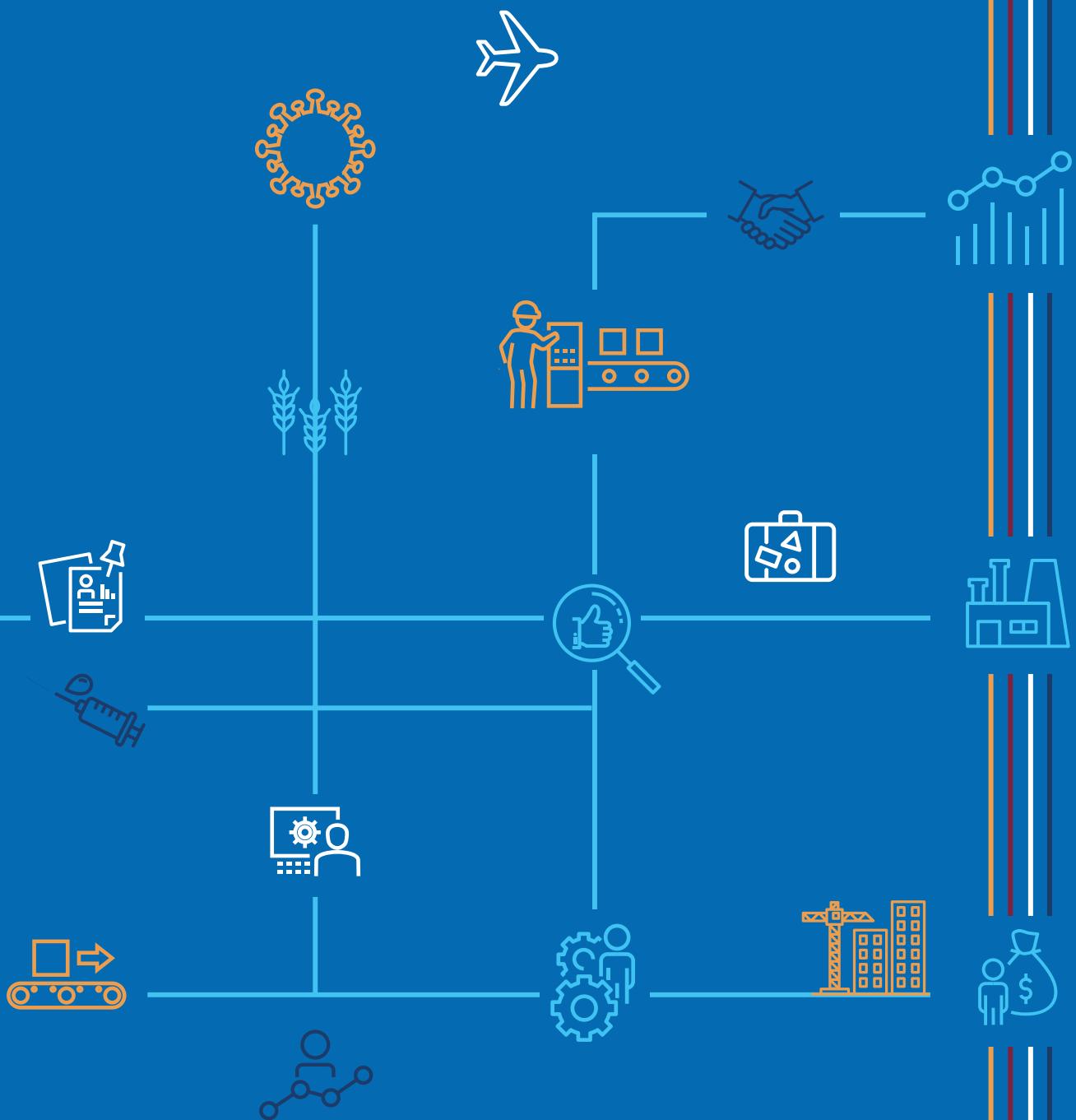
European Bank  
for Reconstruction and Development

American Chamber  
of Commerce in Egypt



# EXPANDING OPPORTUNITIES

for the Egyptian Private Sector  
in the Post-COVID Era



# **EXPANDING OPPORTUNITIES**

## for the Egyptian Private Sector in the Post-COVID Era

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# FOREWORD

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Dear Readers,

This report, the third edition in our series of business reports in Egypt, looks at the impacts of the COVID-19 pandemic on private sector companies in Egypt, aiming to capture companies' experiences and insights in responding to these impacts, and in the aftermath of the pandemic, and to provide a roadmap for sustainable recovery and future growth in the post-COVID era.

As in other countries, the private sector in Egypt has been acutely affected by the pandemic, with companies reporting a significant decline in profitability, cashflow, turnover, productivity, and staff morale.

In response to this downturn, the companies surveyed for this report have made cuts in salaries, and 37 percent have also laid off some of their employees. Women working in rural areas have suffered disproportionately from such salary cuts and redundancies.

The Government of Egypt's response to the impacts of the pandemic has included a significant stimulus package, with reductions in key interest rates such as the preferential interest rate on loans, as well as various forms of support targeted at key sectors.

The governmental response has also played a significant part in accelerating digitalization. Led by the Ministry of Communications and Information Technology, a comprehensive strategy for digitalization has been developed, including steps for digitalizing Egypt's public administration, attaining greater digital justice, and leveraging technology to build stronger investor relations and attract foreign investment at the national level.

The opportunities and risks associated with the growth of a gig economy in Egypt are also explored in the following pages, including some initial insights into this trend at the intersections between digitalization, the informal economy and job creation.

The report also explores some of the broader issues around digitalization transformation, highlighting the need to boost existing efforts to rethink education and skill development in Egypt, and scoping out challenges around information and communication technology (ICT) infrastructure, the digital divide between rural and urban residents and between men and women, and the cultural and administrative barriers to change.

Recommendations are offered as to how to align private sector growth more closely with sustainable development in Egypt. These recommendations focus on: (1) promoting a more dynamic private sector driven by market forces and efficient regulatory frameworks; (2) developing more inclusive business strategies to ensure future growth benefits everyone, including women and young people; and (3) leveraging impact investments for the support of innovative business models.

In addition, a number of key sectors which offer significant opportunities for aligning growth and sustainable development are highlighted, namely ICT, energy and materials, urban development and construction, health, education, agriculture, and manufacturing, and sectoral-specific ways forward are outlined. Several broader or cross-cutting approaches that can support digitalization efforts are also discussed, including boosting investment in research and development, sustaining governmental pandemic response programmes, furthering efforts towards the digitalization of the Egyptian economy and introducing regulatory innovations.

This report has been produced in partnership with the European Bank for Reconstruction and Development, with valuable contributions from the Government of Japan and the American Chamber of Commerce in Egypt.

We hope these findings will catalyze policy dialogue on how businesses in Egypt can overcome the challenges of COVID-19 and harness the potential of public-private and private-private cooperation to ensure a sustainable response to the crisis that helps build a more resilient economy.



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# EXECUTIVE SUMMARY

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The Egyptian economy was on the road to recovery prior to the Novel Coronavirus Disease 2019 (COVID-19) pandemic, with a growth rate of 5.56 per cent recorded in 2019, compared to a post-pandemic growth rate of 3.57 per cent in 2020. While the Egyptian economy has shown relative resilience compared to other economies facing COVID-19 in the Arab region and across the world, its economic growth has nevertheless been affected by a complex web of socioeconomic impacts resulting from the pandemic.

This report, which is the third edition in our series of business reports in Egypt, aims to capture the impacts on and responses of private companies in Egypt with regards to the pandemic, and to shed light on pathways for redirecting the Egyptian private sector towards a more sustainable growth and recovery path moving forward. The report's findings indicate the extent of the pandemic's impact and show broad differences in the effects on and responses of companies within the capital compared with those based outside it.

The report's primary insights were gathered via a review of relevant professional reports and academic publications, and an online survey and in-depth interviews with selected large companies in Egypt. The survey sample included 104 companies, 60 of which are Cairo-based, and 44 of which are based in other governorates, primarily in Upper Egypt. Of these responses, a total of 75 were considered valid, and included in the analysis: 43 from Cairo, and 32 from outside of Cairo.

Chapter 1 details the Government of Egypt's response to the crisis, which has included a 100 billion Egyptian pound (EGP) stimulus package, reductions in key interest rates and reducing the preferential interest rate on loans, and targeted support measures for multiple sectors. According to the survey responses, the interventions the private sector found most valuable were energy price cuts for some sectors, loan deferrals for smaller businesses, and the cancelation of ATM withdrawal fees. Lessons learned from policy responses in other countries are also explored in order to highlight potential comparisons and ways forward.

Chapter 2 looks at the impacts of the pandemic on the private sector in Egypt, which were significant. A total of 37 per cent of surveyed companies laid off employees as a result of the pandemic, with companies reporting letting go of 2 per cent of their cumulative workforce. Specifically, 28 per cent of Cairo-based companies reported having to dismiss a total of 422 employees, or 2 per cent of their cumulative workforce, between 2019 and 2021. In the case of companies outside of Cairo, 50 per cent reported having to lay off employees because of the pandemic. A total of 107 job losses were reported (18 per cent of the companies' cumulative workforce), with 56 per cent of lay-offs affecting jobs held by women – a much higher proportion than at companies in Cairo. In parallel, all of the participating companies outside of Cairo introduced salary cuts, compared to 28 per cent of companies in Cairo. Companies based both in and outside of Cairo imposed more salary cuts on women than men.

In addition, 58.6 per cent of the companies in the sample suffered from turnover decreases between 2019 and 2021. Companies in Cairo reported turnover decreases amounting to 445 million EGP. The cumulative turnover of surveyed companies in Cairo was 6192.8 million EGP in 2019 and 3836.4 million EGP at the time of data collection. The percentage of companies that reported reductions in turnover outside of Cairo is especially high, with 87.5 per cent of companies reporting decreases in turnover, amounting to an approximate total of 264 million EGP. Companies both in Cairo and outside of Cairo reported profitability, cashflow, productivity and staff morale as the most severe and significant challenges faced. Remote working policies were adopted by 65 per cent of companies surveyed.

The adaptations implemented by the private sector to address these impacts are explored in Chapter 3. According to the survey results, 72 per cent and 43 per cent of surveyed companies invested in creating or updating health and safety and crisis plans respectively. Other workforce-related adaptation measures included introducing salary cuts (41 per cent), shifting full time contracts to part time ones (29 per cent), and hiring new employees (9 per cent). Adaptation measures going beyond the workforce were less

commonly adopted. These included engaging in public advocacy efforts (8 per cent), pivoting the entire business model (5 per cent), and introducing social investment programmes (4 per cent) as a response to the pandemic.

Chapter 4 looks at the current move towards digitalization in Egypt, which was underway prior to the arrival of COVID-19 but has been accelerated by the pandemic. A comprehensive strategy for digitalization, and efforts led by the Ministry of Communications and Information Technology (MCIT), include steps towards digitalizing public administration, greater digital justice and leveraging technology to build greater investor relations and attract foreign investment at the national level, among others. The chapter also sheds light on the intersections between digitalization, informality and job creation, exploring the opportunities and risks associated with the growth of a gig economy in Egypt. The importance of investing in education and skill development in Egypt, in light of the shift towards a digital future, is also highlighted, and existing efforts to establish new training programmes, scholarships and educational institutions that address digital and ICT skills are explored. The challenges facing these attempts to boost digital transformation in Egypt are also outlined: the digital divide, or gap in ICT usage and skills between rural and urban residents, and between men and women; and existing cultural, administrative and legal barriers to reform.

Egypt's large market size and its increasingly outward orientation could become powerful drivers for a sustained recovery and a stronger role for the private sector in growth going forward. Chapter 5 offers recommendations and outlines ways ahead for aligning private sector growth with sustainable development. Key pathways could include: (1) promoting a more dynamic private sector driven by market forces and efficient regulatory frameworks; (2) developing more inclusive business strategies to ensure future growth benefits all (including women and young people); and (3) leveraging impact investments for the support of innovative business models (including digitalization). Opportunities for mitigating negative social and environmental impacts, and amplifying positive ones, are especially prevalent in certain sectors, including ICT, energy and materials, urban development, health, education, agriculture and manufacturing, and the report outlines sector-specific approaches in these cases. In addition, a number of cross-cutting strategies are recommended, including supporting greater investment in research and development in order to incentivize innovation, sustaining governmental pandemic response programmes, furthering efforts towards the digitalization of the Egyptian economy and introducing regulatory innovations. Taken together, these approaches offer a way to take advantage of the opportunity to rethink our existing priorities and practices that the COVID-19 pandemic has presented.

# ACRONYMS AND ABBREVIATIONS

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<b>ADSL</b>	Asymmetric Digital Subscriber Line
<b>AI</b>	Artificial Intelligence
<b>AmCham</b>	American Chamber of Commerce
<b>ATC</b>	Ahead of the Curve
<b>CBE</b>	Central Bank of Egypt
<b>COVID-19</b>	Coronavirus Disease 2019
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EdTech</b>	Education Technology
<b>EGDI</b>	E-Government Development Index
<b>EGP</b>	Egyptian Pound
<b>EGX</b>	Egyptian Stock Exchange
<b>ESG</b>	Environmental, Social and Governance
<b>FMCGs</b>	Fast Moving Consumer Goods
<b>GAFI</b>	General Authority for Investment and Free Zones
<b>GDP</b>	Gross Domestic Product
<b>ILO</b>	International Labour Organization
<b>ICT</b>	Information and Communications Technology
<b>IT</b>	Information Technology
<b>MCIT</b>	Ministry of Communications and Information Technology
<b>MENA</b>	Middle East and North Africa
<b>MSME</b>	Micro, Small and Medium Enterprises
<b>NCW</b>	National Council for Women
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PPE</b>	Personal Protective Equipment
<b>R&amp;D</b>	Research and Development
<b>SCZone</b>	The Suez Canal Economic Zone
<b>SMEs</b>	Small and Medium Enterprises
<b>SOEs</b>	State-Owned Enterprises
<b>STA</b>	Elsewedy Technical Academy
<b>UNDP</b>	United Nations Development Programme



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# INTRODUCTION

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## AN OVERVIEW OF THE EGYPTIAN ECONOMY PRE- AND POST-PANDEMIC

The Egyptian economy was on the road to recovery prior to the Novel Coronavirus Disease 2019 (COVID-19) pandemic, with a growth rate of 5.56 per cent recorded in 2019, compared to a post-pandemic growth rate of 3.57 per cent recorded for 2020.<sup>1</sup> While the Egyptian economy has shown relative resilience compared to other economies facing COVID-19 in the Arab region and across the world, its economic growth has nevertheless been affected by a complex web of socioeconomic impacts resulting from the pandemic. A partial lockdown, travel bans, decreased productivity and changes in consumption patterns were some of the issues that the private sector has had to face in light of the COVID-19 pandemic. These conditions also presented significant challenges at the household level, with 73 per cent of Egyptian households reporting a decrease in income as a result of the pandemic, imposed precautionary measures, unemployment and decreases in salaries.<sup>2</sup> The pandemic has affected livelihoods across all socio-economic classes, including “better-off, urban households”.<sup>3</sup> It is estimated that a total of 2.7 million jobs were lost between April and June of 2020.<sup>4</sup> There was, however, a slow recovery in unemployment figures in recent months, and by the second quarter of 2020-2021, unemployment had decreased slightly to 7.2 per cent, after reaching 9.26 per cent in the previous six months.<sup>5</sup>

Egypt has a large private sector but much of this is dominated by smaller enterprises, involves a large degree of employment informality and is concentrated in Cairo and other large cities. Notably, 97 per cent of firms in Egypt are micro-sized (employing between one and five employees),<sup>6</sup> and less than 1.1 per cent of micro enterprises operate in export markets.<sup>7</sup> While private sector job creation has traditionally been concentrated in large and micro enterprises, the share of medium-sized firms — previously referred to as the missing middle — has been on the rise.<sup>8</sup> Private sector firms in Egypt are geographically concentrated, with Cairo, Giza and Alexandria being home to 30 per cent of private firms, and Upper Egypt home to only 17 per cent. Private sector employment increased from 66.9 per cent in 2003 to 77.7 per cent in 2018.<sup>9</sup>

In the year prior to the pandemic, growth in Egypt was driven by net exports, net investment (notably by the public sector) and consumption. In terms of investment, this includes private investment in the energy sector, which was dominated by the public sector in the past.<sup>10</sup> Prior to the pandemic, tourism, real estate and ICT were among the key sectors driving growth, in addition to non-oil manufacturing.<sup>11</sup> Tourism recorded its highest revenues in 2019, representing the beginning of a recovery from significant turbulence experienced by the country since 2011.<sup>12</sup> Finally, those sectors with the greatest contribution to job creation in Egypt — as well as in other countries across the Middle East and North Africa (MENA) prior to the pandemic — were construction, communication, in addition to wholesale and retail trade.<sup>13</sup>

Based on 2019 figures, agriculture remains the main employer in Egypt, with a share of 21.1 per cent of the workforce, followed by wholesale and retail trade (13.7 per cent), construction (13.7 per cent), manufacturing

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1 World Bank, “GDP growth (annual per cent) – Egypt, Arab Rep.”, World Bank national accounts data, and OECD National Accounts data files. Available at: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=EG> (accessed in August 2021).

2 Gender, Growth and Labour Markets in Low-Income Countries (G2LM | LIC), “The Impact of COVID19- on Poor Households in Egypt: Preliminary Results from the Pilot”, March 2021.

3 Clemens Breisinger and others, “Impact of COVID19- on the Egyptian economy: Economic sectors, jobs, and households”, MENA Policy Note, No. 6, (Washington, D.C., International Food Policy Research Institute (IFPRI), 2020).

4 Sara Alnashar and others, “From Crisis to Economic Transformation - Unlocking Egypt’s Productivity and Job-Creation Potential”, Egypt Economic Monitor, Report No. 154207, (Washington D.C., World Bank, 2020).

5 World Bank, “The World Bank in Egypt: Overview”, 1 November 2021.

6 International Finance Corporation (IFC), “Country Private Sector Diagnostic: Creating Markets in Egypt”, (Washington D.C., 2020).

7 Uwe Böwer, Making Egypt’s Post-COVID Growth Path more Sustainable, Economic Brief 066 (Brussels, European Commission, 2021).

8 Ragui Assaad and others, “Job Creation in Egypt: A Sectoral and Geographical Analysis Focusing on Private Establishments -1996 2017”, European Research Forum, December 2019.

9 Alnashar and others, “From Crisis to Economic Transformation», 2020.

10 Ibid.

11 Ibid.

12 Breisinger and others, “Impact of COVID19- on the Egyptian economy», 2020.

13 International Labour Organization (ILO), *Regional Report on Jobs and Growth in North Africa 2020*, (Cairo, 2021).

(13 per cent), and health, education, and social services (10.9 per cent).<sup>14</sup> While manufacturing has previously provided a significant share of private and formal employment in Egypt, this sector's contribution to employment and job creation is decreasing.<sup>15</sup> These proportions shift when it comes to contributions to GDP growth, whereby manufacturing contributes 17.1 per cent, followed by trade (14.5 per cent), agriculture (12.1 per cent), real estate services (11.2 per cent), construction (6.7 per cent), health (2.4 per cent) and education (1.9 per cent).<sup>16</sup> However, the productivity of key employment sectors such as construction and agriculture remains minimal when compared to that of the social services, ICT and wholesale and retail trade sectors.<sup>17</sup> In other words, job creation and sector productivity are not positively correlated in Egypt.

The discrepancy between productivity and job creation in Egypt is related to persistent challenges within the business environment.<sup>18</sup> According to an analysis of the results of the World Bank Enterprise Survey in 2013, 2016 and 2020, while the business environment improved between 2013 and 2016, there were drops in some performance areas between 2016 and 2020.<sup>19</sup> These performance areas related to business licensing and permits, corruption, customs and trade regulations, workforce education, informal employment, taxes and transportation. Meanwhile, there has been improvement in the areas of access to finance, access to land, labour regulations, and issues related to political instability as well as crime, theft and disorder. In particular, Egypt has made significant improvements with regards to the ease of starting a business, the protection of minority investors and the ease of paying taxes, all of which could constitute major incentives for private sector growth and investment in the future. Macroeconomic factors and the maintenance of existing reforms are also critical for sustaining and expanding the growth of the Egyptian private sector.

Post-pandemic, the share that total investment and exports contributed to growth both dropped, by 56.2 per cent, and 48.5 per cent, respectively.<sup>20</sup> Overall, post-pandemic private sector activity and growth has been sluggish in traditional sectors, with the sectors of tourism, manufacturing, and extractives witnessing contraction since the beginning of the pandemic.<sup>21</sup> In parallel, there has been growth in innovation-led, technology-enabled, and younger enterprises and start-ups, and especially those that in the spheres of e-commerce, fintech and other digitization efforts.<sup>22</sup> Egypt currently has 562 active tech start-ups, 131 of which were established in 2019 alone; 44 per cent of e-commerce start-ups were established in 2018 and 2019 alone.<sup>23</sup> Funded start-ups rose from 10 only in 2015, to 114 in 2020. In 2021 alone, 82 start-ups successfully secured financing, estimated at USD 403,562,000.<sup>24</sup>

The Government of Egypt adopted several strategies to curb the impacts of the pandemic in the short-term. These included launching a cash transfer programme for the most marginalized, supporting irregular workers, introducing tax relief for companies in real estate, tax moratoriums for those in agriculture and subsidized loans to sectors such as tourism, industry and agriculture, and waiving court cases and suspending credit score blacklists for distressed companies.<sup>25</sup> This is in addition to significantly increasing expenditure on the healthcare sector, introducing measures to ease lending, postponing capital gains tax payments, delaying loan repayments and easing the procedures required to open bank accounts.<sup>26</sup>

In summary, the private sector continues to play a critical role in the growth of Egypt, although the pandemic, along with historical challenges of doing business in Egypt, have made this growth path more convoluted.

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14 The Egyptian Center for Economic Studies (ECES), "Egypt's Economic Profile and Statistics", 2020.

15 ILO, *Regional Report on Jobs and Growth*, 2021.

16 ECES, "Egypt's Economic Profile and Statistics", 2020.

17 Alnashar and others, "From Crisis to Economic Transformation», 2020.

18 Ibid.

19 ILO, *Regional Report on Jobs and Growth*, 2021.

20 Alnashar and others, "From Crisis to Economic Transformation», 2020

21 World Bank, "The World Bank in Egypt: Overview", 2021.

22 ITIDA & Start Africa, "The Egyptian Startup Ecosystem Report", 2021. Retrieved from: [https://mcit.gov.eg/Upcont/Documents/Reports20%and20%Documents\\_26102021000\\_Egyptian-Startup-Ecosystem-Report2021-.pdf](https://mcit.gov.eg/Upcont/Documents/Reports20%and20%Documents_26102021000_Egyptian-Startup-Ecosystem-Report2021-.pdf). (Accessed in November 2021).

23 Ibid.

24 Ibid.

25 Böwer, *Making Egypt's Post-COVID Growth Path more Sustainable*, 2021; Central Bank of Egypt (CBE), "Measures to Offset the Impact of COVID", December 2020.

26 Alnashar and others, "From Crisis to Economic Transformation», 2020.

The report aims to capture the impacts on and responses of private companies in Egypt with regards to the pandemic, and to shed light on pathways for redirecting the Egyptian private sector towards a more sustainable growth and recovery path moving forward. The report's findings indicate the extent of the pandemic's impact and show broad differences in the effects on and responses of companies within the capital compared with those based in other governorates, especially outside of Cairo.

## METHODOLOGY

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The report draws on a comprehensive review of relevant literature, a survey of Egyptian companies, and interviews with senior executives within Egyptian companies.

### DATA COLLECTION TOOLS AND SAMPLE

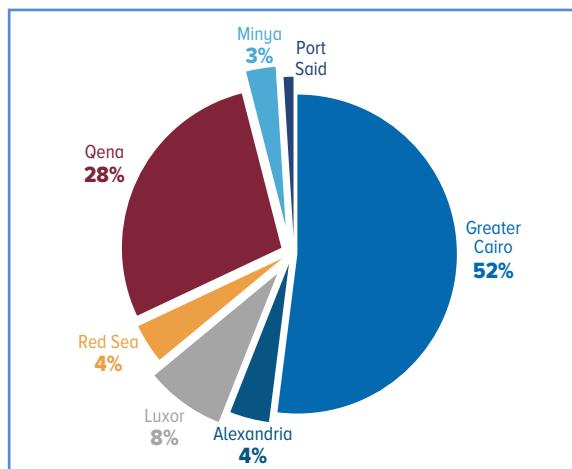
The methodology used to gather the report's primary insights included a thorough review of relevant professional reports and academic publications, an online survey and in-depth interviews with selected companies. The survey sample covered 104 companies, 60 of which are Cairo-based, and 44 of which are based in other governorates. Of these responses, a total of 75 responses were considered valid, and included in the analysis; 43 from Cairo, and 32 from outside of Cairo. Data was collected between January and June of 2021 through a digitally circulated survey using study partners' networks, and was filled out by C-level executives from targeted companies.

The survey results discussed in the report act as an indication of the experiences of the companies that participated in the study, and thus should not be generalized or seen as representative of all companies in Egypt.

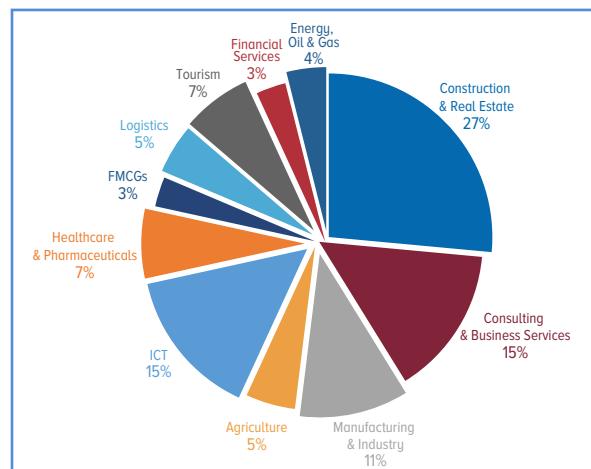
The average age of respondents within Cairo-based companies was 54 years old, and 12 per cent of those surveyed were women, whereas the average age of respondents surveyed outside of Cairo was 41 years old, and 3 per cent of those surveyed were women. As figure 1 demonstrates, 52 per cent of companies surveyed were based in Greater Cairo, and 21 per cent were based in Qena. Other governorates represented by survey respondents included Luxor (6 percent), Alexandria (3 percent), the Red Sea (3 per cent), Minya (2 per cent), and Port Said (1 per cent).

It is important to note that an additional round of qualitative interviews was conducted in the third quarter of 2022 to better understand how companies continue to adapt two years after the pandemic, as well as in light of recent political and economic developments across the globe. Insights from these interviews are included in the last section of the report.

**Figure 1 - Sample distribution by governorate**



**Figure 2 - Sample distribution by sector**



Targeted companies were of medium or large size and represented a variety of sectors. As figure 2 demonstrates, executives that completed the online survey represented the following sectors: construction and real estate, ICT, industry and manufacturing, consulting and business services, and healthcare and pharmaceuticals. Other sectors represented included tourism, agriculture, logistics, financial services, energy, and fast-moving consumer goods (FMCGs).

In-depth interviews were conducted with the C-level executives of ten large local and multinational companies across the sectors of FMCGs, oil and gas, ICT, and tourism and hospitality.

## SCOPE

The data collection tools used for this report focused on three main issues: (i) how the pandemic impacted companies; (ii) how companies responded and adapted to the pandemic; and (iii) insights on the way forward.

Accordingly, this report presents the main findings derived from all three sources of data: the literature review, the survey, and in-depth interviews. The collected data has been categorized to reflect the identified impacts and most significant challenges, adaptation measures, digital transformation, emerging opportunities and implications and the way forward.

## STUDY LIMITATIONS

The main limitation faced by the study was the difficulty in gathering insights from a larger, and thus more representative sample of companies. As only the experiences of companies that agreed to participate in the study and completed the survey are reflected in the results, and a large proportion of these companies are concentrated in Cairo and Qena, the results are considered a snapshot of the experiences of this unique group of companies, and not necessarily representative of all companies in Egypt.

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# 1 | GOVERNMENT RESPONSE



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The Egyptian government responded to the COVID-19 pandemic by introducing containment measures including night-time curfews, suspension of flights, temporary closures of schools, universities, and places of worship, and encouraging remote working in non-essential sectors. The government also implemented temporary measures to mitigate the expected impact of declining income from tourism, receding capital flows and overall economic slowdown. These included fiscal, monetary and macro-financial policies to support affected sectors and social groups, and facilitate access to finance in the short term. While budgetary allocations for some measures were relatively generous in scale and scope (compared to those of many other countries), uptake and execution varied and sometimes fell short of budget allocations.

## A. FISCAL RESPONSE

On the fiscal side, the government announced a 100 billion EGP (\$6.3 billion) stimulus package to soften the blow for various economic sectors, most notably tourism, which alone was allocated EGP 50 billion, or half of the total amount of funds earmarked under this initiative.<sup>27</sup> The remaining funds were directed towards health spending, support for manufacturers and exporters, a bailout for the aviation sector, building stocks of essential commodities, increasing pensions and expanding social support programmes. This is in addition to tax holidays and deferrals.

By June 2020, the Ministry of Finance announced a total disbursement of 63 billion EGP, of which 11 billion EGP was directed towards healthcare – mainly to set up quarantine wards, provide medical supplies and increase pay for healthcare workers – in addition to a 2.6 billion EGP emergency fund, providing compensation for frontline workers who had contracted the disease, and 400 million EGP to support fast-track training of medical students to join the frontlines.

The disbursements also included 16.6 billion EGP for manufacturers and 3 billion EGP directed towards the Exports Development Fund. An additional 15 billion EGP was allocated for tourism and aviation, divided between private sector support (5 billion EGP) and increased public spending to preserve employment and meet obligations towards suppliers (10 billion EGP). Meanwhile, around 28.6 billion EGP was earmarked to ensure sufficient supply of basic food commodities, of which 6 billion was disbursed by June 2020.

These disbursements were accompanied with reductions in gas and electricity prices for the manufacturing, tourism and aviation sectors, in addition to tax holidays on corporate income (two months) and real-estate (three months), and a two-year extension of the tax waiver on agricultural lands.<sup>28</sup> The Egyptian government also introduced a 1 per cent salary tax – commonly referred to as the “Corona Tax” – on public and private sector salaries and 0.5 per cent on state pensions to support Small and Medium Enterprises (SMEs) and sectors impacted by the pandemic.<sup>29</sup>

In terms of social protection, the Egyptian Government increased pensions by 14 per cent (rather higher than the usual annual inflation adjustment), which is estimated to have benefitted around 2.4 million Egyptian families.<sup>30</sup> The government also provided 3 billion EGP to support workers in the informal sector, through a monthly stipend of 500 EGP for 3 months which reached approximately 1.5 million beneficiaries,<sup>31</sup> and expanded cash transfer programmes such as Takaful and Karama.<sup>32</sup> In March 2021, the Egyptian Government announced plans to identify and support around 2 million gig workers by making them eligible for social security and health care programmes.<sup>33</sup>

To accommodate increased demand for internet access for remote working and online learning, the Egyptian Government announced 200 million EGP in spending to increase internet subscribers’ monthly download quota by 20 per cent and granted students free access to the websites of the Ministry of Education and the Ministry of Higher Education and Scientific Research. Students were also provided with free SIM cards if they owned mobiles as part of an agreement between the Ministry of Communications and Information Technology (MCIT) and telecommunications companies.<sup>34</sup>

27 Ministry of Communications and Information Technology (MCIT), “Digital Egypt,” 2021. Available at: [https://mcit.gov.eg/en/Digital\\_Egypt](https://mcit.gov.eg/en/Digital_Egypt).

28 Enterprise, “Unified tax platform goes live in January”, 8 December 2020.

29 Daily News Egypt, “Al-Sisi directs for integration of Suez Canal Economic Zone industrial projects”, 29 December 2020.

30 Link Development, “Link Development Digitalizes Egypt’s Economic Courts Systems with Microsoft Dynamics 365”, 23 March, 2021.

31 Enterprise, “Misr Technology Services to set up digital one stop shop for Egypt’s customs”, 26 January 2020.

32 “Takaful” is a conditional cash transfer programme that provides support to increase family food consumption and reduce poverty, provided that families keep their children in school and provide them with healthcare. “Karama” is an unconditional cash transfer programme that targets impoverished segments of society including the elderly, individuals with disabilities and orphaned children.

33 Daily News Egypt, “Egypt to open one-stop-shop at largest port by June 2021”, 25 October 2020.

34 Egypt Today, “Egypt to establish electronic system to track goods for 1st time”, 25 August 2020.

## B. MONETARY RESPONSE

The Central Bank of Egypt (CBE) was quick to respond to the COVID-19 outbreak and ease monetary conditions, reducing its key interest rates by 300 basis points in March 2020, another 50 basis points in September, and a further 50 basis points in November 2020. CBE also reduced the preferential interest rate on loans for the tourism, industry, agriculture and construction sectors, as well as for mortgages for low- and middle-income families, from 10 per cent to 8 per cent.<sup>35</sup>

## C. MACRO-FINANCIAL RESPONSE

### 1. Loan deferrals

Given the strong impact on financial flows and both individual and corporate income in the wake of the pandemic, in March 2020, CBE announced a 6-month loan moratorium on all credit extended to corporates, SMEs and individuals, including mortgage and personal housing loans.<sup>36</sup>

In September 2020, banks were instructed to set up procedures for restructuring the debts of borrowers experiencing difficulties in meeting their financial obligations. Micro-lenders were also directed by the Financial Regulatory Authority (FRA) to consider payment delays of up to 50 per cent of monthly instalments for affected clients on a case-by-case basis.

### 2. Access to credit

CBE approved 100 billion EGP in credit guarantee schemes for manufacturing, agriculture and construction loans. This is in addition to government credit guarantees of 3 billion EGP for low-interest soft loans for the tourism sector to cover six months of payroll expenses for tourism sector workers and cover maintenance and operation expenses, and of 50 billion EGP to provide 15-year loans to finance renovations of hotels and tourist transport fleets. To support SMEs, CBE raised the share of banks' credit portfolio directed to SMEs to 25 per cent.<sup>37</sup>

In July 2020, the Egyptian Government also announced an initiative to the value of 10 billion EGP to stimulate consumer spending through two-year, low-interest consumption loans for goods discounted by up to 25 per cent, in addition to ration card subsidies.<sup>38</sup> CBE also introduced an initiative providing 50 billion EGP in mortgage financing for middle-income households. Under this initiative loans are granted at 8 per cent interest and for a maximum period of 20 years.

To ease access to credit and minimize impact on borrowers' credit profiles, both CBE and FRA simplified requirements pertaining to obtaining detailed information on borrowers, while CBE relaxed credit registry rules related to blacklisting clients and removed bans on lending to non-performing borrowers in certain categories, in addition to waiving the legal cases against them.<sup>39</sup>

### 3. Limiting the use of cash

In March 2020, CBE instructed banks to waive fees and commissions on point-of-sale payments as well as on cash withdrawals from ATMs and e-wallets until September 2020. ATM withdrawals remained exempt until December 2020 but were capped at 20,000 EGP per day. Exemptions were also offered for local transfers in EGP and transfers between e-wallets until the end of 2020. To encourage the use of digital payments, maximum limits on e-wallets and prepaid cards were raised, and fees for creating e-wallets and issuing prepaid cards were waived until the end of 2020.<sup>40</sup>

<sup>35</sup> United Nations, *E-Government Survey 2020 Digital Government in the Decade of Action for Sustainable Development*, (New York, 2020).

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

<sup>38</sup> Shu Yu, "How does informality aggravate the impact of COVID-19?", World Bank Blogs, World Bank, 23 June 2020.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

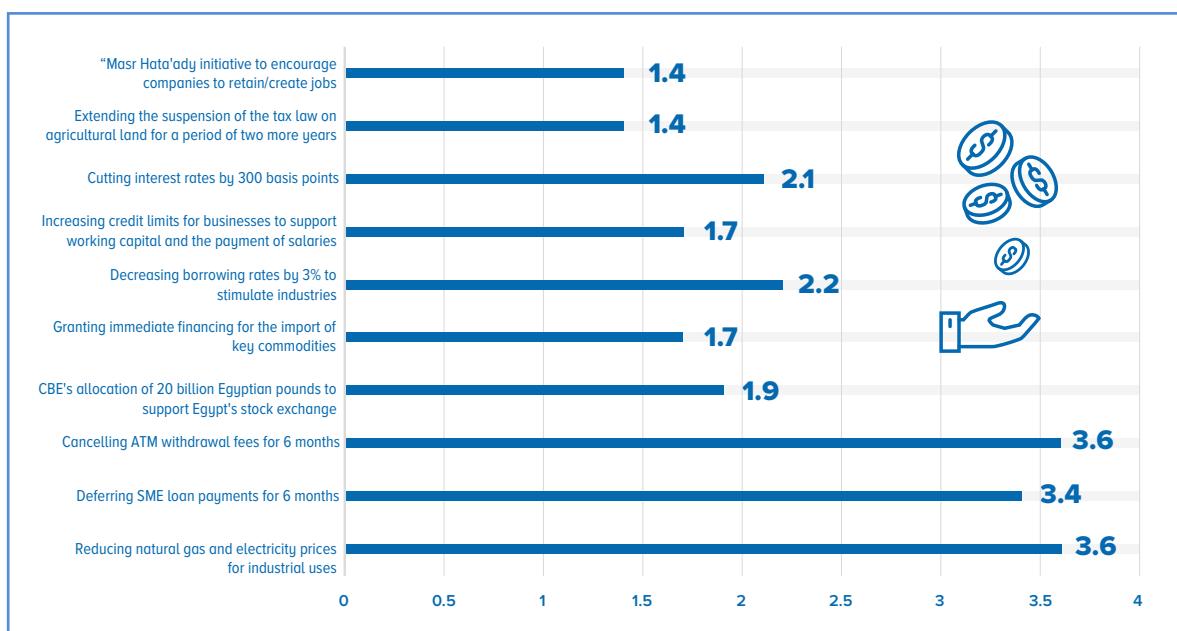
## 4. The financial market

To stabilize the financial market, CBE announced plans to inject 20 billion EGP into the Egyptian Stock Exchange (EGX) by purchasing equities in order to support asset prices and offset pandemic-induced volatility. This was accompanied by reductions on transaction and dividends taxes and a three-year moratorium on capital gains tax. EGX-listed companies were also granted access to an e-voting system for their general assemblies to encourage social distancing to curb the spread of COVID-19.

## D. VALUABLE SUPPORT MECHANISMS

Survey respondents were asked to rate the degree to which they found the governmental support programmes useful to their enterprises on a scale of 1-5, 1 being the least useful and 5 being the most useful. As shown in figure 3, the most positively perceived interventions were those related to energy price cuts, SME loan deferrals and the cancelation of ATM withdrawal fees. The other interventions were seen as less relevant.

**Figure 3 - Company ratings of support mechanisms (on a scale of 1-5, 5 bring the most useful)**



The main challenge that companies reported in relation to governmental support was the gap between the launch of such initiatives and their implementation. It was noted that while support was introduced in relation to insurance and taxation, implementation was hampered by a lack of information on recipient and government sides, as well as the capacity constraints of the public administration in adjusting to new (often temporary) measures.

During the in-depth interviews, most executives also noted that while the government had been tirelessly working to facilitate economic growth and an effective response to the crisis, they had not made full use of the governmental initiatives launched. One reason provided for this was that a large proportion of the governmental initiatives are generic, and thus did not address a pressing need or issue that they were facing. The only company that had made use of the governmental initiatives was operating in tourism and found the credit facilities offered to companies in the sector extremely valuable. This is likely due to the tailored package of support offered to companies in the tourism sector, which included initiatives to finance six months of payroll expenses, support for the renovation of tourist facilities, support for non-performing companies through debt-relief and the postponement of dues on companies in the sector.<sup>41</sup> The other

<sup>41</sup> CBE, "Measures to Offset the Impact of COVID", December 2020.

interviewees believed that the most valuable support the government could provide would be in the form of addressing the deep-rooted issues negatively impacting their respective sectors, including the overall ease of doing business and specific issues related to bureaucracy and red tape. Additionally, sector-specific issues were raised, such as the need to invest in the IT infrastructure of the country, which would support the expansion of ICT operators and enhance the quality of services. Such an issue, however, goes beyond the COVID-19 crisis, and was already on the sector's lobbying agenda for quite some time. Finally, the majority of the interviewed companies believed that more efforts were needed to raise awareness around the importance of social distancing and the use of PPE as well as to apply the introduced enforcement mechanisms.

Tables 1-3 present a breakdown of how the participating companies rated the government-backed support mechanisms in terms of their usefulness, by sector:

**Table 1 - Average Ratings of government support mechanisms by sector (on a scale of 1-5, 5 being the most useful; all companies)**

	Reducing natural gas and electricity prices for industrial uses	Deferring SME loan payments for 6 months	Cancelling ATM withdrawal fees for 6 months	CBE allocation of EGP 20 billion to support EGX	Granting immediate financing for the import of key commodities	Decreasing borrowing rates by 3 per cent to stimulate industries	Increasing credit limits for businesses to support working capital and payment of salaries	Cutting interest rates by 300 basis points	Extending suspension of the tax law on agricultural land for two more years	"Masr Hata'ady" initiative to encourage companies to retain/create jobs
Agriculture	<b>4</b>	3	<b>4.25</b>	2	2.5	3	2.25	2.25	1.75	2
Consulting and Business Services	3.25	3	3.7	2.12	1.75	2.14	1.62	1.75	1.25	1.75
ICT	3.4	3.7	3.7	1.2	1.2	1.4	1.4	1.4	1.3	1.2
Construction and Real Estate	<b>4.21</b>	<b>4.15</b>	<b>4.31</b>	2.36	1.4	2.1	1.68	2.15	1.26	1.36
Energy, Oil and Gas	2	1.5	2.5	1.5	1.5	1	1	1.5	1.5	1.5
Financial Services	1	2	2.5	3	2.5	2.5	2.5	2	1	2.5
FMCGs	2.5	2	1	1	1.5	1.5	1.5	3	2	1.5
Healthcare and Pharmaceuticals	<b>4</b>	<b>4.25</b>	<b>4.25</b>	1	1.5	1.25	1	1.25	1.25	1
Logistics	1	1	1.3	3	3	3.33	2.66	3.5	1.5	1
Industry and Manufacturing	<b>4.13</b>	3.29	2.57	1.86	2.14	3.14	2.43	3.29	1.57	1.57
Tourism	<b>4.50</b>	<b>5</b>	<b>5</b>	1.75	1.67	3.67	2.33	2.60	2.33	1.67

**Table 2 - Average Ratings of government support mechanisms by companies inside of Cairo by sector, (on a scale of 1-5, 5 being the most useful)**

	Reducing natural gas and electricity prices for industrial uses	Deferring SME loan payments for 6 months	Cancelling ATM withdrawal fees for 6 months	CBE allocation of EGP 20 billion to support EGX	Granting immediate financing for the import of key commodities	Decreasing borrowing rates by 3 per cent to stimulate industries	Increasing credit limits for businesses to support working capital and payment of salaries	Cutting interest rates by 300 basis points	Extending suspension of the tax law on agricultural land for two more years	"Masr Hata'ady" initiative to encourage companies to retain/create jobs
Agriculture	3.6	2.3	<b>4</b>	2	2.6	2.3	2.3	2.3	2	2
Construction and Real Estate	2.5	2.3	2.8	1.3	1.6	3.6	2.3	3.3	5.1	1.25
Consulting and Business Services	1.7	1	2.8	1.2	1.2	1.2	1.5	2	1.5	1.2
Energy, Oil and Gas	2	1.5	2.5	1.5	1.5	1		1.5	1.5	1.5

Financial Services	1	2	2.5	3	2.5	2.5	2.5	2	1	2.5
FMCGs	2.5	2	1	1	1.5	1.5	1.5	3	2	1.5
Healthcare and Pharmaceuticals	1	2	2	1	3	2	1	2	2	1
ICT	1	1.7	1.7	1	1	1.7	2	2	1	1
Logistics	2	2	2	3.3	3.6	3.7	3.2	3.6	2.3	1.6
Industry and Manufacturing	3.8	2.5	1	1	2	3.5	2.2	4	1	1
Tourism	5	5	5	2	3	5	5	3.5	5	3

**Table 3 - Average Ratings of government support mechanisms by companies outside of Cairo by sector, (on a scale of 1-5, 5 being the most useful)**

	Reducing natural gas and electricity prices for industrial uses	Deferring SME loan payments for 6 months	Cancelling ATM withdrawal fees for 6 months	CBE allocation of EGP 20 billion to support EGX	Granting immediate financing for the import of key commodities	Decreasing borrowing rates by 3 per cent to stimulate industries	Increasing credit limits for businesses to support working capital and payment of salaries	Cutting interest rates by 300 basis points	Extending suspension of the tax law on agricultural land for two more years	"Masr Hata'ady" initiative to encourage companies to retain/ create jobs
Agriculture	5	5	5	2	2	5	2	2	1	2
Construction and Real Estate	5	5	5	2.8	1.4	1.3	1.3	1.6	1.1	1.4
Consulting and Business Services	4.7	5	5	3	2.2	3.3	1.7	1.5	1	2.2
Healthcare and Pharmaceuticals	5	5	5	1	1	1	1	1	1	1
ICT	5	5	5	1.3	1.3	1.6	1	1	1.5	1.3
Manufacturing	5	5	5	2.5	1	1.5	1.5	1.5	1.5	2
Tourism	4.3	5	5	1.5	1	3	1	2	1	1

## E. LESSONS FROM OTHER COUNTRIES

As countries around the world faced similar challenges from the pandemic, government responses varied widely. Variation was observed in (1) different approaches to and efficiency of tracking and tracing cases, (2) the implementation of healthcare sector responses, and (3) the implementation of a range of support measures for households and businesses. Many solutions in all these areas relied on digital technologies, but all also were closely linked to government capacity as well as fiscal space to scale measures.

Lessons from the varied responses of different countries highlight the importance of effective communication and use of digital solutions in providing targeted support to vulnerable social groups. For example, Morocco managed to effectively employ digital tools to identify affected households and encouraged online registration and the use of digital financial services provided by post offices for receiving cash transfers.<sup>42</sup>

In terms of tackling the economic impact, the wide range of policies enacted in Egypt in response to COVID-19 compares well to regional peers. The Policy Comparator developed by EBRD shows that Egypt

<sup>42</sup> Egypt Today, "Informal Economy Exceeds 50% Of Egyptian Economy", 16 April, 2019; Mirette Mabrouk, "Egypt's Sizeable Informal Economy Complicates Its Pandemic Response", Middle East Institute, 22 June 2020.

offered a wider range of support policies and programmes compared to other EBRD countries of operations in the Southern and Eastern Mediterranean region.<sup>43</sup> However, an Organisation for Economic Co-operation and Development (OECD) report shows that despite overall generous interventions by the Egyptian government, the country fared poorly in terms of labour, financial and structural policies targeting SMEs, specifically informal ones.<sup>44</sup> This is particularly true as schemes to explore new markets for SMEs, support the uptake of digital solutions and promote innovation remain slow in pace and limited in scope. Egyptian informal enterprises remain locked out of the credit facilitation programmes that the government offered in response to the pandemic and are likely to face difficulties in access to credit even after going formal due to a lack of credit history and high-risk profiles.

The prevalence of informal employment and limited data on vulnerable social groups also hinders informed and well-targeted policy response in countries like Egypt. This is especially the case given the country's inability to finance universal cash transfer programmes. Over a year after the outbreak of the pandemic, Egypt is still unable to offer viable support to informal workers, whether in traditional jobs or the gig economy.

A lesson can be learned from the example of other developing countries that benefited from earlier schemes of support to informal sector. A case in point is India's Mahatma Gandhi National Rural Employment Guarantee Scheme. The Scheme proved useful during the pandemic as it guarantees 100 days of wage employment per financial year to adult members of rural households.

The existence of support schemes for informal workers and the self-employed not only helps in providing immediate support during crises, but also creates incentives to formalize businesses and provide a wealth of information on such groups. India's National Pension Scheme for Traders and Self-Employed Persons, launched in 2019, is also an example of programmes providing incentives to formalize employment, help government identify vulnerable workers and provide ready networks for expedited interventions during similar crises.<sup>45</sup> The Employed Women's Association (SEWA) has also helped supported its female entrepreneurs to remain in business, providing child-care, access to finance and support to overcome barriers to formalization.<sup>46</sup>

In terms of support for SMEs, one concern emerging in the aftermath of the pandemic is over-indebtedness and business sustainability post-crisis. The OECD recommends alternative modes of support beside direct credit to avoid excessively leveraging small businesses. The report particularly emphasizes grants, equity and quasi-equity financing (including convertible loans, equity crowdfunding and loans eligible for forgiveness on the condition of preserving certain levels of employment). Alternatively, SME-friendly tax policy can play a role in encouraging equity investment in affected businesses, as was the case in Belgium, where 20 per cent tax deductions were offered to investors willing to acquire shares in small companies impacted by the pandemic.<sup>47</sup>

Regardless of the policy employed, it remains clear that an effective response to immediate crises and managing a sustainable and equitable recovery is contingent on informed decision-making, effective communication and well-targeted support. When planning interventions, policymakers ought to consider long-term impact on business activity and employment as well as possible emerging fragilities and market distortions. Tackling informality is crucial in leveraging the impact of government response. In this light, increasing digitalization levels as well as expanding social protection networks to less formalized sectors seem to be both an aid to formalization and an effective alternative for delivering interventions to the informal sector at times of crises.

<sup>43</sup> Egypt Today, "Informal Economy", 2019.

<sup>44</sup> ECES, "View on the Crisis: the informal sector", 9 April 2020.

<sup>45</sup> Mabrouk, "Egypt's Sizeable Informal Economy", 2020.

<sup>46</sup> Amolo Ng'wenya and David Porteous, "Let's Be Real: The Informal Sector and the Gig Economy are the Future, and the Present, of Work in Africa", Center for Global Development, 15 October, 2018.

<sup>47</sup> World Bank, *World Development Report: The changing nature of work*, (Washington D.C., World Bank, 2019).



## 2 | IMPACT AND SIGNIFICANT CHALLENGES



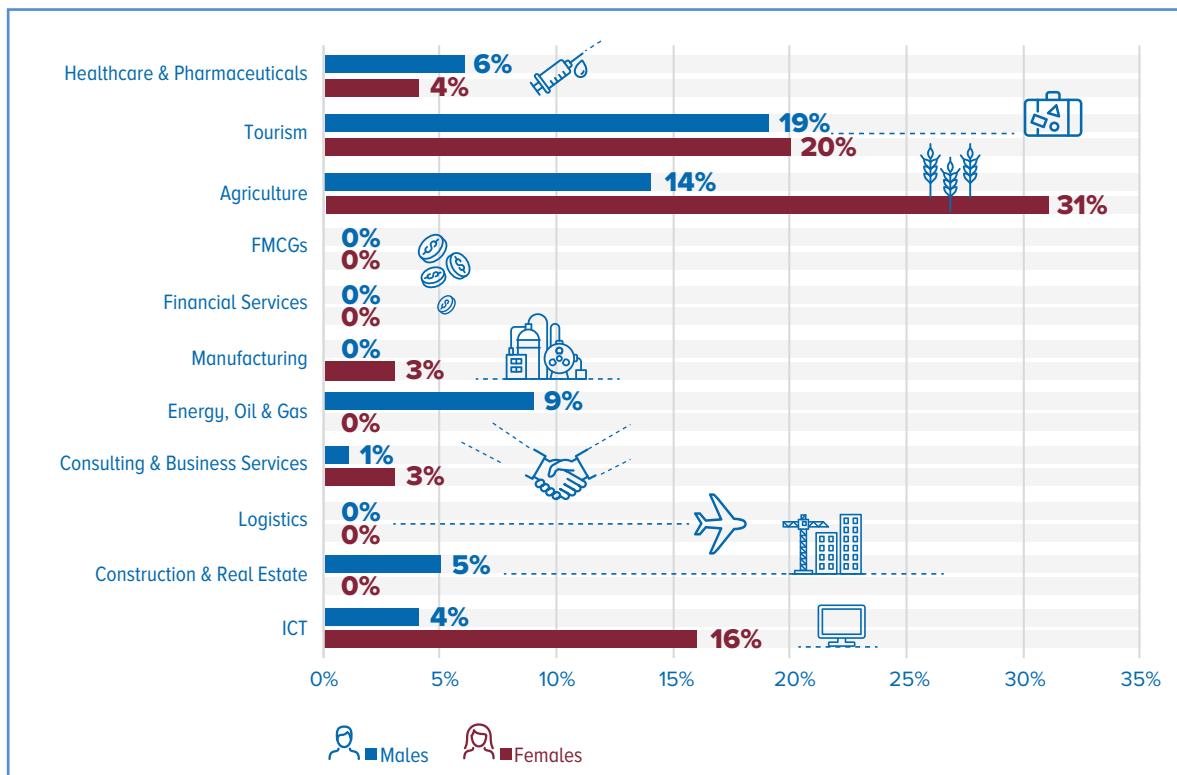
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### A. JOBS

Where sectors were negatively impacted by the pandemic, there appear to have been reductions in household income and job losses; this is especially true for urban households whose income came from the most severely hit sectors, such as the services sector.<sup>48</sup> Survey results revealed that 37 per cent of surveyed companies laid off employees as a result of the pandemic, with companies reporting laying off 2 per cent of their cumulative workforce. 28 per cent of Cairo-based companies reported having to dismiss staff, laying off a total of 422 employees – or 2 per cent of their cumulative workforce – between 2019 and 2021, with 10 per cent of these lay-offs affecting jobs held by women. It is worth noting that a large proportion of dismissed employees (300 male employees) were reported by one large local manufacturer, while the remainder of job losses were distributed among medium-sized companies in services sectors, specifically tourism and business consulting services.

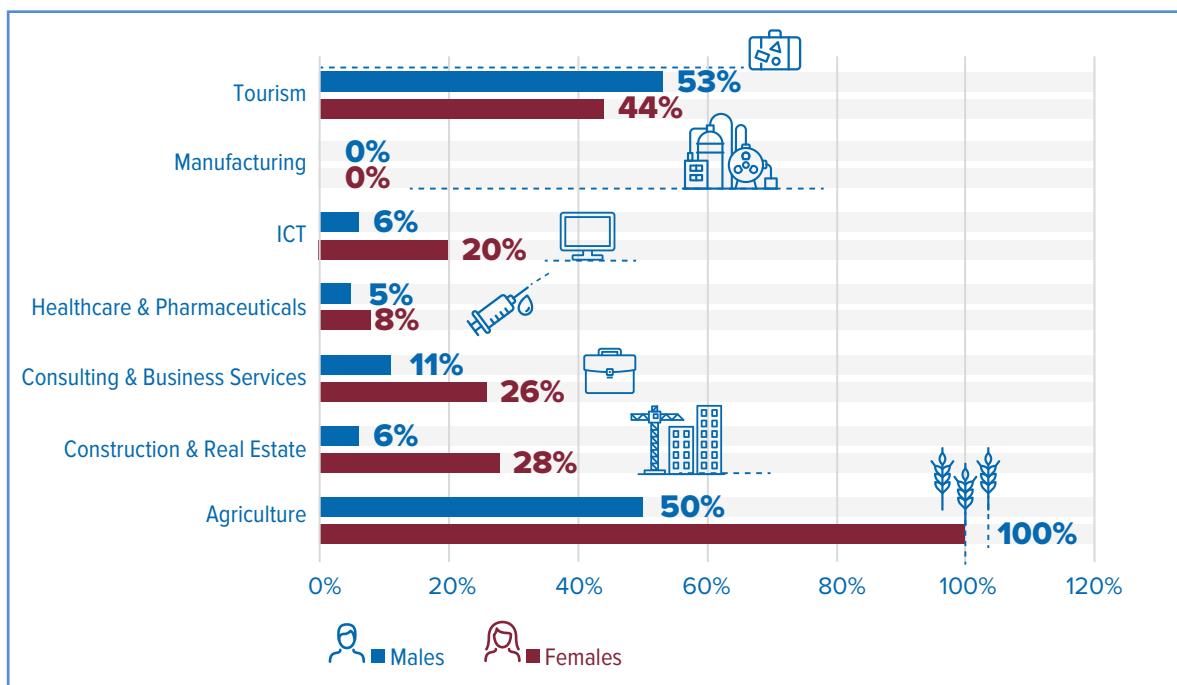
48 Breisinger and others, "Impact of COVID19- on the Egyptian economy», 2020.

**Figure 4 - Job losses in Cairo, by sector and gender (Percentage)**



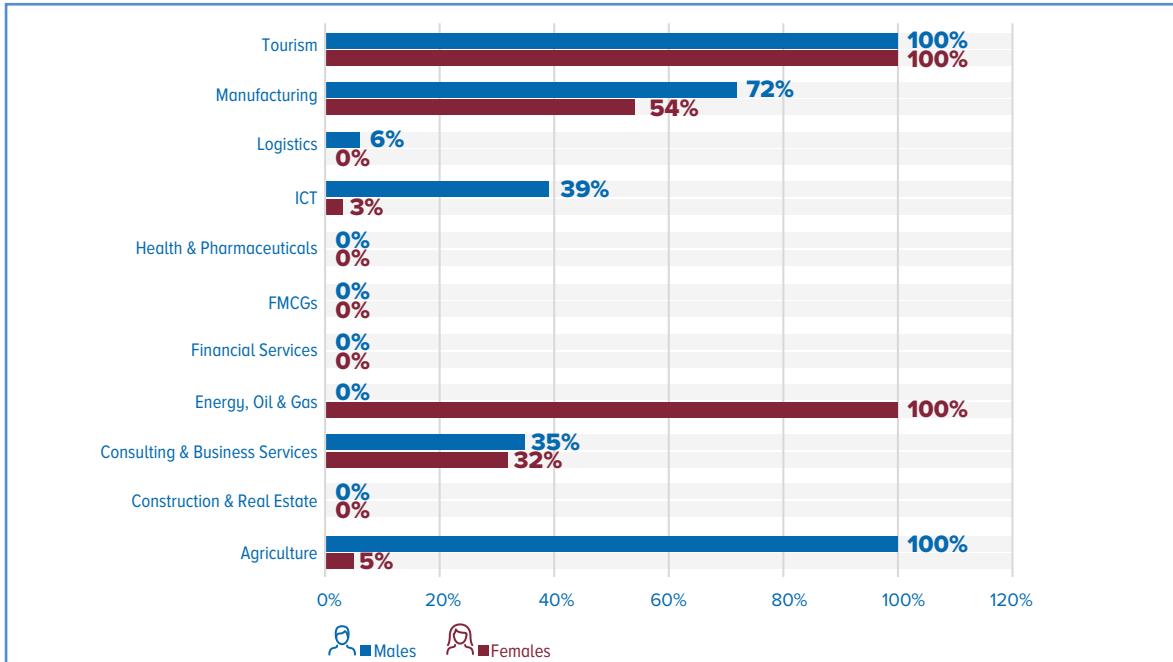
In the case of companies outside of Cairo, 50 per cent reported having to lay off employees because of the pandemic. A total of 107 lay-offs were reported (18 per cent of the companies' cumulative workforce), with 56 per cent lay-offs affecting jobs held by women, which is a much higher proportion compared to companies in Cairo. As figure 5 demonstrates, half of the jobs lost were reported by companies in service sectors, with tourism companies reporting letting go of 30 employees, and companies in construction and real estate letting go of 26 employees.

**Figure 5 - Job losses outside of Cairo, by sector and gender (Percentage)**

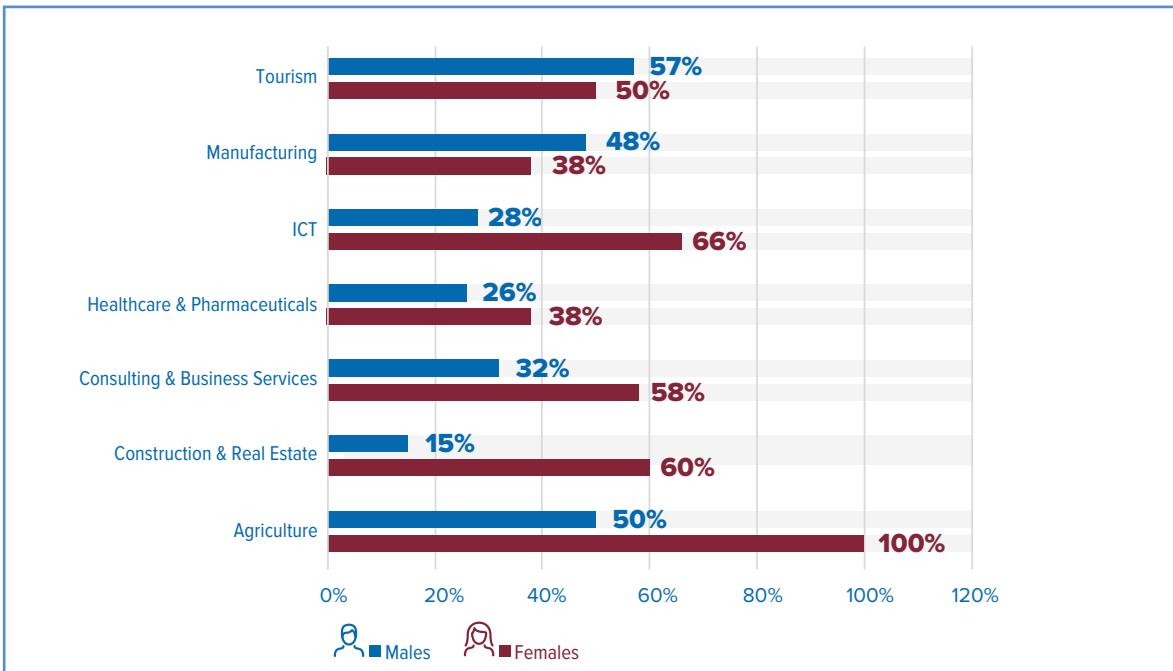


All of the surveyed companies outside of Cairo introduced salary cuts, compared to 28 per cent of companies in Cairo. Figures 6 and 7 present the breakdown of reported salary cuts by sector and gender. As the figures demonstrate, companies in and outside of Cairo imposed salary cuts on more women than men, with the exception of the tourism sector in Cairo, where cuts were equally imposed.

**Figure 6 - Salary cuts in Cairo by sector and gender (Percentage)**



**Figure 7 - Salary cuts outside of Cairo, by sector and gender (Percentage)**



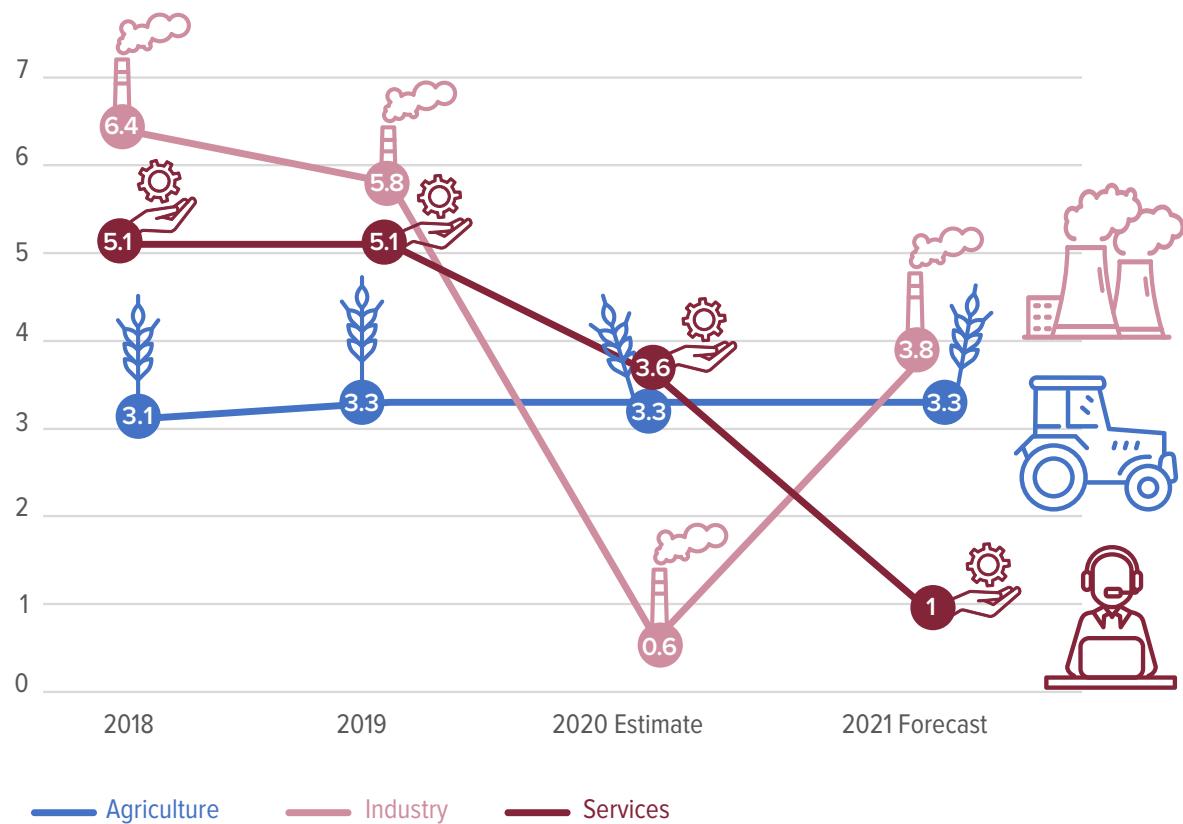
While the remaining companies in the sample (a total of 47 companies: 31 in Cairo and 16 outside of Cairo) did not report any lay-offs, 91 per cent of companies that responded to the online survey and all of the senior executives that participated in in-depth interviews reported the adoption of hiring freezes. In other words, while these companies may be trying to secure the livelihoods of those already employed, they are unable to create opportunities for new labour market entrants. These results are alarming given the fact that 30 per cent

of the Egyptian population continues to live under the poverty line, and that added value and private sector led growth are essential for enhancing the living standards of Egyptians.<sup>49</sup>

## B. TURNOVER

As of April 2021, a 1.3 per cent decline in growth between financial years 2019-2020 and 2020-2021 was forecast for Egypt as a result of the pandemic.<sup>50</sup> As demonstrated by figure 8, real GDP growth for sectors such as industry and services were estimated to witness the lowest annual per cent changes in 2020 and 2021 respectively, and Industry was forecasted to grow in 2021.<sup>51</sup>

**Figure 8 - World bank estimations and forecasts of real GDP growth (Constant factor prices)**



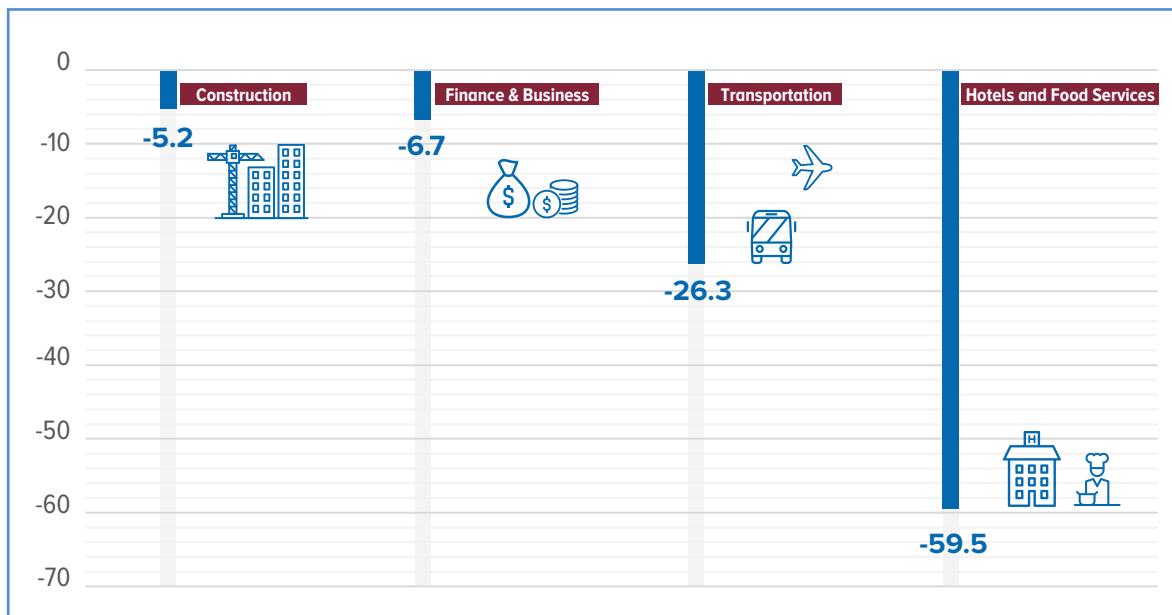
In June 2020, it was estimated that companies in hotel and food services would witness a 59.5 per cent drop in growth, while those in other services (including recreation, cultural and sports activities) would witness a drop of 32.5 percent. The same report estimates noteworthy losses in other sectors including transportation (-26.3 per cent), trade (-19.7 per cent) and textiles (-18.4 per cent), among others.<sup>52</sup> Some of these impacts, estimated by IFPRI, are demonstrated in figure 9.

49 Ibid.

50 Ibid.

51 The World Bank. (2021). "Economic Update: Egypt." Retrieved from: <https://thedocs.worldbank.org/en/doc/9dbe40280b581a94ff950a11cab42fb0280012021-3/original/-4mpo-sm-21egypt-egy-kcm2.pdf> (Accessed in August 2021).

52 Ibid.

**Figure 9** - IFPRI's estimated impacts on sub-sectors for the last quarter of financial year 2019-2020

**Source:** Breisinger and others, "Impact of COVID-19 on the Egyptian economy", 2020.

Survey results reveal that 58.6 per cent of companies within the sample suffered from decreases in turnover between 2019 and 2021. Companies in Cairo reported decreases in turnover amounting to 445 million EGP. Specifically, the cumulative turnover of surveyed companies in Cairo was 6192.8 million EGP in 2019 and 3836.4 million EGP at the time of data collection.

Table 4 demonstrates the changes in turnover reported by companies in Cairo between 2019 and 2021, by sector. The only sectors with increases in turnover were financial services, healthcare and pharmaceuticals, industry and manufacturing, and FMCGs. All of the remaining sectors reported significant losses, with the highest being reported in tourism, agriculture, and energy, oil and gas.

**Table 4** - Changes in turnover between 2019 and 2021 (Cairo-based companies)

Sector	Change in turnover (EGP million)
Agriculture	-148
Consulting and Business Services	-26.5
ICT	-71.9
Construction and Real Estate	-12.7
Energy, Oil and Gas	-95
Financial Services	25
Healthcare and Pharmaceuticals	55
Logistics	-57
Industry and Manufacturing	2210
FMCGs	20
Tourism	-98

The percentage of companies that reported reduced turnover outside of Cairo is especially high, with 87.5 per cent of companies reporting decreases in turnover, amounting to an approximate total of 264 million EGP. The cumulative turnover of surveyed companies outside of Cairo was at 233 million EGP in 2019, and 99.8 million EGP at the time of data collection. Table 5 presents the reported changes in turnover of companies surveyed outside of Cairo by sector. As the table demonstrates, all sectors experienced losses, with the most significant recorded in the construction and real estate sector.

**Table 5** - Changes in turnover between 2019 and 2022 (Companies outside of Cairo)

Sector	Change in turnover (EGP million)
ICT	-17.6
Construction and Real Estate	-105.4
Manufacturing	-2
Agriculture	-0.9
Tourism	-1.85
Healthcare and Pharmaceuticals	-5.5

## C. MOST SIGNIFICANT CHALLENGES

Companies that participated in the survey were asked to rate the severity of the challenges they faced as a result of the pandemic using a scale of 1-5, with 1 being the least severe and 5 being the most severe. As figure 10 demonstrates, companies based both in and outside of Cairo reported cashflow, profitability, overall business productivity and staff morale and productivity as the most severe challenges faced.

**Figure 10** - Company ratings of most significant challenges - (All companies surveyed; on a scale of 1-5, 5 being the most severe)

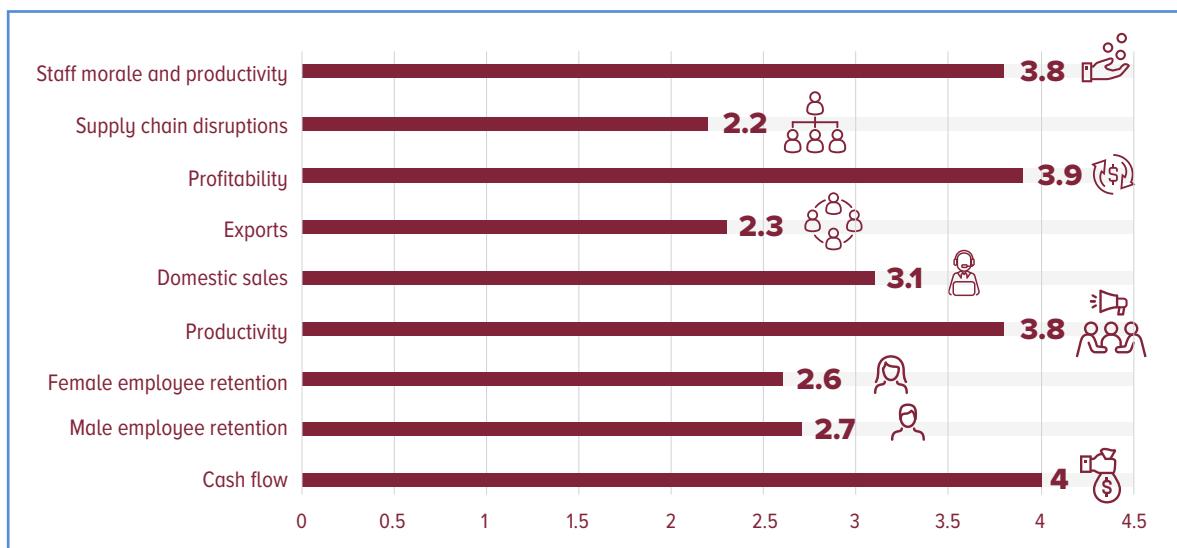


Table 6 demonstrates how companies across each sector, rated these challenges. As demonstrated, companies rated cashflow as 'very challenging' in the sectors of ICT, construction and real estate, consulting and business services, energy, and tourism. Overall productivity was rated as 'very challenging' in construction and real estate, and tourism. Profitability was rated as 'very challenging', or 'challenging' in the sectors of tourism and ICT. Companies in the tourism sector reported all four areas of performance as 'extremely challenging'.

**Table 6** - Severity of challenges faced by companies, by sector (1-5, 5 being most severe)

	Cashflow	Productivity	Profitability	Staff Morale & Productivity
Agriculture	3.7	3.7	3.5	<b>4</b>
Consulting & Business Services	<b>4.2</b>	3.5	3.9	3.8
ICT	<b>4.3</b>	3.5	<b>4.5</b>	<b>4.2</b>
Construction & Real Estate	<b>4.5</b>	<b>4.4</b>	<b>4</b>	3.5
Energy, Oil & Gas	<b>4.3</b>	3	<b>4</b>	3.3
Financial Services	2	2.5	2.5	3
FMCGs	2	3.5	2.5	3.5
Healthcare & Pharmaceuticals	<b>4</b>	<b>4</b>	<b>4</b>	<b>4.6</b>
Logistics	3.2	3.3	3.7	2.7
Industry & Manufacturing	2.8	3.1	3.5	3.3
Tourism	<b>4.6</b>	<b>4.2</b>	<b>4</b>	<b>4.2</b>

Ratings presented by companies outside of Cairo were higher across all performance areas. This is likely a reflection of the fact that doing business beyond the capital city is already challenging and became more challenging as a result of the circumstances imposed by the pandemic.

## 1. Profitability and cashflow

The in-depth interviews conducted allowed company executives to elaborate on the challenges faced. Senior executives in the FMCG sector noted how the changes and disruptions posed by the pandemic altered consumer behaviour, making consumers more reluctant to spend on some products, and more likely to divert their spending to other products. For example, one company in the FMCGs sector reported that consumers had shifted away from luxuries towards personal hygiene and care products. In parallel, the lockdown imposed at the onset of the pandemic, as well as disruptions to transportation and the operations of those in the services sector, negatively impacted cash flow and profitability for all sectors. ICT service providers also reported turnover and profitability challenges. These were primarily tied to the loss in revenue generated from roaming services, as well as the need to invest in expanding their networks' capacity and coverage. Companies in tourism, on the other hand, witnessed zero turnover and are managing to survive through the governmental debt and financing programmes that were launched specifically to support the sector.

## 2. Productivity and staff morale

All of the executives that participated in interviews reported facing challenges related to employee productivity and engagement at the beginning of the pandemic. These were primarily related to the novelty of the remote working experience and the difficulties imposed by minimal face-to-face interactions. These challenges were addressed by launching or enhancing communication technologies to ensure constant communication, investing in internal information technology (IT) and communication infrastructure, and most importantly, launching intensive employee engagement efforts. These engagement efforts included extensive and continuous digital communication, regular online check-in meetings and creative ideas for boosting staff morale and awareness, such as through digital employee engagement events and activities.

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**“** Some people are not doing well in terms of managing their time, and knowing how to dedicate certain hours for home and certain hours for family... Some of the line managers are struggling to distribute work evenly among the team... In certain cases, you find some individuals that are overloaded, and others have a smaller workload. But this is something that has improved over the past year. **”**

Male Senior Executive, Oil and Gas.

**“** We launched a very structured set of events and meetings. We educated leaders and educators on how to lead their teams and manage the impact of remote work on their team. We ran a lot of social engagement events such as online concerts, competitions, etc. **”**

Female Senior Executive, ICT.

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# 3 | COMPANY ADAPTATION MEASURES



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The private sector's response to the pandemic varied according to sector, firm-size, type of operations and formality. These factors affect a firm's ability to adapt to remote working, the availability of required systems and infrastructure, and access to government support programmes during the crisis. Despite attempts to include the informal sector in governmental support schemes, the informal sector's access to support remains limited as most firms and their employees remain unidentifiable and wary of changing their status to tap into these programmes. The majority of these business are micro, small or medium enterprises (MSMEs) and their capacity to digitalize processes and alter their modes of operations remain severely lacking. The World Economic Forum estimates that more than 80-90 per cent of Egyptian workers are unable to work remotely.<sup>53</sup>

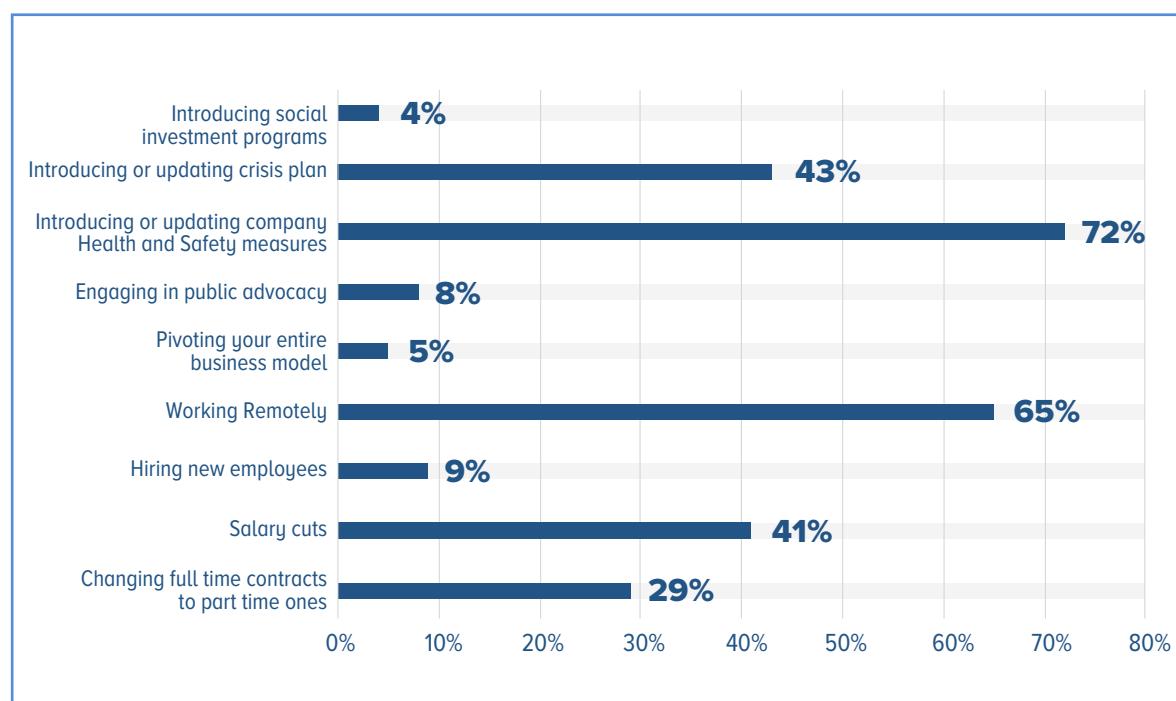
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<sup>53</sup> World Economic Forum, "Does Remote Work Impact Productivity? Here's What Leaders Think", 21 October 2020.

In contrast, some large employers in Egypt fared better as they quickly adapted to social distancing requirements. In March 2020, the online newspaper, Enterprise, surveyed senior executives from 17 EGX-listed companies and multinationals operating in Egypt in the telecommunications, finance, real-estate, law, consumer goods and ride hailing sectors.<sup>54</sup> The survey results showed that 10 companies were putting in place policies and procedures to allow remote working, while 7 companies already had policies in effect at the time the survey was conducted. Two companies already allowed remote working before the pandemic. In the finance sector, at least one company introduced a rotating system that allowed for operating at 50 per cent capacity remotely, while limiting physical meetings and business travel. One of the law firms surveyed allowed employees to decide on their mode of work, while another was gradually shifting towards remote working at the time. One ride-hailing company moved to limit contact by shifting its drivers' support services to a mobile application instead of physical centres. Three real-estate companies reported employees regularly attending work with number limits and precautionary measures in place. While others in telecommunications and food processing showed flexibility and a willingness to plan for some of their staff to work remotely. By May 2020, advertisements for jobs allowing remote working were observed, and at least one telecommunications company reported that 80 per cent of their staff were working from home. Similar patterns were observed in media production companies.<sup>55</sup>

Similar adaptation measures were observed among the companies that participated in the survey and interviews undertaken for this report. To better understand how companies adapted to the new reality imposed by the pandemic, survey respondents were asked to report what adaptation measures — if any — they adopted. As demonstrated by figure 11, the most widely adopted measures among the study sample were related to a company's workforce and internal policies and procedures. Specifically, remote working policies were adopted by 65 per cent of surveyed companies. Furthermore, 72 per cent and 43 per cent of surveyed companies invested in creating or updating health and safety and crisis plans respectively. Other workforce-related adaptation measures included introducing salary cuts (41 per cent), shifting full time contracts to part time ones (29 per cent), and hiring new employees (9 per cent). Adaptation measures going beyond the workforce, such as engaging in public advocacy (8 per cent), pivoting the business model (5 per cent) and introducing social investment programmes (4 per cent) were the least commonly adopted measures.

**Figure 11 - Adopted adaptation measures (Total sample)**



<sup>54</sup> Enterprise, "Businesses allow remote work as Egypt reports 126 covid19- cases", 16 March 2020.

<sup>55</sup> ILO, "More than 60 per cent of the world's employed population are in the informal economy», 2018.

## A. WORKFORCE

Among the most significant shifts imposed by the pandemic were those related to the management of human resources. Lockdowns and social distancing measures forced corporations to rethink the way work gets done. In parallel, the pandemic increased the health risks for companies' core assets — employees. Finally, financial challenges posed by pandemic-related disruption put the livelihoods of private sector employees at risk. In summary, the pandemic brought the core asset of human resources to the forefront. The quote below, from one of the private sector executives interviewed for this study, shows that the pandemic tested the degree to which corporations are in fact people-centric, and the degree to which they safeguard the well-being of their employees.

“

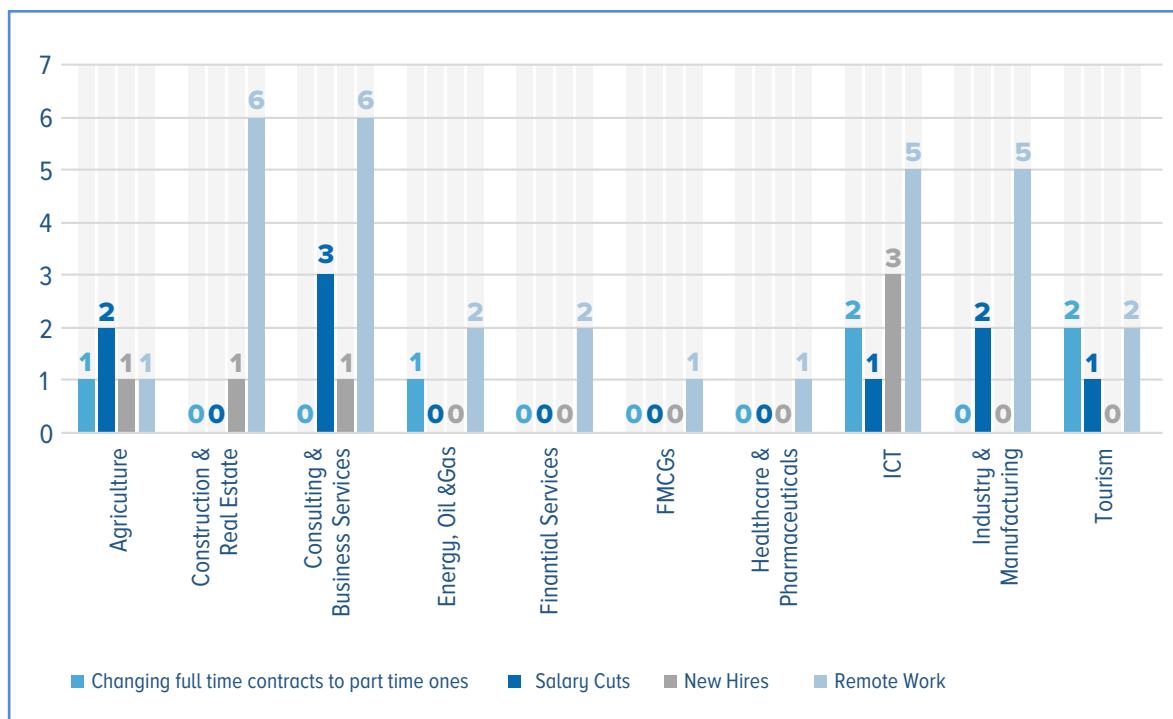
*This was a great opportunity to demonstrate whether people are really their first asset or not. Those who really showed care for people and took efforts to support them. It became very clear who walks the talk, and does what they believe in.*

”

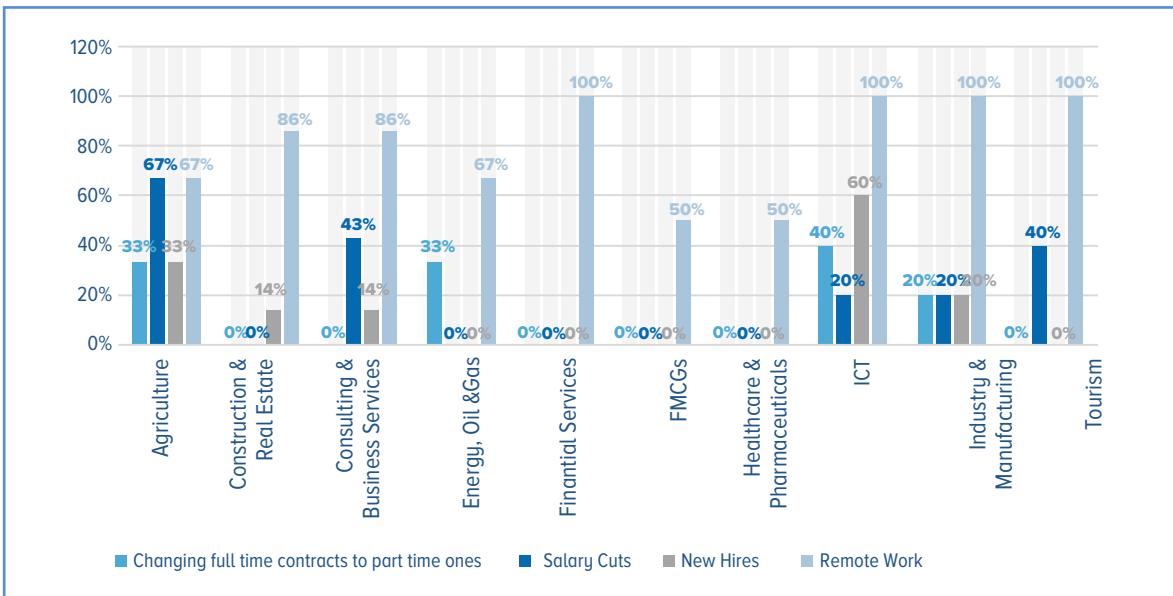
Male Senior Executive, Oil and Gas.

Figures 12 and 13 provide a breakdown of the workforce-related adaptation measures implemented by Cairo-based companies, broken down by sector. As the figures demonstrates, remote working arrangements were adopted by companies across all surveyed sectors. New hires were only used as an adaptation measure within the agriculture and logistics sectors, and some companies in services sectors adopted salary cuts and changed full-time contracts to part time ones.

**Figure 12 - Workforce-related measures adopted by companies in Cairo (Count)**

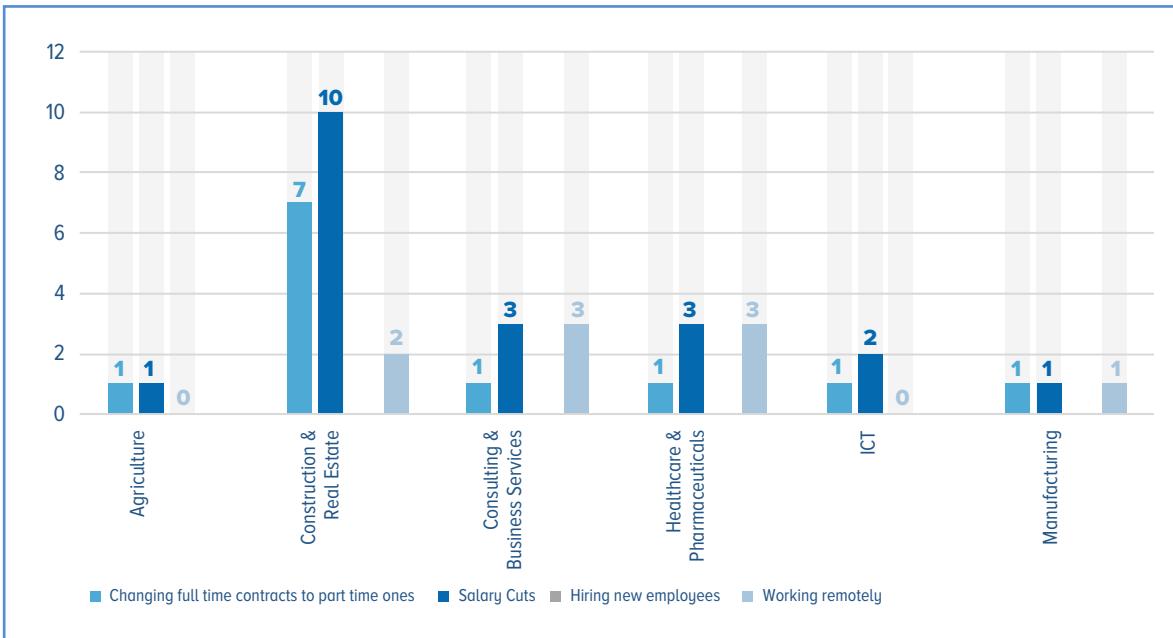


**Figure 13 - Workforce-related measures adopted by companies in Cairo (Percentage)**

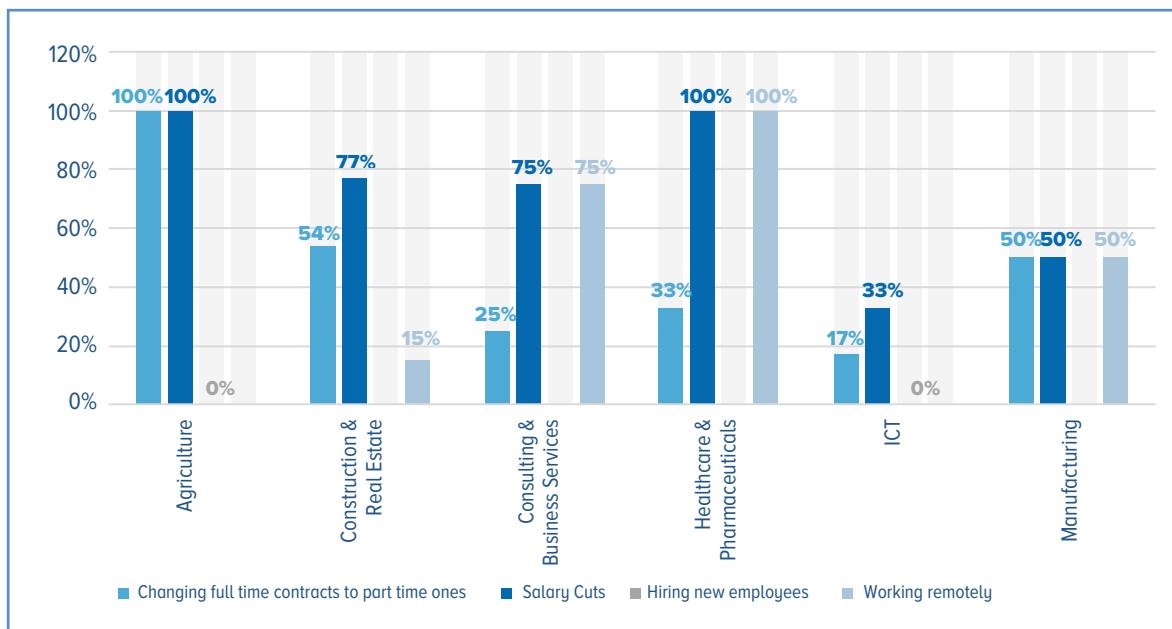


As demonstrated in figures 14 and 15, remote working arrangements were also widely adopted by companies outside Cairo across all surveyed sectors, with the exception of agriculture. Furthermore, companies across all sectors reported the introduction of salary cuts and the replacement of full-time contracts with part-time ones. Finally, none of the surveyed companies reported hiring new staff as an adaptation measure.

**Figure 14 - Workforce-related measures adopted by companies outside of Cairo (Count)**



**Figure 15 - Workforce related measures adopted by companies outside of Cairo (Percentage)**



## 1. Remote Working

The most common workforce-related shift was that of introducing remote working arrangements. 70 per cent of surveyed companies reported the adoption of remote working policies. Some of the large and multinational companies interviewed reported the introduction of internal risk assessments, upon which decisions to go back to the office were made.

### Box 1 - Remote working capacity in Egypt

While a lot of companies are still working fully or partially remotely as a result of the COVID-19 pandemic, it is important to consider the concept of remote working capacity when thinking about the future of remote work in Egypt. A large proportion of Egypt's labour force, and particularly women, work in sectors where remote work is not possible (such as agriculture). This has meant that those who are already marginalized have had to face the risks of onsite or in person working in the wake of the pandemic. Another significant proportion of workers may work in sectors where remote working is possible, but do not necessarily have access to the tools and resources required. Long-term investment aimed at enhancing the overall ICT infrastructure of the country, increasing access to ICT – especially for those with the least access – and digitalizing core sectors is important to consider when reimagining a digitalized future for Egypt and its workforce. More insights on remote working capacity are included in chapter 5 of the present report.

All of the interviewed companies, with the exception of those in the banking sector, stated that there were no plans for a full return to working from the office. Given that remote working has become institutionalized, and the security and IT frameworks for adopting it have been introduced, all companies plan on continuing to reap the social and financial benefits that result from full or partial remote working. In terms of social benefits, companies reported increased flexibility, less time spent in traffic and working schedules that are more suitable for working parents. The most significant financial benefit was that of cost and energy savings resulting from decreased reliance on office facilities.

**“There are core hours within the day when everyone has to be working, but the beginning and end are flexible, which makes work much more manageable for mothers ,”**

Female Senior Executive, ICT.

In addition, some of the executives interviewed noted that mainstreaming remote working arrangements in Egypt and across the world had created opportunities within Egypt, in the form of talent being sourced from Egypt to serve international accounts in sectors such as ICT. In other words, the shift towards remote working was seen to have expanded opportunities for Egyptian ICT professionals to offer their services to clients and employers based outside of Egypt, without having to leave the country.

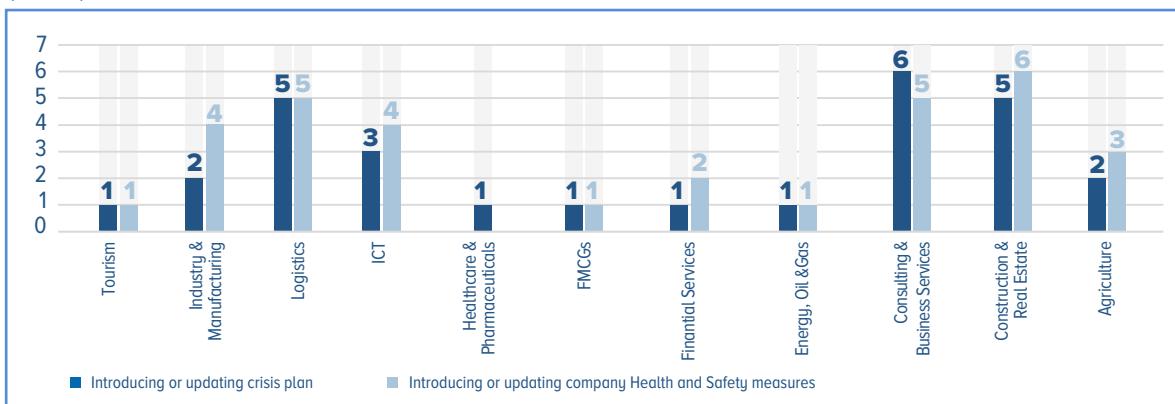
**“ There is a great opportunity for Egypt as a whole, because we have a lot of young talent and brilliant minds who can export their IT capabilities. ”**

Male Senior Executive, ICT.

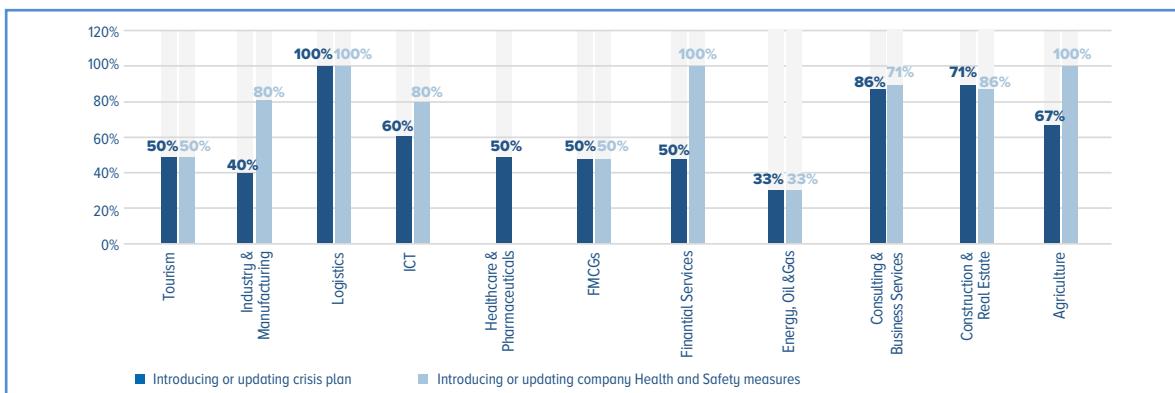
## 2. Health and Safety

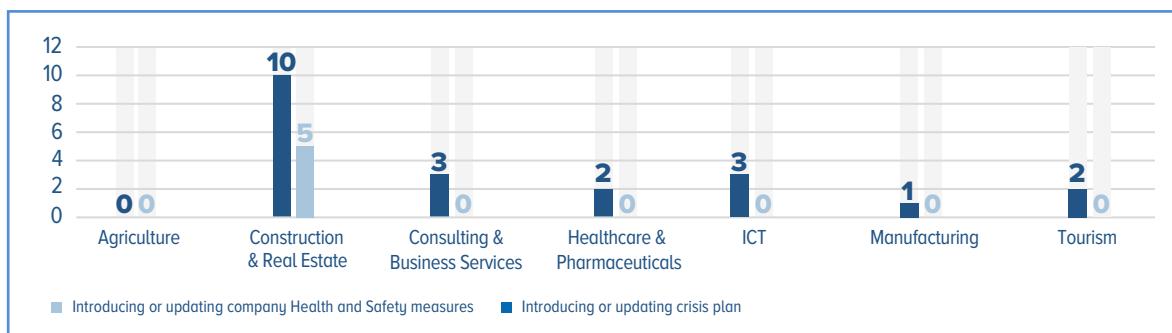
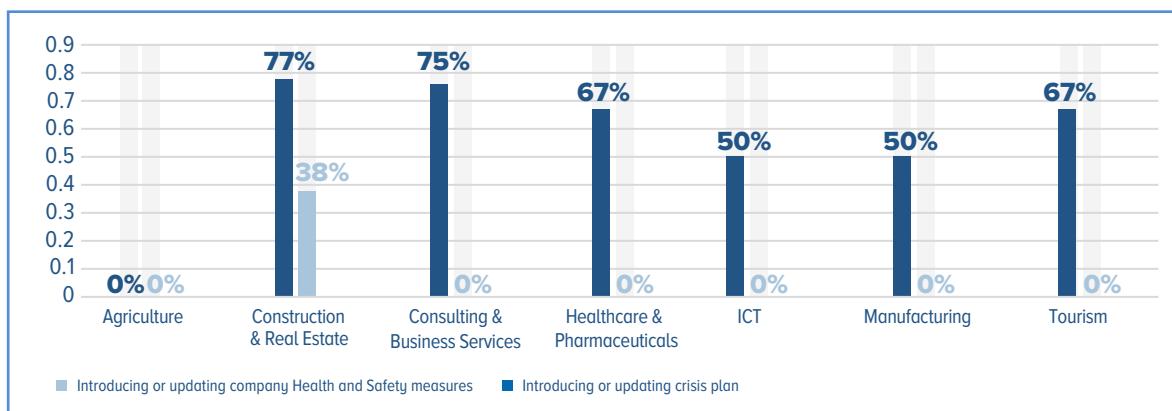
Introducing or enhancing occupational health and safety measures and crisis plans was a commonly adopted measure by all sectors in and outside of Cairo. At the most basic level, this included the provision of personal protective equipment (PPE), adopting social distancing measures and monitoring employee temperatures within offices. Companies that adopted more advanced measures reported the introduction of cohort systems, where select groups of employees are allowed to share office space at a given point in time and are not allowed to mingle with other groups. This approach would allow for tracing the spread of any infection should it arise. Some companies also noted introducing a dedicated support hotline to provide medical advice to employees and their families, and to refer them to appropriate healthcare providers as needed. Some companies also reported health and safety measures that extended to transportation, with distancing measures adopted within company buses.

**Figure 16 - New or updated health and safety, and crisis planning, measures adopted by companies in Cairo (Count)**



**Figure 17 - Health and safety and crisis planning measures adopted by companies in Cairo (Percentage)**



**Figure 18 - Health and safety and crisis planning measures adopted by companies outside of Cairo (Count)****Figure 19 - Health and safety and crisis planning measures adopted by companies outside of Cairo (Percentage)**

## B. NEW OFFERINGS

While only a limited number of companies (seven companies) reported having completely pivoted their business models in response to the pandemic, the majority (60 per cent) of those surveyed noted adapting their offerings as a response. Examples included the introduction of new and more flexible consumption packages by telecommunications operators and different package sizes tailored to different types of consumers of FMCGs. These included family-sized packages for affluent consumers and sachets for those with limited purchasing power.

## C. TURNING TO LOCAL SUPPLIERS

Companies that participated in in-depth interviews, especially multinational companies, reported that they had no option but to decrease their reliance on foreign labour and expand local sourcing efforts. Specifically, one company from the oil and gas sector noted increasing reliance on locals, as opposed to expatriate experts and employees. Similarly, one company from the FMCG sector reported making revisions to their sourcing and procurement policies to allow for sourcing from local suppliers. While this shift towards local suppliers helped decrease disruption caused by travel and transportation restrictions, it also meant that the companies had to invest in the capacity of local suppliers to meet the standards of the sourcing company. This highlights the importance of enhancing supply chains and the capacity of local suppliers as a strategy for enhancing business continuity and expanding local companies' potential to grow and contribute to the Egyptian economy.

## D. SOCIAL INVESTMENT

Only a small proportion (4 per cent) of surveyed companies reported introducing social investment initiatives to help mitigate the negative impacts of the pandemic. In Cairo, these included two FMCG manufacturing companies (one multinational and one large local company) and a large local ICT firm. Those who engaged in social investment programmes primarily relied on partnering with governmental entities to expand their capacity to respond to the health crisis. The literature review confirmed that millions of pounds were donated

by large companies to support governmental initiatives including the Tahya Misr Fund<sup>56</sup> to address shortages in medical supplies, and to provide subsidies to those most in need.<sup>57</sup> The private sector also supported the Egyptian Food Bank's fundraising efforts, including the Chief Executive Officer (CEO) challenge, which contributed around 100 million EGP towards the provision of food boxes and hot meals to poor and at risk households.<sup>58</sup>

#### **Box 2 - Pandemic private sector social investment: AmCham Egypt and UNICEF**

The American Chamber of Commerce in Egypt (AmCham), in collaboration with the United Nations International Children's Emergency Fund (UNICEF) Egypt launched a private sector alliance against COVID-19. Private sector companies were offered the opportunity to mobilize resources towards providing the Ministry of Health and Population with medical supplies and Personal Protective Equipment (PPE). Donations were targeted at 300 public hospitals, 1,000 primary healthcare units and 50 quarantine facilities across Egypt. The alliance was able to successfully raise funds from more than 40 local and multinational companies across a variety of sectors.

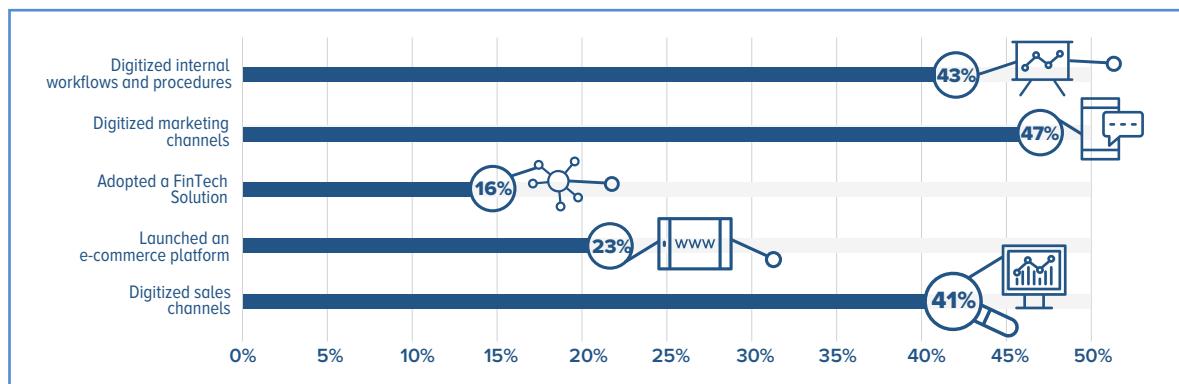
*Source: AmCham, "The Private Sector Alliance Against Covid-19" (n.d.).*

Other companies provided in-kind contributions by extending their core skills and expertise at a subsidized rate, or free of charge. Companies in the ICT sector extended their core services such as internet bandwidth and educational tablets or free text messaging services to support government-led awareness raising campaigns, whereas companies in the FMCG sector donated food products or cleaning supplies to facilities in need. A review of available news releases provides numerous examples of Egyptian companies providing in-kind resources to support needy groups and communities: for example, Integrated Diagnostics Holdings (a MENA region consumer healthcare company with offices in Egypt) offered frontline medical workers discounted rates for COVID-19 tests, while Edita Food Industries (a leading FMCG company within the packaged snack market) donated food products for aid convoys organized by the Tahya Misr Fund.

## **E. DIGITALIZATION MEASURES**

The most commonly adopted digitalization measures were those related to digitizing sales and marketing, mainly through an enhanced reliance on social media platforms (figure 20). Another commonly adopted digitalization measure involved digitizing workflows and procedures to facilitate remote working. The process of digitalizing internal workflows was reportedly smoother for those companies that had already been on a path towards digitalization, which allowed them to invest in enhancing their internal infrastructure, rather than creating new ones from scratch.

**Figure 20 - Adopted digitalization measures (Percentage)**



56 The Tahya Misr Fund was established by President Al-Sisi in 2014 to fight poverty and stimulate economic growth. It relies on fundraising from public and private bodies, and individual donations. Since the onset of the pandemic, it has played an active role in the procurement of PPE and other medical and vaccine supplies.

57 Marwa Nassar, "Egyptian firms embrace CSR by injecting millions to support state in COVID19- crisis", CSR Egypt, 20 April 2020.

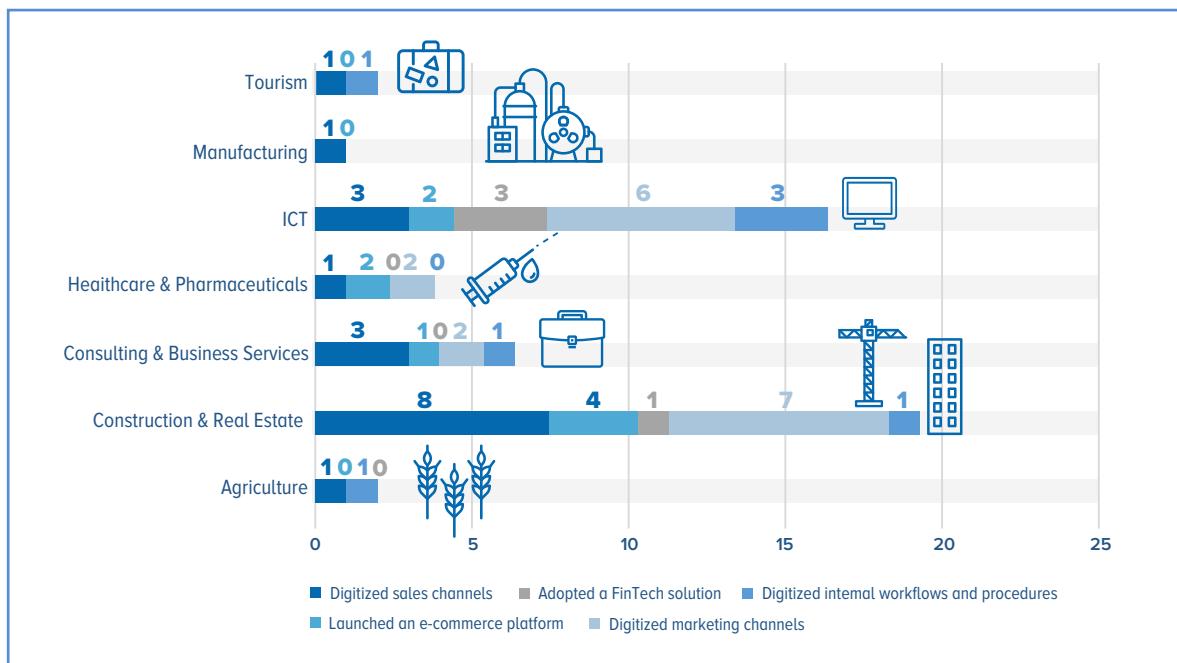
58 Shaimaa Al-Aees, "Egyptian Food Bank offers EGP 400m in financial aid to underprivileged during 2020". Daily News Egypt, 26 January 2021.

Notably, although the pandemic made the digitalization of internal procedures extremely important, such measures were more commonly adopted by Cairo-based companies (figures 21 and 22). This highlights the importance of allocating financial and technical assistance to companies outside of the capital, to enhance their ability to adapt to new ways of doing business, not only in light of the pandemic, but also in line with global shifts to digitalization at large.

### Box 3 - FinTech in Egypt: Reaping the fruits of prior reforms

Financial inclusion has been on the Egyptian Government's agenda since 2011; several regulatory reforms and facilitation measures have been introduced to extend access to financial services to more Egyptians. For example, e-wallets were first introduced in 2016, and a regulatory sandbox was introduced in 2019 to accommodate new and innovative technologies in the financial services sector. These reforms have meant that at the time of writing, two years since the onset of the pandemic, significant changes have taken place in the financial services sector, all towards greater digitalization and, in turn, inclusion. These reforms have paved the way for a number of developments: the number of individuals with bank accounts has increased alongside the number of active e-wallet users, and there has been an increase in technology and solution providers. More insights on FinTech are included in Chapter 5 of this report.

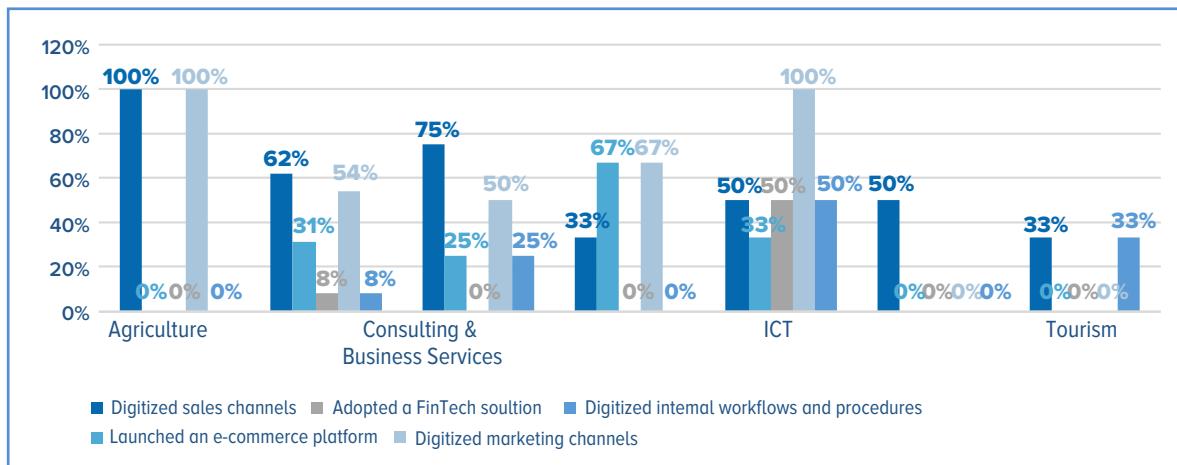
**Figure 21** - Adopted digitalization measures by companies outside of Cairo (Counts By sector)



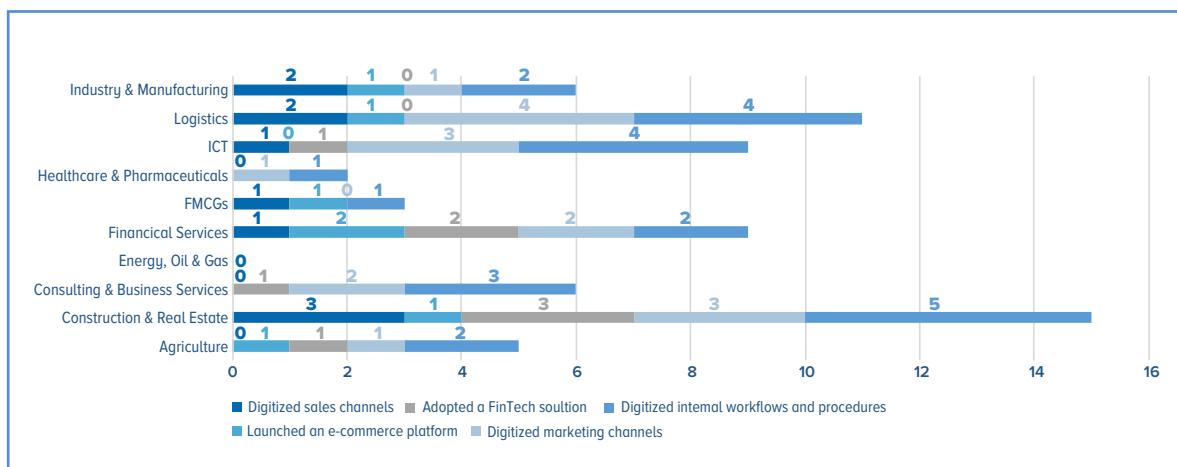
While a relatively small proportion of companies in and outside of Cairo reported the introduction of FinTech solutions or launch of e-commerce platforms, this may be a result of the nature of the sectors engaged as part of the survey.

The digitalization of sales channels was commonly reported by companies outside of Cairo, including for companies which had not been practicing digital sales prior to the pandemic. Companies in Cairo, on the other hand, still adopted the practice, but to a lesser extent, as they may have made the digital shift prior to the pandemic given the nature of doing business in the capital.

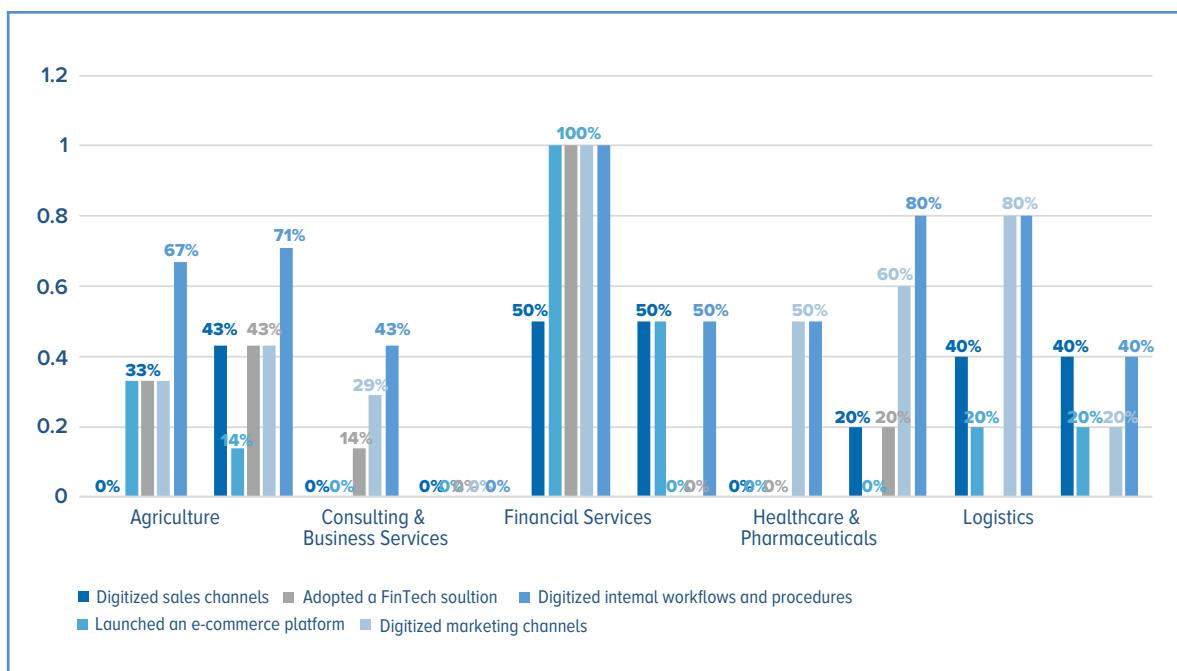
**Figure 22 - Adopted digitalization measures by companies outside of Cairo (Percentage By sector)**



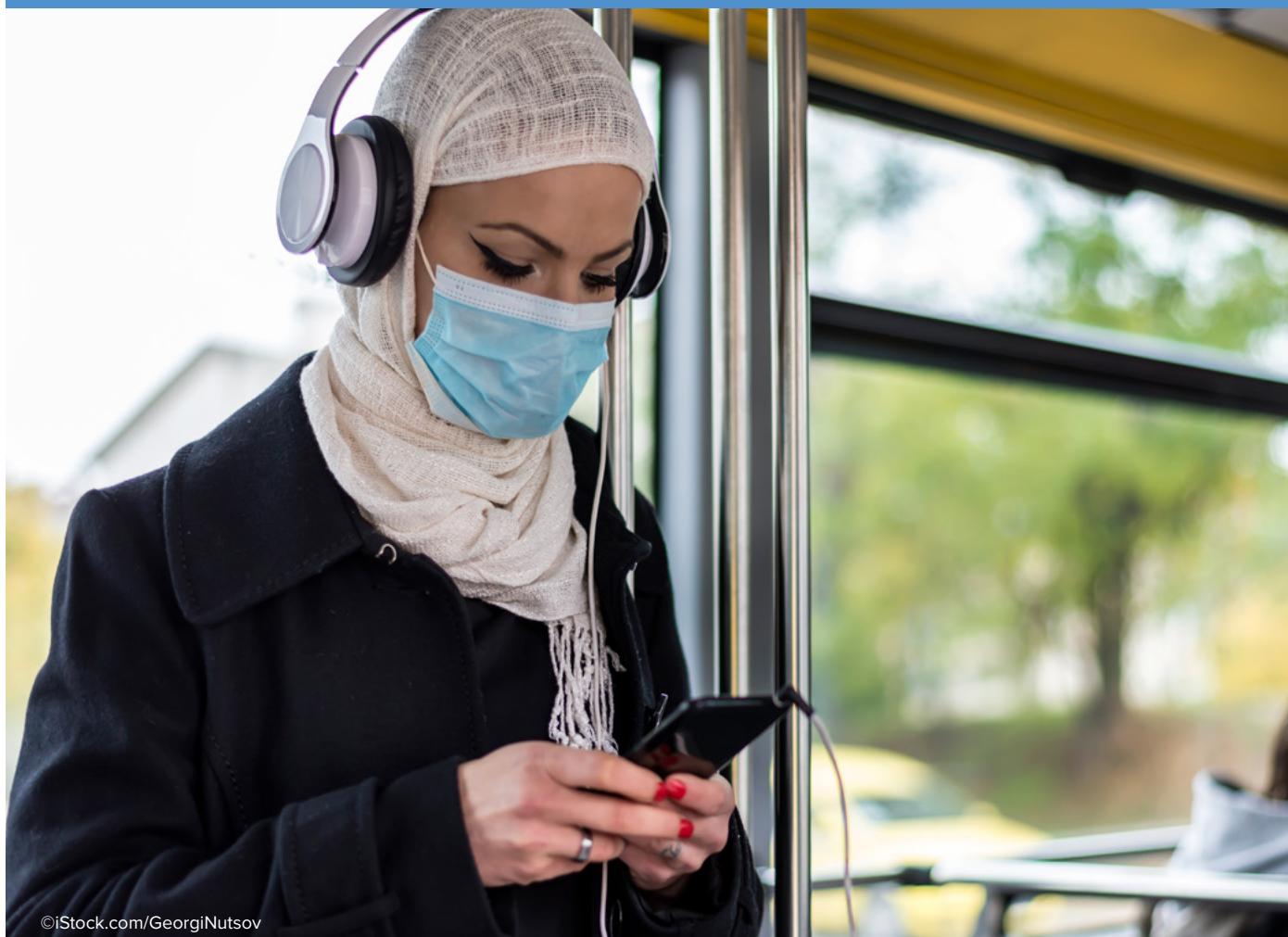
**Figure 23 - Adopted digitalization measures by Cairo-based companies (Counts By sector)**



**Figure 24 - Adopted digitalization measures by Cairo-based companies (Percentage By sector)**



# 4 | DIGITAL TRANSFORMATION



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As technological advancements continue to grow exponentially, driving down costs and reshaping industries across the globe, more and more governments are recognizing the importance of digital transformation for economic growth, and are working to support the shift to a digital economy. The pace of change and progress has varied between countries and regions, based on context and country-centric priorities. However, the outbreak of the COVID-19 pandemic has impacted priorities worldwide and is serving as a catalyst to reshape the future of economic activity around the globe.

In Egypt, disruptions to business and activity across all walks of life highlighted the significance of a more tangible digital presence for the government, businesses and individuals alike. The present chapter addresses the context in which digitalization takes place in Egypt, in terms of the progress made in digitalizing government services, emerging trends in the labour market, the current skill base and readiness to embrace digital transformation and the challenges facing the transformation.

## A. E-GOVERNMENT

Efforts towards digital transformation accelerated in 2020 as Egypt aimed to transition towards a more digital and sustainable economy during the pandemic and for the post-pandemic period. These efforts build on the Egyptian Government's "ICT 2030 Strategy", launched in 2016 to achieve "Vision 2030" digitalization objectives through the "Digital Egypt" Initiative. In addition to upgrading infrastructure, improving the legal ecosystem, building skills and promoting innovation, the government set out plans to increase efficiency and support transformation efforts through digitalizing government services, as well as internal operations in ministries and state-owned enterprises (SOEs).

The Ministry of Communications and Information Technology (MCIT)'s continuous work accelerated digital transformation across various fields of relevance to improving the business environment.

### 1. Public administration

In August 2020, MCIT announced the trial launch of a digital platform and associated mobile application to provide a variety of government services.<sup>59</sup> In addition, the Egyptian Tax Authority launched its unified tax platform in January 2021, which allows online submission of tax declarations and will eventually be linked to its trial e-invoicing system.<sup>60</sup> These measures have been complimented by public investment in electronic payment and collection systems that facilitate secure digital payment for government services.<sup>61</sup>

### 2. Digital justice

As part of the Egypt Digital Justice project, MCIT and the Ministry of Justice announced plans to automate economic courts and offer citizens and lawyers online registration, filing, follow-up, payment and appointment services.<sup>62</sup>

### 3. Customs and logistics

Plans to introduce digital solutions to customs procedures were already gaining momentum prior to the outbreak of the pandemic. In January 2020, the Egyptian Ministry of Finance announced plans for a digital one-stop-shop for customs services,<sup>63</sup> which was expected to become operational in the country's largest ports by the end of 2021. The Ministry aims to reduce customs release times in key ports such as Ain Sokhna to three days instead of seven.<sup>64</sup>

These measures are to be supported by the first goods tracking system in Egypt, announced in August 2020, which will track goods until their final release stage, with the possibility of pre-clearance and data exchange between related government entities.<sup>65</sup>

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59 MCIT, "Digital Egypt," 2021.

60 Enterprise. (8 December 2020). "Unified tax platform goes live in January". Retrieved from: <https://enterprise.press/stories/2020/12/08/unified-tax-platform-goes-live-in-january-26654/>.

61 Daily News Egypt, "Al-Sisi directs for integration", 2020.

62 Link Development, "Link Development Digitalizes Egypt's Economic Courts Systems", 2021.

63 Enterprise, "Misr Technology Services", 2020.

64 Daily News Egypt, "Egypt to open one-stop-shop", 2020.

65 Egypt Today, "Egypt to establish electronic system to track goods for 1st time", 25 August 2020.

Additionally, the Egyptian Government's digital transformation plans extend to establishing logistics centres in 10<sup>th</sup> of Ramadan City, 6<sup>th</sup> of October City, Quena and Banha. These centres have been electronically linked to the General Organization for Export and Import Control laboratories in addition to several other government bodies, in addition to providing e-payment services for customs and fees.<sup>66</sup> These measures serve to advance the Finance Ministry's plans to integrate its various systems, as it intends to electronically link its tax, customs and real-estate services by the end of June 2022.

#### 4. Investor relations

The Suez Canal Economic Zone (SCZone) is set to benefit from efforts to modernize and digitalize customs and shipment handling at key ports, in addition to modern logistics centres, industrial zones and digital parks. A key feature for investors would be the one-stop-shop the Zone offers for registration, licensing and acquiring necessary permits. The SCZone offers a website where investors can get information about available services and make appointments with business service agents who can help with inquiries and guide investors through procedures. However, actual streamlining and digitalization of processing requests, linking of related authorities, data sharing and service delivery remain slow.

A similar pace is observed at the General Authority for Investment and Free Zones (GAFI), which made some progress in accepting inquiries online and adopting digital signatures. However, interactions with GAFI remain largely physical and no clear timeline for the digitalization process has been announced, despite the official outlook embracing digital transformation. In any case, expediting the digitalization process is crucial for attracting international investment and speeding up recovery post-pandemic.

The accelerated introduction of online government services has led to an improvement in rankings capturing the extent of e-government, particularly with respect to other African countries. Egypt was one of 16 countries that joined the high E-Government Development Index (EGDI) group in the 2020 United Nations e-Government Survey. As a result, Egypt ranked 9<sup>th</sup> in Africa and 3<sup>rd</sup> in North Africa. The 2020 United Nations e-Government Survey report cites advancements in online services provision and effective delivery and the Egyptian Government's national ICT strategy as reasons behind the improvement in EGDI score and ranking.<sup>67</sup>

## B. THE GIG ECONOMY

COVID-19 has severely disrupted global economies, hampering economic activity at all levels, and affecting the livelihoods of millions of communities worldwide. The impact has been more severe on workers with less secure contracts, or in economies where labour laws and social safety nets are weak. The impact was also substantially larger for informal workers who represent the majority of employees in developing economies. The International Labour Organization (ILO) estimates that the informal economy provides 52 per cent of the world's employment. Informality is less likely to be present in manufacturing than in service sectors<sup>68</sup> and agriculture has the world's highest level of informal employment at 90 per cent. Informal employment is highest in Africa at 85.8 per cent.<sup>69</sup>

Despite the flexibility informality offers, informal enterprises are more likely to bear the brunt of economic shocks and are often overlooked by social policies. Owners of informal micro and small enterprises, including own-account workers, "are reached neither by policies that support enterprises and workers in the formal economy nor by support targeted to the poor".<sup>70</sup> Informal workers often lack basic social protection and access to adequate healthcare in many of the economies where informality is prevalent. During the pandemic, many were left to choose between loss of income or their health, with few – if any – afforded the luxury of paid sick leave.

<sup>66</sup> Ibid.

<sup>67</sup> United Nations, *E-Government Survey*, 2020.

<sup>68</sup> Shu Yu, "How does informality aggravate the impact of COVID-19?", 2020.

<sup>69</sup> ILO, "More than 60 per cent of the world's employed population are in the informal economy», 2018.

<sup>70</sup> ILO, "Answering key questions around informality in micro and small enterprises during the COVID-19 crisis - Policy Brief", 14 September 2020.

In Egypt, the informal economy is estimated at around 50 per cent of GDP<sup>71</sup> and employs close to 63 per cent of the labour force.<sup>72</sup> As tourism and its related services suffered from limitations on travel, informal workers in these sectors bore the brunt of the shock. The Egyptian government, like others around the world, attempted to offer lifelines to keep badly impacted enterprises afloat and provide incentives for retaining employees. However, the reach of such policies remains largely confined to the formal sector, as informal enterprises remain largely unidentifiable.

Despite the vulnerabilities exposed by COVID-19, and the reflections it has prompted on regulations and social safety nets available for informal workers around the globe, the general trend indicates that informality and its divergent forms, such as “the gig economy”, are likely to prevail in the future, particularly in Africa.<sup>73</sup> In Egypt, informality has been known to bloom in times of crisis or economic adjustment, and it is estimated to have increased since 2011.<sup>74</sup>

The advancement of technology applications in business and the prevalence of internet access in low and medium-income countries gave rise to the “gig economy” as a link or bridge to the formal economy for many people. Today, opportunities for ‘gigs’ are available for blue and white-collared workers alike, and the rise of online platforms that link gig workers with clients are a testament to the increasing popularity of this form of work. The size of the market remains relatively small; the World Bank estimated the number of freelance workers in economies with the largest markets for such work (the United States of America, Europe and India) at around 84 million before the pandemic, or less than 3 per cent of the 3.5 billion people that make up the global labour force.<sup>75</sup> Nonetheless, Oxford University’s Online Labour Index shows a notable rise in demand for online labour since 2016. Prior to the pandemic, the growth was generally slower in Africa and developing Asia compared to the United States of America and Europe. However, the pace has picked up significantly across all regions since 2020 and demand appears highest for talent in software development and technology.<sup>76</sup>

## 1. The rise of the gig economy in Egypt

The inability of the Egyptian formal economy to meet the demand for jobs has contributed to the growth of gig work, both online and offline. The number of gig workers in Egypt is estimated at a minimum of 14 million.<sup>77</sup>

The first milestone the gig economy achieved in Egypt was the entry of Uber, the first gig economy platform to arrive in the Egyptian market in 2014. The ride-sharing app provided numerous young people with income streams and provided the market with a safe alternative mode of transport. However, the new competition that quickly emerged as a result was deemed unfair by traditional taxi drivers, leading to protests, and subsequently, to the ‘Ride Sharing Act’ in 2018, the first local attempt to regulate the gig economy.<sup>78</sup> The initial resistance did not hinder the app’s growth in Egypt; in 2019, the company boasted close to 90,000 drivers operating in 27 governorates, making Egypt one of the top 10 markets for the company worldwide.<sup>79</sup> Several ridesharing and food-delivery apps soon followed this largely untapped market, while more Egyptians continued to join online platforms demanding IT, marketing and translation services, such as Upwork and Fiverr.

The popularity of this mode of work reflects several employment needs that are unmet in the traditional economy. In addition to unemployment and under-employment, a good share of workers on online platforms are full-time employees looking for a secondary source of income; others start small and hope to build a

71 Egypt Today, “Informal Economy”, 2019.

72 Mabrouk, “Egypt’s Sizeable Informal Economy”, 2020.

73 Ng’wenya and Porteous, “Let’s Be Real: The Informal Sector and the Gig Economy are the Future”, 2018.

74 ECES, “View on the Crisis”, 2020.

75 World Bank, *The changing nature of work*, 2019.

76 Oxford University & Oxford Internet Institute, “By Employer Country”, The iLabour Project. Available at: <http://ilabour.ox.ac.uk/online-labour-index/>.

77 Menna Farouk, “Temporary workers have been hard hit by the pandemic’s fallout but some may be wary about formalising their status”. Thompson Reuters Foundation, 21 March 2020.

78 Fairwork, “Egypt joins the Fairwork project”, 25 January 2021.

79 Reuters, “Ride-hailing market revs up in Egypt”, 6 November 2019.

clientele base strong enough to transition into opening their own business.<sup>80</sup> Some are fully dependent on their gig income, and a good portion of them have previous experience in their fields but find more convenient and secure working conditions via these platforms.<sup>81</sup>

Egyptian women who exit the formal employment market to take care of family are finding online work more appealing due to its flexibility and lack of mobility requirements. The appeal is likely to increase post-pandemic, with significantly widening gender gaps in employment worldwide, as stereotypical gender roles mean that women mostly bear the responsibility of taking care of family, which hinders their ability to access and maintain formal employment.<sup>82</sup>

## 2. The impact of COVID-19

The transient nature of employment in the gig economy has left the majority of workers vulnerable to shocks to their income and demand for labour. The Fairwork Project reported in April 2020 that half of gig workers surveyed in various countries lost their jobs due to COVID-19, and that those still employed have reported losses averaging two-thirds of their income.<sup>83</sup> Protection for these workers remains scarce, with most platforms maintaining that workers on their platforms are independent contractors rather than employees, which sets a resistant tone for the discussion on workers' rights for social protection, health insurance and sick leave. Of platforms surveyed by Fairwork in September 2020, only 10 per cent provided pay loss compensation. Larger online platforms have been more able to fund COVID-19 health and safety measures for their workers than smaller ones. They were also more capable of switching markets and diversifying their portfolios compared to smaller, more local platforms, particularly in developing markets, who faced bigger threats to their survival.<sup>84</sup>

In May 2020, Uber announced it would layoff 40 per cent of its core company employees in Egypt as a direct result of the pandemic.<sup>85</sup> Many ride-sharing drivers in Egypt were unable to meet financial obligations related to loans or car rental or loan payments as curfews and social distancing measures limited the demand for their labour. Fairwork surveyed four platforms for their policies in response to COVID-19 (Uber, Otolob, Swvl and Jumia), and found that only one, Uber, provided financial support in the form of pay loss compensation and financial deferrals. The platforms performed better in terms of physical and personal protection and virus safety knowledge. However, only one provided some form of health assistance. In case of workers contracting the disease, three out of four platforms provided sick leave, but only one provided insurance coverage. In terms of general protection of workers' rights, only one platform provided protection from discrimination, while none of the platforms surveyed, in Egypt or around the world, had policies in place to ensure fair contracts or fair representation of workers in decision making.<sup>86</sup>

In general, the approach to handling the financial impact of the pandemic has transferred much of the burden to workers and local governments. The online nature of the work has made abandoning entire services, market segments or even regional markets much easier compared to traditional businesses. This is exemplified by the suspension of Uber Eats and Careem Bus in Egypt in May 2020.

The Egyptian government has attempted to soften the blow for informal and temporary workers during the pandemic, announcing a monthly stipend of 500 EGP for informal workers at the beginning of the outbreak<sup>87</sup> and announcing plans to identify and support around 2 million gig workers by making them eligible for social security and health care programmes. However, the monetary value of the support falls short of covering the workers' financial losses or urgent spending needs, and many workers are reluctant to formalise their status for fear of an increased tax burden.<sup>88</sup>

<sup>80</sup> Brennan Cusack, "Making the most of the Freelance Economy", American Chamber of Commerce in Egypt (AmCham), April 2018.

<sup>81</sup> Nagla Rizk, "A Glimpse into the Sharing Economy: An Analysis of Uber Driver-Partners in Egypt", SSRN, 8 April 2017.

<sup>82</sup> Mariana Wes, "Empowering Egyptian women: Benefits of gender balanced employment policy", World Bank Blogs, World Bank, 22 March 2021.

<sup>83</sup> Fairwork, "The Gig Economy and Covid-19: Fairwork Report on Platform Policies", April 2020.

<sup>84</sup> Fairwork, "The Gig Economy and Covid-19: Looking Ahead", September 2020.

<sup>85</sup> Al Monitor, "Uber lays off 40% of Cairo office, largest in the Middle East", 7 May 2020.

<sup>86</sup> ILO, "Answering key questions around informality", 2020.

<sup>87</sup> Mabrouk, "Egypt's Sizeable Informal Economy", 2020.

<sup>88</sup> Farouk, "Temporary workers have been hard hit by the pandemic's fallout", 2020.

### 3. Impediments to growth

Beyond the pandemic, gig workers continue to face a number of challenges both in terms of their ability to move their offering online and access a wider market, and to survive competition and develop skills once access is available. Many Egyptian gig workers may lack bank accounts and cannot access digital payment systems. Platform work generally adds more competition pressures on participants as they join a global pool, and the pressure on their income is higher when they first join as they struggle to attract clients with no previous history, leaving price competition as their only option. This is exacerbated on platforms designed to push prices down to attract clients. This level of competition requires higher investment in skills to allow workers to stand out and compete. Yet access to training and talent development through these platforms is limited, and the burden remains solely on the worker.<sup>89</sup> The individualistic work model also limits the type of knowledge exchange available through the traditional firm structure, which can slow down career development for workers in general, and younger participants in particular.

Nonetheless, with the current level of informality, the Egyptian economy stands to benefit from gig workers getting exposure to formal firms and eventually transitioning into creating their own business. In this regard, supportive policy is key. Flexible regulations and support programmes for SMEs will likely need to take this type of transition into account and offer more tailored schemes for freelancers.

### 4. Remote working and online talent outreach

The rise of online talent platforms and the popularity of gig work is by no means expected to replace traditional employment. This is not to say that COVID-19 has no lasting impact on the latter. As the pandemic took global economies off-guard, businesses large and small scrambled to adjust to a new normal, and more often than not, the temporary predicament highlighted the viability – or at least, the benefits – of a shift towards remote working.

With rising demand for employment flexibility, remote working is set to become a feature of the post-pandemic world. This shift brings not only flexible hours and cost cuts, but also a wider pool of opportunities for businesses and workers alike. Workers would be less bound to local job markets and recruitment would become a more global exercise allowing more diversity in talent. This, however, would also bring about a challenge for both parties involved; job seekers would face fiercer competition in which the impact of geographic disadvantage in access to quality education and skills development would be aggravated, and recruiters would face a more opaque hiring pool which will likely complicate the recruitment process.

Stronger competition would also add downward pressures on wages, which may improve efficiency, but could also lead to a gradual income divergence process that could undo welfare gains in developed and developing markets alike if left unchecked. The challenges faced by gig workers highlight the need for international cooperation in regulating the digital job market in a manner that preserves efficiency and diversity gains but also protects workers' rights irrespective of their home countries.

In this respect, analysts expect that online gig worker platforms will soon face the dilemma of abandoning part of their freedom of operations in exchange for future growth. As business booms, such platforms are set to attract more attention from policymakers, face higher demands to assume responsibility for the rights and welfare of their talent pool and eventually resemble digital staffing businesses as they strive to meet the needs of bigger clients and demands for more specialized and local labour.<sup>90</sup> This process demands increasing the visibility of workers and facilitating more informed talent outreach for clients.

Whatever the speed and scope of change in how we approach work and recruitment, the new normal emphasizes the importance of trust as an economic asset in the future. With more remote working and

89 Cusack, "Making the most of the Freelance Economy", 2018.

90 Bob McHugh, "Are Online Talent Platforms Making Life Easier or Harder for Recruiters?" Global Recruitment Insights & Data, 25 January 2019.

far-reaching recruitment, businesses and workers alike forego part of the assurance they gain from a more observable track record and the benefits of a local network in finding suitable jobs and trustworthy candidates. A more global approach rests on the ability of businesses, workers and clients to trust each other in fulfilling their respective obligations, and therefore lends more economic value to good reputation and an accessible performance history. These needs are likely to bring new challenges for the safe collection and sharing of, and access to, data as more individuals and companies increase their digital presence. Countries that are yet to put an appropriate regulatory framework for this purpose are likely to face pressures to expedite the process.

The new reality also adds pressures on governments to become attuned to global skills needs and to invest heavily in the technical, digital and soft skills of their labour force. In Egypt, the road ahead is long. The high illiteracy rates, regional disparities in access to skills development and skills mismatch in the output of the current education system – discussed in section C of the present chapter – complicate the process. The pandemic underlines the need to accelerate efforts to create an employable and competitive workforce in the next few years.

## C. EDUCATION AND SKILLS DEVELOPMENT

A natural consequence of the new normal enforced by the spread of the COVID-19 pandemic is rethinking the current modes, content and accessibility of modern education and skills development. Increasing digitalization against the backdrop of the pandemic brings to the forefront an emphasis on digital skills at early stages of education, as well as employment, even in jobs with a naturally smaller skill component.

While prior efforts to modernise the Egyptian education system have cushioned the learning process throughout the crisis and minimised disruption, the fast-tracked jump to online learning underlined persistent challenges in the Egyptian context, including the quality of infrastructure, unequal access, modest digital skills among large segments of teachers, parents and students, and a high student-to-teacher ratio that hinders interactive learning. These challenges emphasise the need for higher investment in education, both public and private. The Ministry of Planning stated that Egypt had increased public investment by 70 per cent in financial year 2020-2021 to \$38 billion, the majority of which was spent on health and education.<sup>91</sup> The government also received \$252 million in grants for the education sector in 2020, yet only \$6.5 million seemed directly linked to incorporating technology in education.<sup>92</sup> Nevertheless, the Egyptian Government remains committed to increasing spending in the field; the budget for financial year 2021-2022 witnessed an increase of 13 per cent in spending earmarked for education, higher education, scientific research and health.<sup>93</sup>

The increased attention towards modernizing education could yield positive returns for private sector development, aid recovery and sustainable growth in a post-pandemic world. However, the challenge facing education today is not limited to access to education, but more importantly, content and educational outcomes. The Egyptian national education system has struggled to keep up with the needs of the job market, creating an obvious skills gap that is likely exacerbated by the pandemic and the surge in demand for IT and soft skills among new hires. For this purpose, MCIT rolled out several initiatives and training programmes aimed at developing such skills among new graduates and young professionals. These include a specialized curriculum on communications, software development and e-learning. This is in addition to a special scholarship programme for 100,000 young professionals in web design, digital marketing and data analytics.<sup>94</sup>

Meanwhile, the Ministry of Higher Education and Scientific Research is also investing in expanding specialized ICT training, through establishing a new Egyptian university of information technology, eight computer and information faculties, and two new Artificial Intelligence (AI) colleges due to be established in

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<sup>91</sup> Zawya, “Egypt’s public investments up 70% to \$38bln in FY 2020/21: Planning Minister”, 2 December 2020.

<sup>92</sup> Egypt, Ministry of International Cooperation (MOIC). “Annual Report 2020: Writing the future in a changing global dynamic”, 2020.

<sup>93</sup> Al-Ahram, “Egypt earmarks 13% increase in allocations for education, higher education, health, scientific research in new budget”, 14 June 2021.

<sup>94</sup> Oxford Business Group, “Why Egypt’s government services are going online”, 21 July, 2020.

the near future. This is in addition to scholarships for students to study AI related disciplines abroad.<sup>95</sup> Egypt has been investing in AI capabilities and introduced its first AI Strategy in 2020 to introduce AI technologies in the fields of education, healthcare, transport and infrastructure, and aims to generate 7.7 per cent of GDP through AI by 2030.<sup>96</sup>

Investment in the upskilling of the labour force is paramount to ensuring sustainable recovery and increasing labour competitiveness in local and global markets. It remains crucial, however, to invest in nurturing sought after digital and soft skills across regions, age groups, skill levels and sectors to achieve equitable recovery and avoid exacerbating inequality by locking out low-skilled demographics out of the job market.

## D. CHALLENGES TO DIGITALIZATION

The onset of the pandemic in Egypt coincided with concentrated government efforts to transform into a modern, inclusive and environmentally sustainable economy. Plans to upgrade government systems and national infrastructure and to incorporate technology in various sectors preceded the pandemic and were further accelerated in its wake. However, effective and comprehensive digital transformation continues to face a number of challenges, including those arising from the quality of infrastructure and connectivity, the digital skills gap, cultural barriers, access to financial services and legal and administrative barriers.

### 1. Infrastructure and connectivity

A key milestone that would propel digitalization efforts is the establishment of modern, reliable and wide-reaching ICT infrastructure. Egypt has made significant improvements over the years, but large gaps to bridge remain in the wake of the pandemic.

In terms of internet speed, Egypt ranked 92<sup>nd</sup> out of 175 countries in terms of fixed broadband speed, and 93<sup>rd</sup> out of 140 countries in terms of mobile internet speed in July 2021, according to the Speedtest Global Index,<sup>97</sup> this puts Egypt in the 8<sup>th</sup> place in the MENA region in terms of fixed broadband speed and the 12<sup>th</sup> in terms of mobile internet speed.

Internet penetration in Egypt rose to 57.3 per cent by January 2021, reflecting a year-on-year increase of 8.1 per cent in the number of users, which reached 59.2 million. 49 million of these used social media during the pandemic, reflecting an increase of 17 per cent in social media users since 2020.<sup>98</sup> Asymmetric Digital Subscriber Line (ADSL) subscriptions also increased by 18.9 per cent since June 2020, amounting to 9.5 million subscriptions in June 2021.<sup>99</sup> However, the internet penetration rate in Egypt falls behind regional peers, who boasted rates as high as 99.0 per cent in UAE in 2021 and 74.4 per cent in Morocco.

The number of mobile connections rose by 2.9 per cent in 2020 to 95.8 million, yet the rise in the use of mobile internet was more pronounced and remained well above historical rates almost a year and a half into the pandemic; 60.5 million users accessed the internet through mobile services in June 2021, a 17.2 per cent jump from June 2020.<sup>100</sup>

As for network coverage, Egypt ranked 43<sup>rd</sup> out of 70 countries in terms of internet access in schools, and 70<sup>th</sup> out of 130 countries in 4G mobile network coverage, falling behind Tunisia, Morocco and Lebanon in both indicators.<sup>101</sup> In this respect, the government has set out plans within its Digital Egypt project to improve the

95 Bianca Wright, "Egypt sets its sights on artificial intelligence", CIO, 10 September 2019.

96 PricewaterhouseCoopers (PwC), "US\$320 billion by 2030? The potential impact of AI in the Middle East", 2018.

97 Speedtest, "Global Speeds July 2021", Global Speed Test Index. Available at: <https://www.speedtest.net/global-index> (accessed on August 2021).

98 Simon Kemp, "Digital 2021: Egypt", 11 February 2021.

99 MCIT, "ICT Indicators in Brief", July 2021.

100 Ibid.

101 Portulans Institute, *Network Readiness Index 2020*, 2020.

digital infrastructure and improve network performance, accessibility and reach. A key investment in the field is fibre-optic cables, which were provided for 5,300 government buildings across Egypt in 2020.<sup>102</sup> This is in addition to establishing the “National Center for ICT Services Quality Control and Monitoring”, which serves to monitor the quality of voice and Internet services provided by telecommunication companies operating in Egypt.<sup>103</sup> Nevertheless, greater investment is needed in telecommunications and IT infrastructure to support the growing demand for internet for the purposes of education, business, e-commerce and entertainment, and to ensure equitable access across regions and demographic groups.

## 2. The skills gap and the digital divide

As highlighted in Section C of the present chapter on education and skills development, Egypt faces significant challenges related to the population’s readiness to embrace technology and adapt to a more digital professional presence. However, the skills gap is not equally distributed across regions and demographic groups. Factors like age, gender and income are key determinants in the level of ICT skills acquired, creating a digital divide that adds to already existing inequality of opportunity. The gap is exacerbated by a lack of internet inclusion, that is, the extent to which the internet is accessible, affordable, relevant and readily usable to all. Egypt ranks 69th out of 100 countries included in Inclusive Internet Index,<sup>104</sup> developed by The Economist Intelligence Unit. Egypt compares poorly with the rest of the Middle East and North Africa (MENA) countries, ranking 9th out of 10 in the region. The ranking reflects poor performance in terms of readiness (access, skills, cultural acceptance and supporting policy), relevance (availability of relevant content) and, to a lesser degree, affordability (cost of access and level of competition).

Even during the pandemic, socioeconomic gaps in internet usage were evident. Less than half of rural households in Egypt used the internet in 2020, compared to roughly 68 per cent in urban regions.<sup>105</sup> In terms of gender disparities, the most recent breakdown by gender shows that 41.3 per cent of women use the internet, compared to 52.4 per cent of men.<sup>106</sup> Egypt ranked 82<sup>nd</sup> out of 87 countries in terms of the gender gap in internet use in the Network Readiness Index 2020. It also ranked poorly in the use of digital payments given socioeconomic gaps (115<sup>th</sup> out of 128) and rural gaps (95<sup>th</sup> out of 128). In terms of ICT skills and people readiness, Egypt only surpassed Morocco, Algeria and Yemen in the MENA region.<sup>107</sup>

The digital divide exhibited in Egypt, as elsewhere, is costly in terms of lost economic growth, not only as marginalized groups remain locked out of the digital labour market, but also as consumers lack the skills needed to conduct transactions online. Swiftly closing these gaps is crucial for unlocking the economy’s potential in the digital transition.

## 3. Cultural challenges

The reality is that COVID-19 has not only highlighted but has also created systemic shifts in the conduct of business and consumer behaviour across the world, irrespective of variations in infrastructure readiness, ICT skills or social receptiveness. However, countries where traditional brick and mortar business remains dominant are likely to face more pushback in terms of accepting substantial shifts of business online from consumers who continue to prefer the physical shopping experience or businesses wary of the costs associated with the shift. On the business side, “switching costs” associated with the shift between traditional and digital modes of operations can be burdensome for small businesses.<sup>108</sup> These reflect infrastructure costs (systems, ITC infrastructure and subscriptions) as well as training for their digitally non-proficient, and sometimes resistant, workforce.

<sup>102</sup> International Trade Administration (ITA), “Egypt – Country Commercial Guide: Information and Communications Technology; and Digital Economy”, 5 September 2020.

<sup>103</sup> MCIT, “Digital Egypt,” 2021.

<sup>104</sup> The Economist Intelligence Unit, “Egypt”, The Inclusive Internet Index 2020. Available at: <https://theinclusiveinternet.eiu.com/> (accessed on 28 August 2021).

<sup>105</sup> MCIT, “ICT Indicators in Brief”, 2021.

<sup>106</sup> Statista, “Percentage of population in Egypt using the internet in 2018, by gender”, Internet – Demographics and Use. Available at: <https://www.statista.com/> (accessed on 28 August 2021).

<sup>107</sup> Portulans Institute, *Network Readiness Index 2020*, 2020.

<sup>108</sup> Paul David, “The Dynamo and the Computer: A Historical Perspective On the Modern Productivity Paradox”. *The American Economic Review*, Vol. 80, no. 2, May 1990.

## 4. Financial inclusion

Modest levels of financial inclusion hinder digital transformation and economic growth at large. The problem is closely intertwined with the prevalence of informality in the Egyptian economy at levels exceeding 50 per cent of GDP. Only 32.8 per cent of Egyptians owned a bank account in 2017, well below the global average of 68.5 per cent, and the ratio is higher for men (37.8 per cent), compared to women (27 per cent).<sup>109</sup> With the limited popularity of digital financial services, the figures leave up to 67 per cent of the population dependent on cash transactions and unable to make digital payments through the traditional banking system.

Even when concluding e-commerce transactions, around 55 per cent of customers paid in cash upon delivery in 2020, compared to 27 per cent via credit cards and 8 per cent through e-wallets, as opposed to only 1 per cent using other digital forms of payment.<sup>110</sup> Nonetheless, the outlook for the rise of digital payments in Egypt is positive. The e-payment platform Fawry, became the first unicorn start-up (at \$1 billion in value) in Egypt – and the third in Africa – within a few months of its initial public offering,<sup>111</sup> and Fintech investments made up a significant share of venture capital flows coming into Egypt in 2020. The rise of interest in this sector and mounting efforts to increase financial inclusion have led the Financial Regulatory Authority to put forward a draft to regulate Fintech in the non-banking financial sector.<sup>112</sup>

## 5. Legal and administrative barriers

Over the past decade, Egypt has fared well with regards to upgrading its legislative framework and regulating processes relating to the digital economy, including regulations covering privacy and data protection, consumer rights protection, e-signatures and intellectual property rights. Despite this improvement, access to data remains a major hindrance in the Egyptian context. In addition to the general scarcity in high-quality data, rigid regulations and sharing controls on data exclusively held by governmental agencies hinder businesses' ability to take informed decisions based on market information, particularly as the government attempts to promote the introduction of big data and AI technologies into business. Up to 2016, Egypt compared poorly with regional peers in terms of open data, ranking 7th out of 11 MENA countries in the Open Data Barometer.<sup>113</sup>

Furthermore, a legal enabling environment that adapts emerging digital trends and promotes competition are essential. Egypt took a step forward with the 2018 Ride Sharing Act towards regulating the platform economy, but not much has come to fruition regarding other platform-related activities. Other market and administrative barriers dampen the thriving digital market, including limited competition in the telecommunication sector, unfair competition from the informal economy, limited success in formalizing the sector and bureaucratic red tape facing new start-ups and small businesses.

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<sup>109</sup> World Bank, "Egypt Arab Rep. – Account (% age 15+)". Global Financial Inclusion Database. Available at: <https://databank.worldbank.org/source/global-financial-inclusion> (accessed on 28 August 2021).

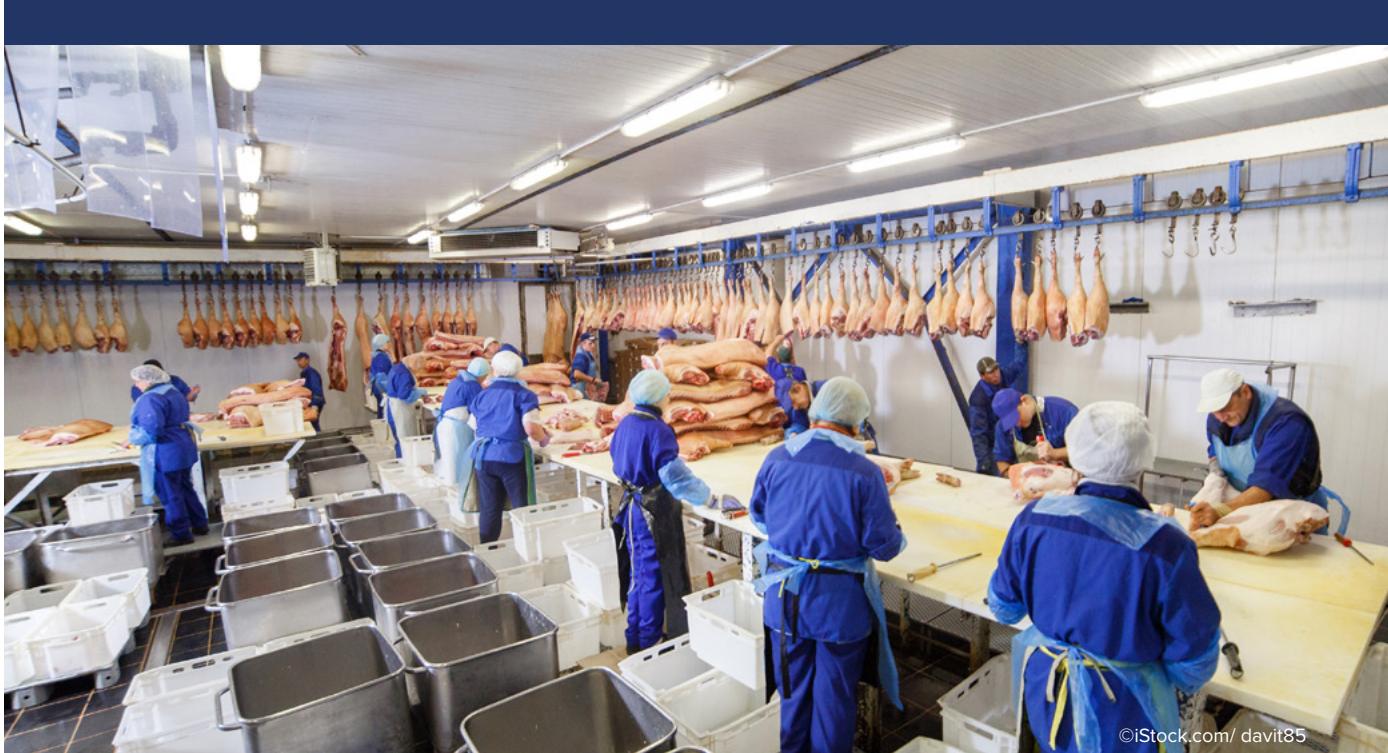
<sup>110</sup> Statista. "Distribution of payment methods for online transactions in Egypt as of January 2020, by type", E-commerce – Digital Shopping Behaviour. Available at: <https://www.statista.com/> (accessed on 28 August 2021).

<sup>111</sup> Further Africa, "Egypt's Fawry becomes Africa's 3rd Unicorn to reach a US\$1B valuation" 7 October 2020.

<sup>112</sup> Omar Faridi, "Egypt's Financial Regulatory Authority Approves Draft of Laws to Regulate Fintech in Non-Banking Financial Sector," Crowdfund Insider, 21 September 2020.

<sup>113</sup> World Wide Web Foundation, "[ODB 4<sup>th</sup> edition – Rankings ]", Open Data Barometer. Retrieved from: <https://opendatabarometer.org/>. (accessed on 28 August 2021).

# 5 | CONCLUSION, RECOMMENDATIONS AND THE WAY FORWARD



As previous sections demonstrate, like all sectors of society, the private sector and its employees have been strongly impacted by the pandemic. Disruptions in logistics, movement and spending patterns have meant losses in turnover and profit. As with other issues affecting the country, entities outside of Cairo were more severely impacted. It is important to note that an additional round of qualitative interviews was conducted in the third quarter of 2022 to better understand how companies continue to adapt two years after the pandemic, as well as in light of recent political and economic developments across the globe. Insights from these interviews are infused throughout this section.

Individuals, companies and the government have tried to adapt to the new reality imposed by the pandemic; one in which uncertainty is the norm, and where deeply entrenched practices have been disrupted. A noteworthy change is how the inevitable move towards digitalization and remote working has been expedited.

At a deeper level, the COVID-19 pandemic has also forced the entire world to pause and think about how it has been operating, the assets and resources that have largely been taken for granted and the way forward. During the in-depth interviews, private sector executives were asked to share their insights around their biggest takeaways from the past year. The word cloud below demonstrates the key words of the insights they shared. Not surprisingly, the word “people” is at the heart of the cloud, demonstrating the significant role that people play and will continue to play in the equation of private sector growth. Interviewees indicated the importance of flexibility and adaptability, as well as the importance of ensuring that people, whether employees, consumers, or surrounding community members are at the heart of business philosophies.

Other key insights were the importance of flexibility, adaptability and resilience, and the surprising ability of both companies and their employees to adapt to the crisis, and to turn it into an opportunity for doing business differently. The importance of agility and adaptability was also highlighted by the interviews conducted in 2022, with corporate executives stressing the critical importance of staying flexible in light of uncertain circumstances. Such agility has translated into entering new local or global markets, seeking out local suppliers where possible, and adapting to emerging human resource management requirements and realities. Another key adaptation approach has been an emphasis on more dynamic communication, and the adoption of better governance mechanisms that are based on open communication and shared decision-making. This brings us to the concluding chapter of this report, which discusses the implications of the pandemic for ways of doing business.



“

*We are looking at how we can adapt, not why this happened. Why did we have such a disruption of such a global cycle? We are dealing with the symptoms, very few are getting the message... „*

*Male Senior Executive, FMCG*

As the above quote demonstrates, a key takeaway from the pandemic is related to the sustainability of our economies, and the significance of ways of doing business. The present chapter discusses the importance of adopting more sustainable and inclusive business practices to sustain and accelerate private sector growth, and economic growth in Egypt.

## A. NEW WAYS OF DOING BUSINESS: SUSTAINABILITY

Moving forward, it is necessary for all sectors to emphasize the well-being of their employees, consumers and surrounding communities. In other words, the adoption of best practice in sustainability and ESG issues is necessary. On the social front, health and safety measures, as well as strong crisis plans, are essential for ensuring both staff welfare company and overall company health. On the environmental front, ESG adoption means ensuring the efficient use of resources in light of water scarcity issues,<sup>114</sup> as well as the gradual lift of energy subsidies. The introduction of better environmental compliance and sustainability practices is also necessary for the sustainability and competitiveness of key sectors moving forward, including agriculture

<sup>114</sup> Radwan Abd Ellah, "Water resources in Egypt and their challenges, Lake Nasser case study". *The Egyptian Journal of Aquatic Research*, Vol. 46, No. 1, December 2020.

and manufacturing, as well as sectors that already have significant negative impacts at the global and local levels, such as construction.<sup>115</sup>

Labour market rigidity, a major problem that constrains the flexibility of company performance, and the dominant share of informal employment within the private sector, affect the performance of the labour market in Egypt. In 2019, Egypt ranked 126<sup>th</sup> out of 141 Global Competitiveness Index countries in terms of labour market efficiency.<sup>116</sup> In order to enhance overall labour market performance, labour regulations have to be considered in relation to their interaction with the regulation of product markets, macroeconomic policy and the business investment climate.<sup>117</sup>

While the private sector is a key employer and will be integral to expanding job creation in Egypt and across the region, it is important to accord attention to the kinds of jobs being created. Over the past decade, jobs created in Egypt have been largely informal, and the growth of sectors such as construction has led to the growth of informal employment that is largely irregular and precarious.<sup>118</sup> In fact, while unemployment has slightly decreased from 9.6 per cent to 7.2 per cent by the second quarter of 2020-2021,<sup>119</sup> a significant proportion of those who reported having permanent jobs also reported having no contracts or benefits or being in low quality jobs.<sup>120</sup> Another contributor to informal employment in Egypt is the growth of wholesale and retail trade, transportation, accommodation and food services.<sup>121</sup> Low quality jobs are insecure, which puts their holders in vulnerable situations. Low quality jobs also mean greater vulnerability to poverty, lower purchasing power and minimal economic expansion.

Based on the insights generated by the interviews conducted in 2022, further lobbying and activism is required from business chambers and associations to ensure that more corporations buy in to the notion that responsible business is proper and sound business. This requires the availability of resources and case examples regarding the adoption of more responsible business practices, including digitalization, responsible human resource management, good governance, and environmental stewardship. Another key change is the introduction of proper incentives to make the adoption of responsible business practices prudent from a financial perspective. This will help facilitate the adoption of such responsible practices by companies and executives that do not necessarily buy in to the broader arguments in their favour. The Government of Egypt is already taking major strides towards facilitating and incentivizing green transformations within the domestic market; moving forward, more incentives and facilitators are needed to support progress in the areas of governance, labour and human resource management, and strategic social investments.

#### **Box 4 - Elsewedy technical academy**

Elsewedy Electric is a leading Egyptian company that was established in 1938, has grown into a global force in energy and infrastructure and employs 15,000 Egyptians. In 2011, Elsewedy launched a Technical Academy, Elsewedy Technical Academy (STA) to narrow the divide between technical education in Egypt, and the market's needs. STA provides secondary level educational programmes, and features a world class campus and digitally enabled classrooms. The academy has a capacity of 1,200 students and features 16 different specializations and four internationally accredited certifications. STA and the Elsewedy Electric Foundation seek out partnerships with key private sector companies and corporate foundations, to maximize the reach of the academy's programmes, and ensure greater impact. Through these partnerships, STA hopes to reach 10,000 Egyptians by 2025.

**Source:** Elsewedy Electric, "Global Presence: Egypt" (n.d.), Elsewedy Technical Academy, "Overview", (n.d.).

However, social sustainability is not limited to ensuring the creation of quality jobs. Equally important is the introduction of social investment programmes that are aligned with the core business of their creators, and

<sup>115</sup> IFC, "Country Private Sector Diagnostic", 2020; Enterprise, "Just how bad is construction material pollution in Egypt", 25 May 2021.

<sup>116</sup> Euro-Mediterranean Network for Economic Studies (EMNES), "Micro, small and Medium Sized Enterprises Development in Egypt, Jordan, Morocco & Tunisia: Structure, Obstacles and Policies", 3 December 2017.

<sup>117</sup> Ibid.

<sup>118</sup> Enterprise, "Just how bad is construction material pollution in Egypt", 2021.

<sup>119</sup> World Bank, "The World Bank in Egypt: Overview", 2021.

<sup>120</sup> Alnashar and others, "From Crisis to Economic Transformation», 2020.

<sup>121</sup> ILO, *Regional Report on Jobs and Growth*, 2021.

that address pressing challenges. Moving forward, greater labour absorption and higher quality jobs will be necessary for economic expansion in Egypt. This process requires comprehensive educational reform, but also requires greater involvement from the private sector in narrowing the gap between graduate skills and market demands. A noteworthy example of a social investment programme that aims to address this gap is the technical academy established by Elsewedy Electric, which collaborates with other key players within the Egyptian market to build the capacities of young Egyptians to enter the labour market (Box 4).

Streamlining best practice in sustainability can only be achieved in a sectoral manner. Key players to engage in this endeavour are chambers of industries, who can facilitate capacity building initiatives as well as the introduction of sectoral codes of conduct and benchmarks for best practice.

Specific recommendations for mainstreaming ESG adoption include the creation of a phased strategy for adoption within the Egyptian private sector, starting with large corporations in high impact sectors. Such a strategy must include:

- Clear objectives, adoption strategies and a framework of action that would be mainstreamed through entities such as the Federation of Egyptian Industries.
- A clear articulation of the benefits of ESG adoption for both corporations and their stakeholders.
- Capacity development opportunities to facilitate a deeper understanding of the significance and implementation of ESG.
- Incentive schemes for ESG adoption

## B. NEW WAYS OF DOING BUSINESS: INCLUSIVE BUSINESS MODELS

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*We should always challenge the business models we work with. When we were forced to change, we did it, and we did it quickly. Why does something major have to happen for us to change? We need to be more proactive, and to think about new models and ways of doing work. ”*

Male Senior Executive, Oil and Gas.

Enhancing female labour force participation rates in the MENA region could add \$2.7 trillion to the region's GDP,<sup>122</sup> yet Egypt and the region continue to lag behind in this field. Female participation in North Africa stood at 23 per cent in 2018, compared to a global average of 53 per cent.<sup>123</sup> Participation rates of females aged 15 and above are at 20 per cent in the MENA region, compared to more than 50 per cent in other regions such as Sub-Saharan Africa, Europe and Central Asia, East Asia and the Pacific, and Latin America and the Caribbean.<sup>124</sup> According to the most recent estimates, female labour participation rates are estimated at 18 per cent<sup>125</sup> in Egypt and the female unemployment rate is estimated at 21.7 per cent.<sup>126</sup> Young females are especially vulnerable to informal employment with poor conditions.<sup>127</sup>

122 Business & Sustainable Development Commission (BSDC), “Better Business Better World: Sustainable Business Opportunities in the Middle East and North Africa”, December 2017.

123 National Council for Women (NCW). (Women's 2030 Strategy Pillar Indicators: Economic Empowerment).

124 Assaad, R. A., Hendy, R., Lassassi, M., & Yassin, S. (2018). “Explaining the MENA paradox: Rising educational attainment, yet stagnant female labour force participation”. Demographic Research. Retrieved from: <https://www.demographic-research.org/volumes/vol28/43/default.htm>.

125 NCW. (Women's 2030 Strategy Pillar Indicators: Economic Empowerment).

126 NCW, WB & Baseera. (2021) (Women's Empowerment in Egypt: What comes after the COVID19-pandemic).

127 ILO, *Regional Report on Jobs and Growth*, 2021.

The National Council for Women (NCW) estimates that 56.8 per cent of Egyptian women in the workforce are employed in services, 36.8 per cent are in agriculture and 6.7 per cent are in industry.<sup>128</sup> Furthermore, it estimates that 40.9 per cent of women outside of agriculture are informally employed, and 33.9 per cent are considered to be in vulnerable employment.<sup>129</sup> NCW studies identify a set of sectors that have a high influence on women's employment, with some sectors perceived as winners in terms of their expected growth in light of the pandemic. These include the sectors of agriculture, education and health. As Section D of the present chapter demonstrates, all of these sectors are already particularly suitable for sustainable growth in Egypt. Other sectors expected to grow in light of the pandemic have lower impacts on women's employment, including ICT (medium impact) and water, sanitation and recycling (low impact). One area of growth with a high impact on women's employment, which is negatively impacted by the pandemic, is that of MSMEs.<sup>130</sup>

### Box 5 - Inclusive dairy value chains

The International Labour Organization, CARE Egypt, and the Chamber of Food Industries in Egypt have been working extensively on adopting a value-chain approach to development in Egypt. Through partnerships with large corporations such as Danone, ILO's Eye-Rawabet Project has worked on the enhancing the productivity and inclusivity of dairy value chains in Delta and Upper Egypt governorates, resulting in a more sustainable supply chain for the large firm, as well as positive socioeconomic returns to small holders. According to a Danone's Head of Communications and Human Resources, the company's value chain enhancement projects have contributed to securing 17 per cent of raw milk needs and created 140 new job opportunities. The projects also directly support 8,000 farmers and indirectly support 25,000 individuals.

Source: ILO, "ILO supports better performance of the dairy sector in Egypt", 28 September 2020; Daily News, "Egypt's 'Rawabet' for dairy value chains debuts in Gharbeya", 9 May 2021.

The quality of jobs being created or offered to women across all of these sectors, regardless of whether their growth is positively or negatively impacted by the pandemic, is equally significant. As women and especially young women are highly vulnerable to informal work with poor conditions, it is important to direct efforts towards creating more decent and better quality jobs that effectively integrate women and other marginalized groups into supply chains through inclusive business models. A key strategy for doing so is to pair private sector growth incentives with incentives for the adoption of sustainability best practice, and especially measures related to upholding the rights and well-being of employees. Small scale models of more inclusive value chains have already been adopted in Egypt. Their efficiency and success have been enhanced by emphasizing the inclusion of women in particular, and marginalized community members generally.<sup>131</sup> Upscaling such efforts will be necessary for achieving private sector growth that is both socially and economically sustainable.<sup>132</sup> In other words, companies should rethink the ways by which they do business as well as the channels and mechanisms through which the source raw materials and workforce members. As global supply chains play a major role in sustaining social and environmental injustices, greater efforts need to be made to shift practices in corporate supply chains to ones that contribute to greater equality, inclusion and welfare.<sup>133</sup>

Specific recommendations for mainstreaming inclusive business practices include:

- Identifying priority sectors and geographies for piloting programmes. These would include areas where industry clusters already exist, or where large private sector companies already operate.
- Creating technical and financial support facilities for piloting, and later upscaling, inclusive business models.
- Incentivizing the adoption of inclusive business models.

<sup>128</sup> NCW, "Women Policy Tracker", January 2021.

<sup>129</sup> NCW, WB & Baseera. (2021). "تمكين المرأة المصرية: ما بعد جائحة كورونا" (Women's Empowerment in Egypt: What comes after the COVID-19 pandemic).

<sup>130</sup> Ibid.

<sup>131</sup> Raghda Elebrashi and others, "Upscaling of inclusive business models: lessons learned from the strategic advisory service for companies in the FMCG sector in Egypt". Inclusive Business Action Network (iBAN), 21 December 2018.

<sup>132</sup> Ibid.

<sup>133</sup> Tannis Thorlakson, Joann Zegher and Eric Lambin. "Companies' contribution to sustainability through global supply chains" *Proceedings of the National Academy of Sciences (PNAS)*, 27 February 2018.

## C. NEW WAYS OF DOING BUSINESS: IMPACT INVESTMENT AND INNOVATIVE BUSINESS MODELS

In addition to enhancing the existing business models of traditional private sector players that are moving towards more inclusive and sustainable practices, there is ample room for supporting new and upcoming innovative models in different sectors. Specifically, more attention and support need to be directed towards the growing number of impact driven enterprises, especially in the fields of specialized technical support, and investment mechanisms. These companies often struggle to grow their businesses in the absence of specialized funding mechanisms that demand and incentivize both financial and social returns. This is especially true since the financing options available are either provided by traditional development players or traditional private sector financiers.<sup>134</sup> This hinders the capacity and ability to refine both the social and economic viability of these businesses. Placing greater emphasis within the private sector and entrepreneurship support ecosystems on identifying, supporting and investing in innovative business models that are geared towards addressing pressing social and environmental challenges is essential moving forward. There is a great opportunity for unlocking impact investment resources in Egypt; the global market size of impact investment was estimated at \$2.3 trillion in 2020 alone.<sup>135</sup>

Specific recommendations for facilitating impact investment in Egypt include:

- Facilitating the required dialogue and eventually a vision for impact investment in Egypt, and the kinds of companies and impacts that this investment asset would help foster.
- Building the capacity of existing investors around the ‘whats’ and ‘whys’ of impact investment.
- Creating the legal and regulatory frameworks for the development of impact investment funds.
- Integrating impact investment as a core strategy in the successful adoption of the Egyptian Government’s Sustainable Development Strategy.

## D. SECTORAL OPPORTUNITIES

In addition to important approaches to ways of doing business generally, there are various sectors where there are significant opportunities to ensure greater alignment between private sector growth and sustainable development in Egypt. The present section details emerging opportunities within these sectors.

### 1. ICT

Massive opportunities remain within ICT Egypt both as an enabler for other sectors, and as a sector of economic activity itself. As an enabler, ICT has already played a significant role in furthering critical goals such as those related to achieving financial inclusion. The COVID-19 pandemic has accelerated the growth of FinTech in Egypt; yet this growth was enabled by various reforms that were already underway prior to the pandemic.<sup>136</sup> These reforms, and the fertile ground created by the pandemic, have enabled an increase in bank account holders and active e-wallet users, as well as in new services such as e-payment solutions, online savings groups and buy now and pay later services, among others.<sup>137</sup> Sustaining the potential of FinTech and greater financial inclusion requires further investment in the country’s digital infrastructure, as well as digital literacy and access generally. The digital transformation of other core sectors, such as healthcare, agriculture, manufacturing and others, is still underway, and will require extensive investment in infrastructure,<sup>138</sup> as well as forward looking regulatory reforms and long-term strategies similar to those adopted in the financial services sector.

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<sup>134</sup> Dana Ballout, “MENA social enterprises grow in spite of deep-rooted challenges and little support”, Wamda, 14 March 2017.

<sup>135</sup> IFC, “Investing for Impact: The Global Impact Investing Market 2020”.

<sup>136</sup> Oxford Business Group, “Digital and fintech initiatives keep Egypt’s banks regionally competitive”, (n.d.).

<sup>137</sup> Yehia Shaheen, “What is financial inclusion and how is it developing in Egypt?” Fekr, 2 October 2021.

<sup>138</sup> Mirette Mabrouk and others, “Rethinking Egypt’s Economy”, Middle East Institute, 7 October 2020.

Another integral role that ICT can play is in facilitating much needed upskilling programs, and programs to narrow the gap between private sector companies' needs, and the skills of new labour market entrants. This especially true considering the expedited adoption of online learning, and the opportunity to capitalize on online learning to upskill young Egyptians. The Egyptian government has in fact started moving in this direction as the MCIT launched the Egypt FWD programme, to equip and train 200,000 young Egyptians with an 18-month learning and upskilling scholarship experience focusing on digital technologies and skills.<sup>139</sup> Other similar programs that address the needs of different sectors are also needed.

Similar opportunities will remain untapped if ICT infrastructure and access remain limited. Remote working has been possible for many affluent Egyptians, but remains inaccessible for Egyptians more widely. Remote working requires a certain set of skills and assets, such as stable internet connections and computer devices, which may not be accessible to all Egyptians.<sup>140</sup> Additionally, certain essential sectors, such as agriculture and construction, account for significant proportions of the workforce, which are employed informally or seasonally and are thus considered vulnerable.<sup>141</sup> These groups were at greatest risk following the onset of the pandemic as they still had to perform their work in person, given the traditional nature of the sectors in which they operate.<sup>157</sup> Digitalizing these traditional sectors and enhancing digital literacy and access rates will be essential for fully and equitably realizing the potential of remote working and digitalization to support economic expansion in Egypt.

Beyond its role as an enabler, the Egyptian ICT sector itself is rapidly growing and evolving. The sector's growth rate for the year 2019-2020 reached a high of 15.2 per cent and has contributed 4.4 per cent to GDP. The sector has access to a decent supply of graduates as 10 per cent of university graduates in Egypt hold an information technology degree.<sup>142</sup> In 2020-2021, investment in the sector reached a high of \$3.5 billion<sup>143</sup> and the sector generated 108 billion EGP in returns.<sup>144</sup> Outsourcing services and IT business services in Egypt continue to hold global appeal. In fact, Egypt is a significant player in the business process outsourcing industry, holding a 17 per cent share of the industry in 2019. As demonstrated in chapter 4 on Digital Transformation, further investment in both infrastructure and human capital is needed to expand the ICT sector's capacity and ability to grow into fields beyond outsourcing. In parallel, more efforts are required to ensure the health, safety, wellbeing and rights of those working within this industry.

Moreover, and considering global shifts towards remote working, it is essential for the Egyptian private sector to continue to endorse remote working as the knowledge-based economy expands and skilled Egyptian individuals become increasingly likely to be recruited by international players. The continued endorsement of remote working will allow local employers to remain relevant and competitive, and will improve the economic integration of women in the Egyptian economy.

## 2. Energy and materials

According to the Better Business, Better World: Middle East and North Africa report, billions of dollars in value could be unlocked through sustainable investment that is aligned with the SDGs. The biggest opportunities lie within areas of investment related to energy and materials, cities, health and well-being, and food and agriculture. It is estimated that investment in these areas could generate \$637 billion in incremental value and more than 12 million jobs for the MENA region by 2030.<sup>145</sup> Promising areas of growth across these categories are naturally those geared towards accentuating the positive aspects of economic growth and curbing the negative ones. For example, the biggest opportunity identified within the highest valued category for the MENA region – energy and materials, which has potential returns of around \$229 billion per year – largely lies in identifying and expanding circular business models, that is to say, moving away from consumption-based models, towards those that are built around designing for durability, reuse, recycling and an enhanced use of natural resources.<sup>146</sup>

139 MCIT, "About Egypt FWD", EGFWD, n.d.

140 Shireen AlAzzawi, "Lives Versus Livelihoods: Who Can Work from Home in MENA?", *Economic Research Forum*, 20 April 20212

141 Ibid.

142 Mahinaz El Baz, "A Deeper Look into the Booming ICT Sector". AmCham, August 2018.

143 ITA, "Egypt – Country Commercial Guide", 2020.

144 Doaa Moniem, "Egypt's ICT sector remains resilient despite COVID19-, EGP 108 billion in revenues in FY21/2020: ITIDA's CEO". Ahram Online, 3 December 2020. <https://english.ahram.org.eg/NewsContent/396120/12/3/Business/Economy/Egypt%E99%80%2s-ICT-sector-remains-resilient-despite-COVID.aspx>.

145 BSDC, "Better Business Better World", 2017.

146 Ibid.

Fostering sustainable investment in these sectors is integral moving forward. Sustainable investment has the potential to alter the trends that Egypt has been witnessing, including growth that does not generate enough jobs, growth that generates lower quality jobs and growth that is detrimental to the natural environment. In parallel, sustainable investment that is aligned with the SDGs can help address pressing societal challenges, and especially those compounded by the COVID-19 pandemic.

### 3. Urban development and construction

A major opportunity lies in sectors related to the growth of cities, including the fields of housing, energy and transportation, among others. As previously demonstrated in this report, the growth of the construction sector in Egypt has resulted in the financial expansion of the economy but has had extremely negative consequences on the kinds of jobs being created, which are largely temporary and informal.<sup>147</sup> Aligning the growth of cities with sustainable development priorities and implementing sustainability best practice could yield an estimated \$183 billion per year by 2030 for the MENA region. Opportunities within this category include those related to the development of affordable housing schemes, business models that are designed to address issues with public transportation, ride sharing, energy efficient vehicles and buildings and cultural tourism, among others.<sup>148</sup> Egypt is already leading in some of these spheres, such as ride sharing, whereby operators such as Uber, Careem and Swvl have grown exponentially within the country.<sup>149</sup> More measures are needed, however, to incentivize the growth of such players in a sustainable manner, by allowing them to offer decent jobs, and to curb any negative social or environmental consequences of their expansion. In parallel, large companies that are already leading within these fields could capitalize on the innovation capacity of universities and emerging young entrepreneurs to align their businesses with the demands and realities of the world that we currently live in.

### 4. Health

Private activity within the health sector had already been on the rise prior to the pandemic.<sup>150</sup> The value that could be generated through investment in health and well-being aligned with the SDGs for the MENA region is estimated to be \$133 billion per year by 2030, with prime opportunities in the areas of risk pooling, remote patient health and telehealth, among others.<sup>151</sup> Telehealth and home-based care have already increased since the onset of the pandemic, as increasing numbers of individuals sought treatment for COVID-19 and other illnesses from homes.<sup>152</sup> Over 160 health tech start-ups exist in Egypt and are introducing much needed innovations that may be beyond the capacity of larger and more traditional players.<sup>153</sup> The launch of the universal health care system is expected to further expand private health care activity and provision,<sup>154</sup> and this process could be accelerated and enhanced through collaborations between traditional players and younger more entrepreneurial ones.

### 5. Education

Egypt is home to the largest education system in the MENA region.<sup>155</sup> Acknowledging the need for reform, the Government of Egypt was already working on a set of bold initiatives to digitalize education delivery in Egypt prior to the pandemic. These measures were paired with plans for curriculum reform and enhanced private sector engagement in the sector.<sup>156</sup> Private sector engagement is necessary for relieving budget deficits, as well as addressing the pressing need to decrease the gap between the quality of graduates and the market's needs.<sup>157</sup> Educational reform and advancement will be a necessary pre-requisite for more sustainable growth patterns, as they will support the absorption of labour into higher added-value and

<sup>147</sup> ILO, *Regional Report on Jobs and Growth*, 2021.

<sup>148</sup> BSDC, "Better Business Better World", 2017.

<sup>149</sup> Nada El Sawy, "Why Egypt is leading the Middle East and North Africa's ridesharing recovery", The National News, 12 March 2021.

<sup>150</sup> Enterprise, "Why is the private sector pouring money into healthcare in Egypt", 26 May 2021).

<sup>151</sup> BSDC, "Better Business Better World", 2017.

<sup>152</sup> Andrew Raven, "Egypt's Health Tech Start-ups Poised to Meet Surging Demand". IFC, 10 April 2021.

<sup>153</sup> Tracxn. "HealthTech Startups in Egypt", 1 September 2021.

<sup>154</sup> IFC, "Country Private Sector Diagnostic", 2020.

<sup>155</sup> PwC, "Understanding Middle East Education", 2019.

<sup>156</sup> Ibid.

<sup>157</sup> IFC, "Country Private Sector Diagnostic", 2020.

more productive sectors.<sup>158</sup> Such a shift is necessary to ensure greater alignment between specific sectors' contribution to job creation and productivity.<sup>159</sup> Education technology, or EdTech, was already on the rise in Egypt and has received a significant push as a result of the pandemic.<sup>160</sup> Once again, innovations and solutions are being offered by young entrepreneurial ventures that can be scaled up through partnerships with larger corporations. It is worth noting that some large operators within the education sector are already aware of this opportunity and have launched sector-specific investment opportunities for start-ups and entrepreneurs in the sector. These include the investments by Cairo for Investment and Real Estate Development (CIRA) in multiple start-ups such as Orcas<sup>161</sup> and Innovette,<sup>162</sup> as well as EdVentures, the venture capital arm launched by Nahdet Masr Publishing Group.<sup>163</sup>

## 6. Agriculture

The agriculture sector has historically been a significant contributor to employment, GDP growth and exports in Egypt.<sup>164</sup> It is worth noting that the sector's role as an employer has been declining across the region.<sup>165</sup> Investment in agriculture that is aligned with the SDG's could help the MENA region unravel \$92 billion per year by 2030. Reducing food waste at the value chain and consumer levels, developing low-income food markets and improving the use of technology for large and small holder farms are among the most prime opportunities within this sector. Egypt alone has an estimated untapped \$10 billion in food and agriculture export potential, with untapped opportunities particularly present in horticulture.<sup>166</sup> Upgrading the sector's capacity through innovation and enhanced efficiency is necessary for more positive results in the areas of job creation, food security, poverty alleviation and greater integration in export markets.<sup>167</sup>

While there is much room for innovation, there are many barriers to entry within this sector. Key challenges include those related to the dominance of SOEs, highly subsidized fertilizers and a protective tariff regime, among others.<sup>168</sup> Furthermore, there are also prominent challenges related to water scarcity, land fragmentation and inefficient distribution systems and routes.<sup>169</sup> Innovation within other sectors could be used to address issues within the agriculture sector. Examples include the use of technologies such as blockchain to address land titling<sup>170</sup> or simple word combinations to provide clearly identifiable addresses. To address the pressing challenges in agriculture, an environment more conducive to innovation within ICT and the cross-pollination of ideas between ICT innovators and those in agriculture is necessary. This is in addition to much needed regulatory reform, as Egypt is ranked 71<sup>st</sup> out of 101 countries in terms of the enabling environment for doing business in agriculture.<sup>171</sup>

## 7. Manufacturing

The manufacturing sector primarily operates in chemicals, food processing and textiles. Such operations are not witnessing much modernization and are capital, water, materials and energy intensive.<sup>172</sup> Major challenges that have faced the manufacturing sector as a whole due to the pandemic include the disruption of global supply chains, since the sector is heavily reliant on the import of raw materials.<sup>173</sup> In addition, the

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<sup>158</sup> Alnashar and others, "From Crisis to Economic Transformation», 2020.

<sup>159</sup> Ibid.

<sup>160</sup> Enterprise, "How Egypt's edtech scene has shifted in the past year", 22 March 2021.

<sup>161</sup> Enterprise, "Orcas raises 500\$k in Algebra-led pre-Series A funding round", 12 June 2019.

<sup>162</sup> Arab Finance, "CIRA acquires %51 stake in education startup", 24 January 2021.

<sup>163</sup> A corporate venture capital firm that was established in 2017, that incubates, accelerates and invests in Egyptian educational and cultural startups.

<sup>164</sup> IFC, "Country Private Sector Diagnostic", 2020.; ILO, *Regional Report on Jobs and Growth*, 2021.

<sup>165</sup> ILO, *Regional Report on Jobs and Growth*, 2021.

<sup>166</sup> IFC, "Country Private Sector Diagnostic", 2020.

<sup>167</sup> Alnashar and others, "From Crisis to Economic Transformation», 2020.

<sup>168</sup> IFC, "Country Private Sector Diagnostic", 2020.

<sup>169</sup> Ibid.

<sup>170</sup> Fair Planet, "African Startups Embrace Blockchain to clean Land Ownership Mes", 19 September 2018.

<sup>171</sup> IFC, "Country Private Sector Diagnostic", 2020.

<sup>172</sup> ILO, *Regional Report on Jobs and Growth*, 2021.

<sup>173</sup> Alnashar and others, "From Crisis to Economic Transformation», 2020.

introduction of a night-time curfews at the onset of the pandemic impacted the sector's productivity.<sup>174</sup> It is worth noting that the textiles sector's score on the Manufacturing Production Index<sup>175</sup> has dropped from 94.8 to 37.07 between 2015 and 2020.<sup>176</sup> While the figure had been dropping since 2015, the most significant drop has been from 86.6 to 37.07, which was witnessed between 2019 and 2020.<sup>177</sup>

Moreover, challenges specific to chemicals manufacturing are similar to those of the agriculture sector, where the presence of SOEs and fixed prices of fertilizers decrease the competitiveness and growth potential of private operators.<sup>178</sup> Global competitiveness and the overall sustainability of this field require the stringent application of environmental and social best practice. Enhancing the adoption of environmental and social best practice could support other areas of manufacturing to tap into new export markets. For example, the textiles and apparel sector would become much more competitive in export markets with the streamlined adoption of practices related to labour, safety, chemical use, and water and energy efficiency, among others.<sup>179</sup>

Enhancing the sector's efficiency and moving towards more advanced fields that bring added value is necessary to enhance the sector's competitiveness, overall growth and job creation prospects.<sup>180</sup> In addition to the adoption of environmental and social best practice, strategic interventions are needed to reduce the sector's reliance on imported materials, and to enhance the capacity of its local supply chain. There is a significant opportunity to create a cadre of local SMEs that can supply low-tech materials and components in the short-term and building the capacity of the sector to diversify into more advanced manufacturing procedures.<sup>181</sup> Once again, such an endeavour requires private and public investment, as well as the engagement of sub-sectoral chambers.

## E. ADDITIONAL KEY STRATEGIES

### 1. The overall environment for doing business

The environment in Egypt for doing business has witnessed significant developments over the past decade, yet key challenges remain. Based on data gathered throughout this study, the adoption of the recommendations proposed in this report will only be made possible with necessary reforms in the spheres of law and contract enforcement, especially with regards to labour management. While comprehensive frameworks exist for managing employees and ensuring their rights and safety, the adoption and enforcement of these frameworks remain weak. Other essential areas for improvement are related to the creation of an enabling environment for much-needed reforms, such as the adoption of better governance practices, digitalization, consumer protection, and the creation of a safe, lawful and conducive environment for doing business. Finally, sustaining and expanding efforts that support the growth of an SME class that can effectively serve the local economy and ultimately venture into foreign markets is necessary moving forward.

### 2. Corporate entrepreneurship responsibility

Many of the sectoral opportunities described above require substantive innovation. Large companies may not have the capacity to think outside of the box, but have the resources required to test out and upscale innovations. Young entrepreneurial companies on the other hand may have novel ideas, and

<sup>174</sup> Ibid.

<sup>175</sup> According to a report by the Ministry of Planning and Economic Development, the scores of the Manufacturing Production Index are released by the Central Agency for Public Mobilization and Statistics and are based on a monthly survey of 401 companies that comprise 60 per cent of manufacturing activities in the country. Ministry of Planning and Economic Development, "Monthly Total Production Index" January 2020.

<sup>176</sup> ECES, "Egypt's Economic Profile and Statistics", 2020.

<sup>177</sup> Ibid.

<sup>178</sup> IFC, "Country Private Sector Diagnostic", 2020.

<sup>179</sup> IFC, "Country Private Sector Diagnostic", 2020.

<sup>180</sup> UNIDO, "Egypt Industry", 2020.

<sup>181</sup> Ibid.

minimal resources to execute them. Corporate Entrepreneurship Responsibility,<sup>182</sup> or the engagement of larger companies with entrepreneurial ventures through incubation, investment and other means, can act as an effective strategy for ensuring mutually beneficial exchanges that would result in the modernization of companies and the growth of emerging enterprises.

### 3. Incentivizing research and development

Another critical strategy for the modernization and advancement of different fields, as well as stronger alignment between different sectors and the SDGs, lies in enhanced investment in Research and Development (R&D). This can be facilitated by directing more governmental initiatives and incentives towards R&D within the private sector. Another key strategy would be enhancing collaboration between industry and academia, which is currently very limited in Egypt (rated at 2.75 out of 7 in 2017)<sup>183</sup>. This is despite the fact that Egypt has a vast market for innovation.<sup>184</sup> It is worth noting that Egypt has established 43 new Technology Transfer Offices over the past eight years.<sup>185</sup> If successfully activated, these offices could have a significant impact on support for and financing of innovation in the country.

### 4. Promoting ICT and digitalization

Enhanced ICT infrastructure could be a key enabler for the modernization of industries and could shift labour market trends and create higher quality jobs. This requires much needed investment in advancing the physical and technological infrastructure of the country, as well as ensuring that digitalized modes of education are accessible to all Egyptians.<sup>186</sup> Furthermore, developing ICT skills could create more opportunities for Egyptian youth to acquire higher quality jobs, since the country already has significant potential as an outsourcing hub, a relatively high pool of talented candidates and competitive labour rates.<sup>187</sup>

The Government of Egypt is already working towards further enhancing ICT infrastructure, creating a cadre of ICT-literate graduates, as well as upskilling existing members of the labour market. The Digital Egypt strategy places a comprehensive roadmap for enhancing the country's digital infrastructure, digital skills and jobs and digital innovation. It is essential to ensure that the pillar focusing on digital skills and jobs remains inclusive in terms of access provided to Egyptians from different regions of the country, beyond the main cities. Another key issue to consider, given the prominence of women in informal employment and business activities, is the access afforded to and equitable participation of women in these upskilling and capacity development efforts.

### 5. Sustaining government responses

Continuing to support companies and sectors negatively impacted by the COVID-19 pandemic will also be necessary moving forward. Companies participating in the study noted that interventions related to reducing the costs of energy for industrial facilities, decreasing interest rates for borrowing, deferring loan payments and allocating resources in support of EGX are especially useful. Companies in the tourism sector also noted that sector-specific borrowing facilitations were essential for their survival. Furthermore, investment towards enhancing social safety nets such as Takaful and Karama, and other programmes, are essential for ensuring the effectiveness of crisis responses. Ensuring access to these interventions across different regions of the country and to the most marginalized stakeholder groups is also essential for ensuring their effectiveness and success as crisis response strategies. Applying a gender and geographic diversity lens to existing response strategies and interventions is also critical to ensuring utmost impact moving forward.

<sup>182</sup> Majd Hammoudeh and Andrea Benedek, "Corporate Entrepreneurship Responsibility (CER) Implementation in the light of Zain Jordan", *International Journal of Social Sciences*, Vol. 5, No. 2019 ,1.

<sup>183</sup> World Bank. "University-Industry Collaboration in Research and Development", TCData360, Available at: [https://tcdatadata360.worldbank.org/indicators/h4247b4d7?country=EGY&indicator=603&viz=line\\_chart&years=2007,2017](https://tcdatadata360.worldbank.org/indicators/h4247b4d7?country=EGY&indicator=603&viz=line_chart&years=2007,2017). (accessed in August 2021).

<sup>184</sup> Knoema, "Egypt", Global Innovation Index. Available at: <https://knoema.com/GII2018Aug/global-innovation-index-2020?country=1000430comoros&indicator=1000590trade-competition-market-scale> (accessed in August 2021).

<sup>185</sup> "TICOs Establishment". Retrieved from: <http://asrt.sci.eg/images/tico/1e.pdf> (accessed in August 2021).

<sup>186</sup> IFC, "Country Private Sector Diagnostic", 2020.

<sup>187</sup> GPI Consultancy, "Value Chain Analysis IT Outsourcing sector Egypt", October 2020.

Based on the interviews conducted in 2022, the biggest pain point for Egyptian firms at this point in time is related to the monetary environment. Governmental interventions to combat inflation, as well as to reverse the negative implications of foreign currency shortages and limitations on imports, are perceived as necessary moving forward.

## 6. Regulatory innovations

The rank of Egypt on the Global Innovation Index increased from 92<sup>nd</sup> to 96<sup>th</sup> out of 131 economies between 2019 and 2020,<sup>188</sup> yet Egypt still lags behind when it comes to performance areas related to the regulatory environment and regulatory quality (ranked at 124<sup>th</sup> and 121<sup>st</sup> respectively).<sup>189</sup> There have been recent developments towards enhancing the country's attractiveness as an investment destination,<sup>190</sup> including those related to the introduction of an Intellectual Property Rights law governing trademarks, copyrights and patents,<sup>191</sup> and a new investment law,<sup>192</sup> which grants shareholders – especially minority shareholders – more rights.<sup>193</sup> More changes and reforms are needed to facilitate the growth of enterprises and the smooth operations of investors. Specifically, reforms are needed in areas related to resolving disputes,<sup>194</sup> as well as overall ease of doing business, enhancing contract enforcement and reducing red tape.<sup>195</sup>

Moreover, the disruption currently affecting some sectors in Egypt has led to new laws and regulations being required to facilitate the adoption of innovation and ease disruption. These regulatory reforms are often reactive, such as those relating to innovation in the transportation sector. The Egyptian Government has launched a series of laws and regulations in response to the growth of operators such as Uber, Careem and others.<sup>196</sup> More proactive reforms are needed to facilitate innovation and ease disruption in highly regulated sectors such as health and education. Another sector that is highly regulated yet suited to innovation is the financial services sector. Existing practices to accommodate innovations in the sector should, however, be streamlined and replicated in other sectors. These include the introduction of regulatory sandboxes that allow innovators to test innovative FinTech innovations while receiving the appropriate regulatory guidance. Other examples of best practice in facilitating the regulation of innovations are the introduction of streamlined approval processes and the direction of innovations towards specific challenges that are set by regulators.<sup>197</sup> Once again, the FinTech Association in Egypt is attempting at the former by including clear problem statements related to the sector on its Association's website.<sup>198</sup>

These innovations and reforms will also be essential for encouraging informal labour and business owners to join the formal economy in the digital era. Specific reforms that are needed in this sphere include continuing to enhance the doing business environment in Egypt so that it can better meet the needs of business in a rapidly digitalizing world.

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