



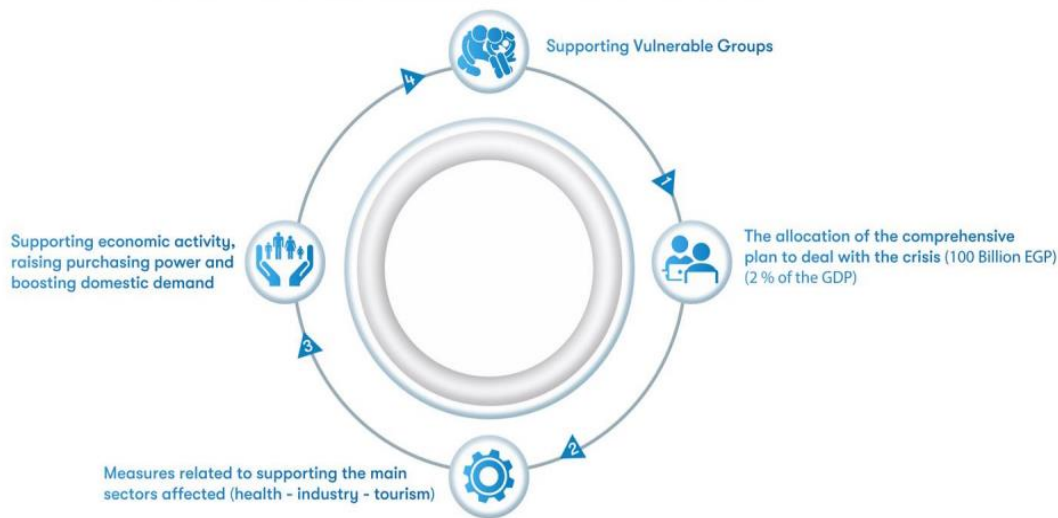
Business Continuity and the Ongoing Management of Risk The Case of Egypt

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1. Government Response

Since the outbreak of the COVID-19 pandemic earlier this year, the Egyptian Government's strategy was to contain the spread of the virus without resorting to a full economic lockdown. This strategy involves the close monitoring of the crisis and updating policies accordingly, with a special emphasis on most adversely affected economic sectors and vulnerable segments of the population. The government has taken a variety of public health and economic measures including fiscal and monetary responses to curb the anticipated economic recession and avoid widespread bankruptcies. These measures have been commended by the International Community, with the International Monetary Fund (IMF) predicting that "Egypt is the only country in the region that will maintain a positive economic growth rate despite the severity of the emerging Corona Virus Crisis". In a recent webinar Dr. Hala El Said, Minister of Planning and Economic outlined the following measures undertaken to mitigate the adverse impact of the crisis outlining the Egyptian Government's priorities post COVID-19.

Objectives of Egypt's Economic Policy Measures



Measures undertaken to support business continuity and mitigate risks associated with the crisis include but are not limited to reductions in the prices of natural gas and electricity for industry, deference of payment of the real estate tax imposed on factories and tourist facilities, postponement of credit entitlements for Micro, Small and Medium Enterprises. In addition, the Central Bank of Egypt announced an EGP 20 Billion program for stock-purchase, the cut down of interest rates by 3% as well as launching a debt relief initiative for individuals and businesses at risk of default. The government has also immediately



allocated additional funds to raise the health sector's capacity to continue procuring the needed medical supplies as well as offer incentives to medical staff working in quarantine hospitals.

Special incentives were put forward targeting specific sectors such as tourism. In addition to the tax relief mentioned previously, the government introduced various initiatives targeting defaulting clients, offered finance for the renovation and operation of hotels at lower costs as well as exempted tourist and recreational establishments located at museums and archaeological sites from paying rents until the crisis ends.

The government is similarly developing a bailout scheme for the aviation sector. The programme which is still under negotiation, might involve government stake purchases in private airline companies, the provision of zero-interest loans and discounts on fuel.

On the longer term, the government has announced four key development priority areas namely:

- 1- **Digitization:** spending on telecommunication and digitilastion will be increased to reach EGP 10 billion during 2020/2021.
- 2- **Green Economy:** The national strategy for green economy transformation will be accelerated focusing on carbon emissions reduction as well as the establishment of renewable energy plants (such as the Benban Solar Park in Aswan).
- 3- **Localization of Development:** A focus will also be placed on achieving balanced regional development that benefits from the comparative advantages of different Egyptian governorates and regions.
- 4- **Social Protection:** An additional EGP 8 billion is being mobilized for the "Decent Life" Initiative which provides support to residents of the 1000 poorest Egyptian villages.

Achieving the above priorities will involve close coordination among state and non-state players and will rely heavily on existing cooperation instruments particularly the Sovereign Fund of Egypt – SFE. SFE is a special fund established by the Egyptian Government in 2018 to attract local and international partners to co-invest in selected public assets thus generating value, increasing the role of the private sector in the economy and creating jobs for Egypt's young population.

In a recent interview with Egypt today, Ayman Soliman, CEO of SFE has outlined how the fund has rearranged its priorities in light of the COVID-19 pandemic pointing out that infrastructure is one of the most important fields in which the fund's assets are already being invested, and a large part of those assets is aimed at the tourism, education and health sectors. He added that SFE will now also target the areas of food processing, logistics, financial technology and banking services.



2. Company Level Responses

As indicated above, the Government of Egypt plans on achieving more balanced local development that benefits from the comparative advantages of different Egyptian governorates and regions. This in turn entails the rebalancing of supply chains and strengthening their long-held competitive advantages. Several international and national players are already aware of arising opportunities and are working on addressing challenges. CILT has obtained insight from Ms. Hagner Magdi, the Commercial attaché at the Embassy of Belgium in Cairo regarding the overall impact of the COVID-19 pandemic on the Egyptian economy in general with a special focus on international and bi-lateral trade and investment. We also spoke to Mr. Moustafa Ibrahim, Supply Chain and Projects Manager at Highly Professional Advisors (HPA), one of Egypt's leading advisory firms and the sole CILT accredited training provider in the country.

One of the key challenges identified in our discussions was the high level of uncertainty and lack of information regarding business sustainability. This ambiguity is affecting companies' ability to accurately plan their short and long-term investment and spending. More specifically, companies across supply chains are experiencing operational challenges and cash flow and liquidity problems due to delays in payments and disruption in commercial activities.

In addition, businesses involved in international trade across supply chains, are expressing their apprehensive with regards to the government's policies and decisions. For example, COVID-19 safety checks and inspection procedures on imports were not very clearly outlined especially at the beginning of the crisis, leading to some delays in import clearance.

For medical and pharmaceutical companies, the ban on their exports proved to be quite a challenge as it interfered with their current contractual obligations to their clients as well as raises questions with respect to future business prospects. Businesses are generally expressing concerns with regards to the potential impact of government protectionist policies on their operations. The Ministry of Trade and Industry's postponement of the reduction of fees imposed on Egypt's imports of iron billets and finished steel bar from April 11th to October 11th is a typical example of the types of measures under question. This decision which was taken to protect national industry from harmful (anti-dumping) practices amid the current crisis had sparked controversy among integrated cycle factories and rolling mills manufacturers. Similarly, the possible increase in non-tariff barriers on imports will have great implications on how businesses and supply chains are being managed and operated.



The decline of foreign currency reserve as a result of the crisis is raising questions around businesses' future accessibility to foreign currency especially those that do not fit directly with national priorities sectors.

Businesses responses to the economic shocks that came as a result of the COVID-19 pandemic and the containment measures that followed varied within and across supply chains. In an attempt at balancing productivity in light of the changing curfew hours imposed by the government, many manufacturers including those operating in the food, pharmaceuticals and machinery sectors had to increase the number of shifts in order to abide with social distancing instructions and procedures. Companies operating in the service sector responded quickly by diversifying their target segments, differentiating their products and solutions as well as increasing their reliance on information and communication technologies. Companies that failed to follow suite hold the risk of lagging behind and losing market share.

It is against this backdrop that we share below, several examples of actions undertaken by Egyptian companies operating across different sectors to ensure business continuity and manage inherent risks.

2.1 Shipping and Logistics

According to the Egypt Branch of **Agility logistics** the impact of the partial lockdown on operations was considerable. While airport terminals for cargo are in operation, reduced manpower has had a negative impact on efficiency. Equally, domestic road freight is experiencing delays, and nonessential cargo is restricted during the 10.00pm – 6.00 am curfew. Cross-border road freight has been significantly impacted with restrictions on Egyptian drivers and trucks into Jordan and Saudi Arabia, with many opting to move cargo via ocean freight. Ports and customs are still operating but with reduced work times and staff, adding delays and further challenges.

Many shipping companies are therefore adopting agile frameworks and devising new modes of doing business that focus on resilience rather than only minimizing costs. For example, **MAERSK** and **DHL** are accelerating the use of digital solutions to facilitate booking, tracking of shipments and payment. Industry stakeholders have also taken the crisis as an opportunity for enhanced cooperation with government to streamline operations and ensure business continuity. Among other areas, current talks include the integration of digital channels (such as electronic quotations, e-bills of lading, and electronic receivables/payables) to safeguard the sector from future ad hoc disruptions.

In an interview with Samer Al Emam, Freight Manager of **Elite Logistics Corporation**, we obtained insights into how some medium sized companies are responding pro-actively to the crisis. According to Al Emam, many companies have reacted to the reduction in



demand by limiting their activities or downsizing their business. As a crisis management tactic Elite Logistics Corporation has however done the opposite. In an attempt at increasing their market share, the company has hired additional marketing team members to support the implementation of a marketing plan that is currently focusing on industries not affected by the recession, particularly agricultural and food products as well as pharmaceuticals and medical supplies.

Furthermore, to maintain their position within the calcium carbonate and gypsum industry, Elite Logistics Corporation has taken a decision to establish a new branch in the Suez Region (close to manufacturing sites). The Suez branch is specialising in inland trucking and custom clearance, providing the same logistics services as before albeit at a lower cost. This move has been highly praised by the company's clients who are now able to reduce their own costs thus increasing their competitiveness in the market.

To avoid operational disruption and ensure business continuity, the company has purchased a new operating system that enables employees to undertake all their work from home as well as utilise online banking services hence facilitating the settlement of payments to shipping lines and service providers. The company has also developed a new customer care program involving the provision of daily reports to clients about shipment status and loading plans as well as phone call surveys to follow up on customer needs and requirements.

Following the crisis, a number of the company's financiers withdrew their investments causing a shortage of cash. To overcome this challenge, the company has applied for a loan, capitalising on the government's support initiative that offers small and medium enterprises with finance at reduced interest rates. This loan will be used by Elite Logistics Corporation to develop their operations as well as cover short term cash flow shortages.

2.2 Passenger Transport

Public transport operators including the national bus service, Cairo Metro and Egyptian National Railways are all running on shorter schedules due to the curfew that limits the movement of people between 8:00 pm and 6:00 am. They also follow strict procedures for the sterilisation of buses, trains and stations during and after daily operation hours.

Private passenger transport operators have also been hit very hard. **Uber** has suspended its personal vehicle services from 6pm until 6am and its Uber Bus service between 5pm and 7am. In addition, Uber is promoting among its customers the new service of delivering parcels at competitive prices. **Swvl**, an Egyptian bus transportation company that operates buses along fixed routes using an online booking application is cutting back on its trips, halving the number of passengers allowed in each of its vehicle as well as making trips available at a discounted charge.



2.3 Automotive

Nissan Motors Egypt: In collaboration with its network of dealerships Nissan has launched the “Pickup Bridge of Medical Supplies initiative”. The initiative aims to provide medical supplies and distribute them to quarantine hospitals all over Egypt through a fleet of Nissan Pickups. The fleet also transports food supplies to those affected by COVID-19. In addition to ensuring business continuity, the project serves to position the company as a socially responsible organization that secures daily jobs and income to the Pickup drivers being among the main groups affected by the pandemic.

Auto Parts: According to Abo Bakr el-Mashtoly, founder and CEO of Auto Parts, their sales have dropped by 60 percent.” They are nonetheless taking this period as an opportunity to develop the company’s product and train employees so that they can compensate losses caused by the crisis after it ends.

MK Autoparts: MK is an industrial company specialised in the fabrication of premium quality parts for cars, motorcycle, karts, and racing parts. MK is mitigating the impact of the crisis by offering discounts and delivery services that are helping in reducing losses.

2.4 Retail

Dependence on e-commerce has significantly increased with the crisis. Consumers are to a large degree resorting to online shopping for many products including groceries, fresh food, hygiene products, clothes, medicine and electronics. This has pushed many retailers to expand on their existing online offerings as well as develop new schemes.

To maintain its operations as well as reassure its customers, **Otlob.com**, a leading online food ordering service in Egypt has been very proactive in a variety of ways. They created a very timely Khaleek fel Aman ma’a Otlob (Stay Safe with Otlob) campaign followed by a series of helpful posts that raise awareness around the virus and provide helpful tips on how to keep safe. In addition, Otlob has developed a video to showcase all the new necessary sanitation and safety methods they are implementing. The company has additionally announced that they are waiving their delivery fees in way of support to their various local restaurant partners. Other key players including **Carrefour**, **Goodsmart**, **Gourmet**, **Momart**, **Super Deli**, **Weelo** and **InstaShop** have quickly developed their online offerings. Other industry players such as **Oscar supermarket**, introduced a ‘Seniors Only Hour’ in which only elderly customers can come and shop between 8:00 a.m. to 9:00 a.m.



2.5 Information and Communication Technology (ICT)

Amid the Covid-19 crisis, lockdown measures and social distancing, information and communication technology is playing a vital role to make life, working from home, studying, getting services and products much easier. This has in turn created an overload on ICT services and exposed the need to develop infrastructural capacity. The government has accordingly reacted by undertaking various measures including the following:

- increasing the capacity of international gateways which route data to and from global websites, by 50%
- ramping up its fiber optic installation program increasing internet access to 75% of the population in 2020 for both mobile and fixed internet
- boosting signal reach in Cairo and Giza to ensure proper connectivity indoors, and accommodating increase in traffic
- quadrupling internet speed to reach 27.09 MB/s
- increasing internet bundle download quotas by 20% at no charge for all user
- disbursing more than EGP 5 million in export subsidies to 25 IT firms and MSMEs

The use of technologies such as **Microsoft Team**, **Google Classroom** and **ZOOM** by both companies and education provides has increased tremendously. Company's such as **IBM** have also modified their offerings in Egypt by providing discounts on their business solutions including cloud and digital services that secure endpoint management, identity and access management, and threat defense.

The **gaming sector** is also witnessing a boom, benefiting from the challenges imposed because of the Covid-19 pandemic. Gaming offers an engaging distraction for people at home looking for social interaction, and initial data shows huge growth in playing time and sales since lockdowns began, according to various reports.

Small and medium sized tech companies have also benefited from the change in market dynamics. For example, **Cairo Angels** Investment Group has developed a campaign to help the elderly and the needy living alone by shopping on their behalf using a network of volunteers.

Taskty for domestic services has prepared teams to provide sterilisation services for companies and factories at low prices, following the guidelines of the World Health Organization (WHO) and the Egyptian Ministry of Health.

Meanwhile, **Estshara** medical consulting platform launched the "Salamat Masr" initiative to help fight COVID-19, by providing free medical consultations on coronavirus through consulting doctors by voice calls or text chat. The **WideBot** company offers three months of free chat services on its platform, so that companies can transfer their contacts with other brands, employees, and customers to become online. WideBot is the first chat bot



design platform focused on the use of the Arabic language which does not require the use of codes and uses artificial intelligence.

TakeStep offers startups and their families free psychological sessions to help them cope with the psychological effects of COVID-19 and its global spread. **Brainy Squad**, an advertising agency, has launched online counseling sessions to support companies facing the economic consequences of COVID-19. Finally, the **Breadfast** e-grocery shopping app has added more merchandise to ensure they meet the customers' demands, in support of the current safety procedures under the motto "Stay home."

2.6 Education and Training

The Egyptian Prime Minister Mostafa Madbouli has announced to the Daily News yesterday that he is studying together with the Minister of Education, the Minister of Higher Education and the Minister of Communication and Information Technology several proposals to develop e-learning technology for the upcoming 2020-2021 academic year.

The Ministry of Education had already developed an e-learning platform and a digital library including curricula for all stages from kindergarten to secondary school. He added that since the outbreak of the pandemic, 13.5 million students and 1.3 million teachers from schools all over the country have been using the system. Grade 9 to Grade 12 students also had the opportunity to attend live broadcast lessons.

As of the next academic year, the government will be putting in place a hybrid education system for schools and universities that integrates face-to-face teaching with distance learning techniques.

A similar trend is likely to occur in the non-academic education field. Moustafa Ibrahim, Supply Chain Projects Manager and trainer at Highly Professional Advisors (HPA), predicts that within a few years offline training will gradually disappear. He also observed that the current crisis has opened the door for many training companies and free-lance trainers to gain a competitive edge by offering more affordable online packages. Unfortunately, a number of training providers have compromised quality in the process. This trend is not sustainable as learners gain a better capacity to differentiate between providers and ultimately the only training providers that will survive and grow are those that are able to provide both knowledge and business solutions.



3. Conclusion

The Governments of Egypt, businesses and citizens are without doubt facing up to the reality of COVID-19. The short-term impact on economic growth, business activity and individual behaviour are undeniable. As noted by Moustafa Ibrahim from HPA, the short-term unbalance between supply and demand will drive many suppliers out of the market.

However ample opportunity exists for those who will act fast enough as we pivot towards the “new normal”. As noted by Ms. Magdy, the commercial attaché of the Belgian Embassy in Cairo, travel restrictions are opening new opportunities for Egyptian businesses. International companies are being driven to look for representatives in Egypt instead of exporting their products and services directly to clients.

The Egyptian logistics and transport sector stands to gain considerably over the coming period. The crisis is bound to induce structural changes to the economy which will ultimately change the patterns of freight transport and logistics. It will, in most likelihood, trigger change to more sustainable intermodal models that utilize state of the art technologies including blockchain, AI and big data much earlier than expected. The transport and logistics sector, as we speak, is at the forefront of government discussions as the country works towards increasing its investment in the automation and digitalization of public services. Egypt will by default be more open for private sector contribution to guarantee that logistics and transport products and services are flexible and responsive to the changing voice and needs of the market.