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How Egypt Can Capitalize on the Coronavirus Pandemic and Transform its Economy
The tremendous cost the global economy has endured in the past few months alone as a result of the coronavirus is undeniable. The coronavirus has led to widespread lockdowns that have crippled countries and halted global activity like never before. It is expected that the pandemic can result in a cumulative loss to global GDP, over the years 2020 and 2021, of around 9 trillion dollars. (World Economic Outlook, 2020) Unemployment rates are surging with many people, especially daily wage earners, losing their livelihoods. In the US alone, the largest economy in the world, more than 26 million people filed for unemployment in the span of just 5 weeks. (Lee, 2020) Not only are economies receding, but more importantly human lives are being lost; thousands every single day. However, as with all challenges this one in particular can prove to be an opportunity for Egypt to transform sectors and build markets that have long been ignored. In this paper, I argue that the coronavirus pandemic provides Egypt with a unique opportunity to digitize and automate sectors through the reallocation of its budget, as well as restore its domestic market through enabling SMEs and integrating the informal economy.

Given the nature of this virus it is vital that we rethink how we operate and produce, in order to continue to do so with adherence to the WHO recommendations. Accordingly, this is the opportunity for the country to take the long awaited step towards digitalization and automation, in order to increase efficiency and ensure workers protection. This is not a call for a complete shift towards such measures, for this will no doubt widen the already persistent inequalities between social-economic groups, however, this is a call to take the means necessary to partially adapt the manner in which we conduct business as well as produce. Efforts to keep the economy afloat have recently been criticized for valuing profits over human lives. A push towards a more digital approach can bridge the gap between both perspectives and can keep the economy afloat while ensuring that citizens are protected.

The pandemic has already rewarded technological companies, since January the stocks of Zoom, Netflix and Amazon have risen 101%, 49% and 30%, respectively. (Reinicke, 2020, Shapiro, 2020, and Thornhill, 2020) This has also been the case in Egypt, where we saw a growth of around 300-500% of activities that include food and retail business that have resorted to delivery services, digital marketing services, and information and communication technology. (Moneim, 2020) However, additional measures need to be taken to further assist these businesses as well as others to follow suit. These measures can be funded through a reallocation of the governments budget. Given the global lockdowns, the WTO predicts that global trade will fall anywhere from 13% to 32%. (Sunjea, 2020) According to the World Bank, around 30% of Egypt's GDP is devoted towards the country's imports. This drastic drop in international trade can free up a considerable amount of the government's budget. Seeing that in 2018 Egypt increased its imports 21.5% to around \$73 billion, reallocating even half of that can facilitate the automation process. (Kamel, 2019) In light of the lockdowns that have tremendously decreased trade and resulted in sudden supply stagnation, this budget can be allotted towards supporting

SMEs as well as the technological expansion of businesses, factories, and the public sector. In addition, the government can reallocate some of the budget that was set aside for the development of the New Capital city to further aid in this shift. The New Capital project had a budget of around \$58 billion, a halt on the project can free up more funds for such a technological transition. (Lewis, 2019) This reallocation of funds is crucial for the government to have the necessary means to enable domestic producers to incorporate more automated machines in their factories, as well as digitize its public sector.

Such a shift is essential, given that we have already seen multiple factories having to shut down due to spread of the virus amongst their workers, with Nestle being a prominent example. (“Nestle Egypt Suspends, 2020”) Transforming the manufacturing process to becoming more automated is crucial in order to continue production during these ordeal times. The government needs to take the step to aid these companies to partially automate some of the production lines, in order to reduce the number of people working in the factories and slow the spread of the disease. Some factories in Wuhan, that enjoyed high levels of automation, were able to continue producing near normal quantities. (Zhang, 2020) As such, the maintenance of manufacturing and construction sectors are critical for the survival of Egyptians during this time, especially with the halt of international trade and a decline in imports.

The pandemic can also push towards digitization of not only the private sector, but the public as well. Given that businesses are now forced to resort to digital technologies, the government needs to allocate more funds to ease this transition. In addition, it can take advantage of the situation and digitize more aspects of the public sector. The digitization of the public sector involves transforming the manner in which the public sector operates and delivers its services to individuals. (Corydon, 2016) This can hasten the speed at which government services are provided, as well improve performance, decrease costs, and facilitate the integration of the informal sector. (Corydon, 2016) Although such a shift will incur more temporary costs on the government, the reallocation of the budget will facilitate the process. Nonetheless, such a shift is critical given the social distancing measures in place. Although the government has taken measures to reduce the number of government employees, measures to digitize will benefit and ensure the government is able to continue operating for however long this pandemic lasts.

It is evident that COVID-19 has halted supply chains globally and has led to a fall in imports, especially from China and the US. (Fayez, 2020) As supply chains have been disrupted, it is apparent that countries need to rely on their domestic production. This provides Egypt with the opportunity to rebuild local industries, and offers them ample room to emerge in the market with less competition, and finally get the exposure they longed for. As such, the Egyptian government ought to take measures to capitalize on this pandemic by expanding and restoring domestic markets that have withered away due to the expansion of imported goods and international markets.

The recent steps the government has taken to combat the economic repercussions of the coronavirus have been pivotal. Nonetheless, more needs to be done to support domestic production and businesses. Despite the efforts the government has taken to issue tax breaks and reduction of payments on debts, the majority of citizens are still left exposed. This is due to the fact that the monetary policy has fixated on providing for those in the top income bracket. For example, the Central Bank’s effort to ease the effects of the crisis through deferring bank loan payments, and easing access to the banking services as well as cancelling withdrawal fees, are policies that benefit only around 32% of the Egyptian population over the age of 15 that have bank accounts. (“Credit to Government, 2020”) Hence, such efforts need to be redirected in

order to target groups that are more gravely affected; SMEs as well as workers in the informal economy.

SMEs are crucial for the Egyptian economy. Not only are they important job creators, but they also contribute greatly in the production of goods and services. SMEs in Egypt account for around 99% of private enterprises. (Bary, 2019) Their productivity, and superior quality compared to that of the public sector, aid in the development process in many countries; especially Egypt. (Bary, 2019) As such, the efforts the government takes will be critical in shaping the future economy of Egypt. By taking this time to issue wage subsidies for SMEs to pay their employees, as well as supply them with support packages, the country can soften the inevitable recession. These efforts will allow these businesses and individuals to weather the storm, and allow them to expand their reach at a time when there is a fall in imported goods. If the government does not intervene further and provide for employees and businesses that have lost their source of income, this will have a negative effect on the entire economy. People will lose their livelihood, demand will fall, supply will fall and a cycle of layoffs and decreased production will continue. It is imperative that the government takes more measures to avoid a detrimental collapse in the economy, while also ensuring the safety of its citizens. By supporting domestic production, particularly SMEs during this time, we can ensure that employees are still getting paid and the economy is still functioning, which will provide the necessary demand these domestic markets need to grow.

On the other hand, the informal sector in Egypt represents more than 50% of the economy. (“Informal Economy, 2019”) Egypt has attempted to formalize the informal market for years, in order to increase their revenues as well as reduce the segmentation of the markets. However, excessive regulations and high unemployment rates in the country still account for major reasons as for the continued breadth of the informal economy. (Kassem, 2014) The informal market stands to benefit from steps towards integration in many ways. Integration will ensure social protection for informal workers, facilitate their access to finance as well as government subsidies, and provide them with legal recognition and security. (“Rethinking Formalization, 2020”) In addition, it can protect workers from harsh working conditions and provide them with social security as well as health insurance. (“Rethinking Formalization, 2020”)

Efforts to ensure the livelihood of such a sector, while concurrently taking measures to digitize will facilitate the integration of the informal sector. Digitizing efforts have proven to ease regulations and ensure efficiency, which will facilitate the process for many in the informal economy. (Kassem, 2014) However, such a process can only take place if the informal sector is able to persist through the global recession. Therefore, the government should support the informal sector and ensure its survival during these challenging times in hopes of integrating them into the economy in the future. Although the Minister of Manpower has approved a payment of 500LE for informal workers, the reality is that such a payment will only benefit 300,000 informal workers. Given the size of the informal sector, around 8.7 million, such funds will only be issued to around 4.6% of the entirety of informal workers. (“Credit to Government, 2020”) As such, the government should ensure support packets reach more of the individuals in the informal economy. The government can take further measures to ensure that these funds are distributed effectively through collaborations with active NGOs, who are more likely to have updated databases and more flexible means of reaching workers in the informal economy.

The coronavirus pandemic will induce a noteworthy impact globally. However, if the government takes the necessary means to enable SMEs and push towards digitization and automation of entire sectors, such changes will allow Egypt to effectively withstand these adverse times and be better equipped to manage future challenges. The question is not whether or not this pandemic will come to an end, but how Egypt can effectively manage it in order to minimize fatalities and ensure better post-pandemic conditions.

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