



## RESEARCH ARTICLE

### STABILITY OR MELTDOWN: EGYPTIAN GOVERNMENTAL CRISES MANAGEMENT TO MITIGATE COVID 19- PANDEMIC IMPACT

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#### ABSTRACT

Egypt economic development has been boosted in the last three years by the economic reform program that has been implemented by the Egyptian government. The reform program have strengthened economic growth, reduced unemployment, increased foreign exchange reserves, and decreased government debts. That's in addition, to the new discoveries in the oil and gas sector such as Zohr Field. All these factors helped in nourishing the business environment in Egypt. Besides, Egypt is considered a consumer-based economy; where the majority of economic activities are driven by the consumer spending as a percentage of GDP. Consequently, any business owner will be highly affected by any change in the consumer spending and the economic development in the country. Accordingly, this paper aims to present the current situation during COVID-19 Pandemic in Egypt from government management response including waste management during the Pandemic. The perspective is tackled as it represents the most important aspect that any business owner is affected by in times of crisis. In addition, to the chances that Egypt has created that will help in mitigating the negative consequences of the pandemic in the future.

#### INTRODUCTION

By 1 Q 2020, huge global crisis facing the world for the first time in history, locking down everything, and froze the business life. The world has changed in unimaginable way. The level of disruption and damage to global economies is beyond measurement. Reminding you of an American movie named "2012", that was about decimating humankind, or the end of days as they call it. The Film features a series of destructive natural disasters that were causing massive deaths and driving the world to an end. During which, we discovered there were those secret ships or arks, as they call them in the movie, which were being built in the Himalayas to be used as shelters to ensure humanity's survival in case of any fatal disaster. Certain people were allowed to buy tickets to secure places on the arks. When the world was coming to an end, those were the only survivors who started rebuilding the whole new world, each working on their own ark, self-dependent on their own capabilities and resources, and making the best use of them to be prepared for the rebirth of mother earth. Taking that movie and applying it to our world now, our paper found that there is so much resemblance between the 2 cases. Each ship or ark resembles each country, in which people should now start working extremely hard deploying and adopting the concept of self-dependent, as well as utilizing its capabilities and resources.

In our opinion, the world is living the same mode, which we call it "the Preparation Mode", each country is trying to survive, while at the same time preparing themselves for the coming era; the rebirth of the new world after the pandemic is over, whatever time it takes. Torieh *et al.*, (2020). During the period of "Preparation Mode" as we call it, each country should be working extremely hard preparing, equipping itself with all the necessary tools to hit hard when life returns. The Preparation Mode entails working on each country's resources, de-globalizing themselves. (Both human and natural). The whole world is going through a dramatic crisis that should be managed carefully to ensure public health, while at the same time avoiding financial losses as much as we can. The contradiction arises from the fact that the crisis has dramatically hit the global economy and to regain the economic health, we have to sacrifice public health. The irony here, is while COVID-19 dictates social distance and separation, economic prosperity requires social and nations interconnection. Every country needs to act immediately to prepare, respond, and recover. We are facing an unprecedented global crisis that needs an unprecedented crisis management. The coming part will set forth how the phases of any crisis should be managed and examining the actions taken by the Egyptian government to slower the repercussions of such pandemic through its crisis management strategy. Egypt has applied a broad-based consolidation strategy during the previous years including a set of restrictive and very tight procedures such as gradual reduction in energy subsidies, some new taxes.

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These measures allowed the Egyptian economy to witness an upward trend with lots of reforms and at the same time allowed for lessening the negative repercussions of the pandemic.

Any crisis management plan passes through 3 stages:

First Stage: The Pre-Crisis:

While the crisis begins as a threat, effective Crisis Management can minimize the damage and allow the country to emerge stronger than before the crisis. That phase is concerned with prevention and reducing known or expected risks. However, the COVID-19 crisis was a one that we couldn't predict as the whole world was hit suddenly and simultaneously and the speed of the virus spread was unpredictable.

Second Stage: The Crisis Response:

What is done and said during the crisis including the initial response: that should be quick, accurate, and consistent. Egypt has done a robust as well as a well-functioning crisis response during that period in responding to the COVID-19 fight. In Egypt, we couldn't have got the chance to focus on the preparation, as I call it, or post-crisis phase if it weren't for the successful and effective crisis response of the government. Egyptian Governmental Efforts Taken from the beginning of COVID-19 Crises:

The response strategy can be summarized into protect, provide, and progress. Capitalizing on the reform economic program Egypt has been implementing a while ago, all governmental bodies and ministries have pooled together and collaborated in implementing conventional countercyclical toolkits that put population health safety as the priority in the form of accommodative monetary policy, fiscal stimulus packages and financial measures to ensure liquidity, providing easier access to credit to sustain consumption and help firms survive the disruption. This is in addition to targeted measures to protect vulnerable sectors and groups mostly hit by the pandemic.

Among the measures taken by the Egyptian government to contain the outbreak's effects on the economy are the following.

**Fiscal Policy:** Similar to other countries, since the start of the crisis the Egyptian government allocated a full-fledged package worth more than EGP 100 billion to absorb the shocks of the COVID-19 pandemic. Fiscal measures to support the economy and the financial market included:

- Cutting electricity prices for industrial use by 10 piasters per kilowatt hour (kWh), and freezing rates for the next 3-5 years. Government sources estimate these electricity price cuts could cost around EGP 6 billion alone.
- Relaxing real estate tax payment settlements for industrial and tourism companies by giving them a three-month tax break. Companies will also be allowed to settle existing real estate tax liabilities in monthly installments until September 2020.
- Reducing the stamp tax on EGX transactions to 0.125% (from 0.15%) for foreign investors and 0.05% (down from 0.15%) for local investors.

- Postponing the capital gains tax on stock market transactions until January 1, 2022, and permanently exempting foreign investors from that obligation.
- Cutting tax on dividends by 50%: investors will now pay a withholding tax of 5% (down from 10%) on dividend payouts from listed companies.
- Fast-tracking payouts from the Export Subsidy Fund, and allocating EGP 1 billion to expedite the payment.
- Expanding the Social Security and Pension Act's realm by disbursing EGP 27.6 billion in funds to 2.4 million families, encompassing a total 10 million beneficiaries, as well as raising pensions by 14% starting 2021.
- Providing one-time stipends of EGP 500, by order of President SISI, for seasonal workers (as they were heavily hit by the pandemic) who register online with the Ministry of Manpower; more than 130,000 workers benefited.
- Extending the suspension of tax on agricultural land for two more years.
- Extending the deadline for personal tax filings and waiving e-payment fees for online payments.

**Monetary Policy:** Along with 39 other central banks around the world, the Central Bank of Egypt (CBE)'s Monetary Policy Committee (MPC) slashed interest rates, cutting the benchmark rates by 300 basis points (bps) at an emergency meeting. While high interest rates have been among the CBE's strategies to draw in foreign liquidity, the latest cuts are meant to encourage industrial sector growth and capital expenditure lending, help shrink the budget deficit (given the new expansionary fiscal measures) and stimulate foreign investments on the stock market. Other expansionary measures include:

- Postponing all bank loan payments for businesses and retail clients for a six-month period, including SMEs, corporations and individual borrowers.
- Launching a debt relief initiative for individual borrowers where marginal interest on debt under EGP 1 million will be waived for borrowers at risk of default.
- Cutting discount rates for three CBE financing initiatives, which are the factories, the mortgages and tourism finance programs to 8%- 10%, in accordance with the MPC's decision. With a budget costing around EGP 200 billion.
- Extending EGP 50 billion in financing for middle-income housing, to be disbursed through local banks.
- Relaxing credit card limits, ATM and point-of-sale transaction fees and commissions in a bid to improve businesses' access to working capital and streamline consumers' access to credit.
- Adjusting ATM withdrawal limits to minimize traffic at machines.
- Launching a debt relief program for farmers and ranchers, with loan repayments postponement.
- Providing two-year soft loans to tourism companies to pay wages, commitments to suppliers, and maintenance.
- Offering one-year, EGP-denominated certificates with 15% yield through public sector banks to discourage dollarization.

### Third Stage: The Post-Crisis:

And now it's the time for the third stage, we have to look for the post-crisis strategy, in which we look for ways to better prepare for the next crisis and fulfill commitments made during the crisis, while the crisis begins as a negative/threat, effective Crisis Management can minimize the damage and allow the country to emerge stronger than before the crisis. The challenge here is the fact that while economic prosperity requires interconnection and integration, the COVID-19 dictates social distant and separation. Throughout the financial year 2018/19, Egypt has maintained its pace of social and economic reforms, pushing its growth well above the regional average. The country's progress in GDP growth, foreign exchange revenues, fiscal consolidation, inflation management, and other macroeconomic indicators verify the success of these reforms and justify the move onto making more structural changes to the economy post the pandemic.

**Localization of Egyptian Products:** Countries for years were trying to remove trade barriers, internationalize their outputs, stretching supply chains, treating the world as one large/conglomerate market. However, with COVID-19 pandemic those interactions were being stopped, and no one knows for how long. Additionally, and during the crisis, countries have strived to maintain trade flows to secure access to medical goods and services, and food and other necessary items. This required keeping borders open to the largest extent possible and avoiding measures such as export bans or taxes. Thus, sacrificing health. Moreover, and with more and more debts being added by governments to counterpart the repercussions of that pandemic, coupled with low international trade and global interactions/commercial transactions being minimal. The term de-globalization has to emerge. De-globalization requires self-dependence on internal resources as well as the availability of some enablers by the government so as industrials and manufacturers can efficiently substitute imports with locally manufactured inputs.

Enabling industrials and manufacturers to substitute imported raw materials, products, with locally manufactured ones. However, with the COVID-19, those interactions have stopped, and no one knows for how long. Egypt has to work on improving quality, enabling technology, capital, trained labor force, as well as other resources. The Government has been working on a localizations program way before the pandemic, securing a healthy working environment for the manufacturers through a set of initiatives that aims at enabling technology, capital, and resources. On the other side, Egyptian manufacturers are working on having a resilience supply chain that is currently more important than having an efficient one. Fast-tracking and working on upgrading the national localization program will ultimately pave the way for a healthier economy post the crisis.

**Digital transformation:** Greater digital adoption is needed. If it weren't for the effective digital transformation program that Egypt has been applying under the name "Digital Egypt", with renovating technological infrastructure for digital transformation. All new working trends and environment would not have been feasible or even possible. The current transformation allowed for a smooth transition to digitalized core operations, work from home environment, homeschooling, e-meetings, e-conferences, e-banking, establishing digital customer channels, train employees on using teleworking models.

As well as accessing the most recent and updated information. In 36 months and at a cost of LE 8 billion, that digital transformation program was carried out in around 170 services across Egypt. One success story to tell here is the complete digitization of Port Said, a city in Upper Egypt that is now a complete smart city. It's worth mentioning here that by the end of 2020, around 10,000 youth will be trained in the ICT field including cybersecurity, data science, artificial intelligence, and the internet of things. Torieh *et al.* (2020). Capitalizing on expanding such a huge project would well prepare the Egyptian economy for the coming period.

**Investment in people:** We mean to have a newly defined generation. Let us here quote UNDP "humanity needs leadership and solidarity to defeat corona". Working on people's education, training, and empowerment is a cornerstone of a healthy economy. Supporting new mindsets that are flexible and open for accepting different scenarios, preparing them to easily embrace uncertainty and get out of their comfort zone. Egypt has started and gone way on that track to the extent that it was among the early adopters of the World Bank's Human Capital Project, which aims at creating demand for efficient investments in people as the key to economic growth.

**Resilience and solidarity among government:** It is another crucial pillar in having a healthy economy post the pandemic. Both of government capacity, as well as government legitimacy, are needed. During the current period, a great deal of interrelation between Egyptian private and public sector has been created. On the other hands great cooperation and collaboration among different ministries have been experienced. Continuing unifying the efforts among different ministries along with the civil society as well as innovators will ultimately create a sustainable atmosphere for growth. It is worth mentioning here as an example of the resilience and solidarity among Egyptian government is how a number of ministries have gathered together and unified efforts to manage a crucial file during the pandemic, which is the waste management file.

**Egyptian Government Waste Management Response:** COVID-19 tremendously affected the waste sector. With more medical wastes being disposed such as masks, gloves, pills, injections. Additionally, staying home and lockdowns imposed has tremendously increased the municipal waste. Millions of contaminated Personal Protective Equipment (PPEs) (e.g., facemasks and gloves) would ultimately end up as wastes, which, if not effectively managed, can cause environmental and health threats, especially as a recent study, Kampf *et al.* (2020) finds that the coronavirus can survive on material surfaces (e.g., metals, glass, and plastics) for up to 9 days. The threats would amplify in countries with poor waste management systems scaring people lives and health. The government has to rapidly adopt their waste management systems and procedures to that situation. The crisis is also moving along the value chain reaching new sectors such as recyclers. The Egyptian Ministry of Environment (MOE) has participated with other concerned ministries as ministry of health, ministry of population and ministry of higher education and scientific research to ensure safe disposal of wastes. The MOE has launched a strategy concentrating on 4 main pillars; providing safe disposal of medical waste, creating a special system for dealing with solid waste, monitoring the environment situation of populated hotspots, and spreading

environmental awareness. The process is being followed by assigned committees in coordination with health directorates and university hospitals. With the rapid acceleration of medical wastes, MOH set rules and procedures to help separation of medical waste from municipal waste so as to decrease amount of wastes and deal safely with it. The MOH have also set a training for 68 trainees in 16 governorates on the sustainable management of medical waste. The plan includes cooperating with ministry of tourism to help with respect to the waste in hotels allocated for quarantine. As for solid waste, MOH has intensified efforts to control and monitor lots of trash spots in Cairo and Giza Governorates in Egypt. As of May, 2020, 225 thousand tons of solid waste were safely disposed.

**Linking COVID-19 to Crisis Management:** The COVID-19 pandemic outbreak and the subsequent recovery mainly depend on two things. People or in another word, the social dimension as well as the government response or the management strategy. To apply the crisis management strategy effectively on a nationwide scale, it is very crucial that during COVID-19 pandemic, everyone knows that he/she has a responsibility and a role in the crisis management process, not just the government. On a metaphor perspective, let's imagine the following roles:

- The Coordinator: Solve the crisis.
- The Government: Look after the citizens' well-being.
- The Medics: Save all (or, get everyone healthy).
- The Police: Maintain order.
- The Fire: Save/rescue people.
- The Army: Support (the other incident handling forces and/or the government).
- The Information Providers: Reliable and/or fast information provision.

For further studies, the evaluation process of a country's crisis management can be studied using Crisis management Index dimensions that can be linked to the management of crisis by countries during the COVID-19 pandemic. The suitable dimensions as well as the related sub dimension can be chosen from the following table:

Dimension	Sub-dimension
Understanding of Crisis	Understanding Crisis Concept Understanding Crisis Type Understanding Crisis Stage Understanding Crisis Public
Crisis Management System	Crisis Management Technique Organizational Culture Organizational Structure Crisis Management Personnel Crisis Management System Signal Detection
Crisis Execution and Communication	Management Mind Crisis Management Training Crisis Management Planning Crisis Management Team Media Management Activities

Source: (Kim, Cha, & Robert( 2008)

**Conclusion**

Linking the measurements of the country response to COVID-19 with the KPI of crisis management include the following;

- Communication during the crisis
- Gathering of data during the crisis

- Decision support during the crisis

(Rongier, Lauras, Galasso, & Gourc, 2013). Linking the above mentioned dimensions on Egyptian government crisis management case, we found that Egypt has embarked on exceptional crisis management strategy during the pandemic, capitalizing on its economic reform program, maintaining acceptable economic conditions, while at the same time safeguarding people's health safety. However, and looking at the future, With the COVID-19 pandemic, there is an accelerated global and economic disruption as well as uncertainty. All analysts and experts expect a decline in all countries growth rate and GDP. During that crisis management situation, business are trying hard to manage the impact of that disruption on their ability to meet strategic goals as well as customer demands and change of behavior. That will require more efforts and constantly adapting new crisis management techniques. The business environment is expected to experience significant changes such as increased workplace regulation, reduced customer spending, delayed investments, disrupted supply chains and uncertainty in financial markets.

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