



EGYPT TOMORROW ECONOMIC FORUM
Video Interviews

THE CORONA ECONOMY: CRISIS & OPPORTUNITIES

**EPISODE SIX: THE ECONOMY & PUBLIC SAFETY:
A ONE-SIDED CONCESSION OR A BALANCING ACT?**

Interview with:

Sherif Samy: *Chairman of the Egyptian FinTech Association;
Board Member of the Universal Health Insurance Authority,
and former Chair of Egypt Financial Regulatory Authority*

and

Wael Gamal: *Economic Journalist and Writer, & Political
Economy Rsearcher*

*Interview Moderated by Aly El Sherei, Founding Member of
Egypt Tomorrow Economic Forum, and Vice Chairman
& Managing Director, Decode Economic and Financial Consulting
& Introduced by Lobna Afify, CIPE Egypt Program Officer on April 9, 2020*

Background: In response to the coronavirus crisis and the havoc it created on a global scale, CIPE's Egypt Tomorrow Economic Forum "Masr Bokra" launched a new video-based interview series title, 'Corona Economy: Crisis & Opportunities'. The series invites leading Egypt's business leaders, young entrepreneurs, academics, opinion-makers, policy makers, and leaders of think tanks to share their perspective on the evolving situation and implications for the economy in general, and the business environment. The series provide insight and analysis into the economic and social impact of the current crisis, both at the macro and the micro level, and attempt to glean insights into the path ahead.

The transcript below has been condensed and edited for clarity.

Link to Arabic Video: <https://www.facebook.com/CIPEArabia/videos/220723422602960/>

CIPE: Welcome to a new episode of the series, 'Corona Economy: Crisis & Opportunities'. The series is hosted by CIPE's Egypt Tomorrow Economic Forum "Masr Bokra". Today's episode is different and important as it will give us a chance to learn more about a topic which touches our lives and everyone talking about. Today's episode tackles the difficult equation of continuing with production and the safety of the people. Certainly, the core values that underpin the different views are the same, however the policies differ, so do the measures adopted for implementing these policies. The difference in approach generates a discussion, which should remain guided by the fact that, irrespective of the differences in the viewpoint, they share a common interest and the same underpinning values. Today, our two guests will share with us their views on the issue; we look forward to learning about and understand the different perspectives on this important issue to be able to achieve a balance in dealing with this topic of the hour.

Our guests today are Mr. Sherif Samy and Mr. Wael Gamal. Mr. Samy is a prominent expert in the area of financial markets, investment and governance. He is the Non-Executive Director of a real estate asset management company; the Chairman of the Egyptian FinTech Association; a board member of the National Investment Bank, the Universal Health Insurance Authority, and a number of companies in the area of education, investment, and money market, as well as one of the commercial banks. Until 2017, Mr. Samy served for four years as the chairman of the Egyptian Financial Supervisory Authority. And Mr. Wael Gamal is a researcher in political economy and a journalist. His researches focus on political economy in Egypt and the Middle East, the inequality gap, the class formation in Egypt, and debt and public spending. Mr. Gamal translated and edited several books on economic thought.

The discussion will be moderated today by Mr. Aly El-Sherei, a founding member of Egypt Tomorrow Economic Forum "Masr Bokra". He is the Vice Chairman and Managing Director of Decode Economic and Financial Consulting (Dcode EFC). Mr. El Sherrie has a long experience in the area of project management and industrial processes in a number of sectors including pharmaceuticals, cement, oil services. The diversity of his experience, as well as his special interest in public policy and economic issues, will help link the discussion to the needed public policies, and highlight their impact on the different sectors, particularly the private sector. Thank you all for joining us today.

El-Sherei: I would like to welcome both guests, and I am glad to moderate this discussion. Undoubtedly, the topic of our discussion today is the issue of the hour. The topic sparked heated debate, not only in Egypt, but around the world. Should we lockdown or stay open? If we lockdown, what should be our time frame? If we stay open, how do we do it? [inaudible at 00:03:34] The IMF noted that the world has already entered into recession. In Egypt, several companies and sectors are seriously struggling; [inaudible at 00:04:17] laying off daily, seasonal and intermittent workers. The debate centered on whether the cure is costlier than the pandemic itself. We saw China imposing very strict rules, and in some way, it began succeeding in containing the spread of the virus; other countries like the UK and the US, early on, shrugged off the idea of lockdown, even the UK, toyed with the idea of herd immunity, they later completely reversed their position after the increase in the rate of infection and mortality. Other countries, including Saudi Arabia and [inaudible at 00:05:14] started off by adopting a gradual approach to lockdown, and now they have imposed a full

lockdown. In Egypt, [inaudible at 00:05:23] all of us followed the heated debate about the issue, especially following statements by a number of businessmen regarding the necessity of resuming economic activities, and their expressed trepidation over the economic impact of a prolonged shutdown; they were severely attacked. Yesterday, the government announced the extension of the night-time curfew for an additional two weeks, and delayed the start of the curfew by one hour; there were also statements regarding the need to try to avoid a full shutdown due to expected adverse effects on the economy. I would like to discuss with you the two views out there regarding the shutdown: some view the current shutdown procedures as good enough, others view them as inadequate and worthless, and call for a more expanded curfew. In our discussion, I would like you to address the following questions: What should we do? What is your opinion about the current procedures? Should we continue with current procedures or should they be changed? If the current procedures are to be changed, what needs to be changed, and how should we go about it? Are the procedures adopted in other countries appropriate to Egypt, given the difference in the economic and health circumstances, the level of public awareness and preparedness in the country?

Gamal: *Thank you for giving me the opportunity to participate in discussing such an important topic. I would like to start off by noting that the current crisis, not only in Egypt but globally, is not merely a health crisis, but rather a health crisis accompanied with an economic crisis and even a political one. As one top economist noted, from an economic angle, if we juxtapose the current situation with the 2007-08 financial crisis or even the 1930s, we find that what we are experiencing now is a condensed version of what was experienced then—what is taking place now in weeks and few months, took place over years then; the pressures exerted by the current crisis are very severe. The pandemic is not just an external shock, it hit while the global economy was already suffering bad conditions, albeit, not as bad as what it is experiencing now; there were indications that there was a real big problem with the global economy. Since 2008/2009, the global economy has been suffering from what the IMF calls “secular stagnation”—the absence of growth spurts, and growth rates never returning to the levels enjoyed prior to 2007. Even if some parts of the world did enjoy growth, this was never translated into a global trend towards recovery. The problem lies in the manner in which the 2007-08 crisis was dealt with; the impact of the crisis has continued and was reflected in swings in stock markets and financial markets even before the advent of coronavirus; over the years, waves of severe austerity measures that were adopted [inaudible at 00:09:05] in many sectors, including health, education and public services, resulted in [inaudible at 00:09:15] fragile conditions in the face of this pandemic. No one expected this extent of fragility in EU countries in [inaudible at 00:09:35 to 00:09:53]. There is a need to revisit the notion of using economic activities as a compass— such as the idea that the market can be the only, the final and the fundamental determinant of all economic phenomena; this became evident with the intervention of the state and civil society during this crisis, and the logic behind including economic interventions as part of the packages that many governments launched to face the impact of this crisis.*

For the most part, Egypt has its specificity: there is a very high level of income and wealth inequality; a poverty rate of 30% according to official figures; approximately 6 million people suffering from hunger; and a social safety net, which according to the World Bank, is significantly underfunded; and a poor ability to generate jobs, where

many of the jobs created is in the informal sector; and even in the formal private sector, only 30% of its employees have contracts. Thus, recognizing these special circumstances helps us appreciate the extent to which Egyptians are vulnerable to the impact of a crisis of such a magnitude. So far, Egypt did not adopt a lockdown in the full sense of the word, but rather there is a restriction on movement, which include placing limitation on some sectors and a ban on large gatherings related to domestic tourism and in shopping malls. On the other hand, the agriculture sector is operating at normal levels and factories are still operating, even the adopted curfew regulations contain an exception for factory workers. More so, major construction activities are still taking place in the new administrative capital and other locations, and filming of Ramadan TV shows is proceeding without interruption. While to a great extent the decisions taken are logical, however, it appears that we are adopting an approach which is closer to the idea of herd immunity rather than full curfew.

Thus, in my opinion, the current situation needs intervention, as experiences of other countries indicate that adopting a lax or flexible approach of lockdown have resulted in high levels of infection, and thus the curve got steeper, which pushed these countries to reverse their decision. In this regard timing is critical, and we must think, if God forbids, something of this scale hits Egypt, are we going to be able to accommodate it given the vulnerability of many groups and our situation.

Egypt, like other countries, adopted austerity measures that affected expenditures in the health sector and other basic services. This situation was exasperated by the fact that we started from an already low point in terms of public expenditures on these services. Thus, the state of our services coupled with the lack of a robust social safety net, which had missed some 30% of the population, keeping them under the poverty line, compounds the problem. As for the expected impact of the crisis, I would like to refer here to an Oxfam Report which argued that coronavirus could push half a billion people into poverty. We do not have estimates for Egypt, but certainly the 30% poverty rate will increase because of many reasons, including our state of affairs; the decline in employment opportunities for informal workers; the number of people who are expected to lose their jobs; and the overall slowdown in economic activities. It is important to recalibrate the compass of the debate, an exercise that is already taking place at the global level. Economics is not an abstract discipline that is far removed from the life of people, in fact it should be serving them.

Thus, the priority here should be given to protecting the health and livelihood of the majority of people; this should be the prime consideration and the main criteria for guiding our decisions. Expanding on the lockdown should be undertaken with parallel procedures to ensure that vulnerable groups receive adequate support and assistance, so that they are able to receive medical care in case of infection and also continue with their life in case the lockdown is prolonged for a period of time. [inaudible at 00:15:35] Moral and human perspective on the idea of human life, from the angle of economic policy, the idea of giving the priority to humans, in a direct way, not even through the traditional way of thinking, which underpinned the assistance included in many of the packages that were introduced during earlier crisis. Experience indicates, at least so far, that countries that imposed more stringent procedures, are likely to resume economic activities faster than others, as they were able to contain the spread of infection – we are hearing that China, is gradually returning some of the activities, even in regions which were epicenters for the pandemic. Even from a direct and practical perspective that is devoid of any human and moral consideration, protecting human life is to our

advantage since losses in human lives will have a large adverse impact on the economy in the future; perhaps the saying of Branko Milanovic, a former World Bank leading economist, captures it well: "Dead people cannot work".

El-Sherei: Thank you for your comprehensive presentation. I would like to ask Mr. Sami to use the angle of the moral dilemma that you mentioned as a point of departure for his response. In fact, this dilemma recalls the so-called trolley dilemma that poses the tough question of who to save in the instance that a train is barreling toward innocent people: would you kill one person to save five? Do you agree with this argument Mr. Sami, and in your view, are there other procedures that should be undertaken to protect the lives of more people, even if this entails more sacrifice?

Samy: *I will try to summarize the different arguments out there regarding the issue. First, you started off wondering if we should close the door or keep it open. In my opinion, we should do neither, we should keep the door ajar. Actually, the current debate is on the extent to which the door should be kept ajar. Should only extremely essential businesses, such as bakeries, hospitals and pharmacies, be allowed to continue running, or should we open the door a bit wider to allow for economic activities? This is actually the issue that is being discussed today. For sure, no one will totally and completely shut down as this situation is neither akin to a nuclear explosion, when people have to hide under the bed, nor is it a normal situation of people catching a regular cold. My second point builds on the trolley dilemma analogy that you mentioned. In fact, the bigger challenge here is how to strike a balance between the interests of the individual and those of the collective. Am sure we all agree that one will always be willing and ready to do all what it takes to save the life of any friend, relative or colleague or neighbor—this is a truism. However, when we look at the issue from the angle of society's interest, there is a concept in economics called the "statistical value of life", which has bearing on this debate. In this regard, I would like to share a few points here to clarify this issue. We find all media outlets reporting daily statistics on the coronavirus death and infection rates, with no reference to the recovery rates; there is never a mention of the death rates related to malnutrition, even though according to international organization, 3 million children die from malnutrition on annual basis. I am sure that if we are presented with the daily death rates due to malnutrition, many issues will be viewed differently. This also could be said about other diseases, including diabetes, cancer and AIDS. Additionally, even in France, for example, which definitely has a better functioning health care system than ours, there are long waiting lists in hospitals, even for heart patients; some patients have to wait for four to five weeks, and end up dying while waiting. In Egypt, we have problems above and beyond the issue of waiting lists; there are serious challenges with the health care quality; Does 90% of the population find the space, adequate equipment and needed medical expertise? The answer is no. The situation is the same in other developing countries such as India, South Africa and Malaysia; the main reason for this is the limited health care budget in these countries. A question then arises; why do not we increase the budgetary allocation for healthcare? Undoubtedly, if we raise the health care allocations, the death rate will decline.*

However, the idea is that society has reached a consensus that there is more to life than health; life is not only about health, there is a need for education, public utilities, justice, culture to name a few. I would like to highlight a point in this regard as it is

closely relevant to the issue we are debating. If you look at the fatalities related to road and railroad accidents in Egypt, the official figure is around 15,000; of course, if we were to increase the budget allocated for road improvements and safety, thousands of lives will be saved annually. However, as a society, we did not protest this situation, or adopt idealistic arguments that holds that the human life is more precious than anything else; indeed, as a society we have chosen to build cultural centers, an opera house, courts, and direct funds to providing electricity, defense and law enforcement services; societies, since the development of modern states, have decided that these services should be funded. What is raised in international media, whether newspaper or TV, is more appropriate for advanced economies that have enough resources to aid its people for prolonged periods of three to four months. For example, today we heard that over the past three weeks, 16 million Americans filed for unemployment benefits, noting that we are still at an early stage of the crisis; just imagine what will the case be by the end of April or in May?

Thus, interests of society should take precedence over those of the individual; we should not harm the majority, the 90% who are not affected by the virus, just to minimize, not even to prevent, potential deaths. This is especially pertinent as many other diseases result in deaths, such as those related to pollution, road accidents, etc. This consideration is very important as it will be difficult to rebuild the life of a person after it is destroyed; destroying peoples' lives will result in a deterioration in their health, and the marginalization of other diseases that we have now forgotten about. I would like to address the point that was raised about the poverty line, and note that not only lower-income groups will be affected, but the risk of middle-income individuals slipping into poverty is real; these individuals who stand to lose their jobs will be in a very difficult position, as they are used to a certain standard of living; actually individuals belonging to this class might find it more difficult to deal with losing their income than low-income groups. I am not trying to discriminate between income groups here, but just want to highlight the complexity of the problem at hand.

As a matter of fact, I find the call for shutting down and staying home to be classist and elitist; the reason is that those calling for this are not among the pensioners, or those working in large or multinational corporation or in the government. The majority of people cannot afford to stay home; those lower down the social ladder will not be able to afford to stay home. So, at the face of it the idea appears to be humanistic, idealist and romantic, however [inaudible at 00:25:55].

For sure we shall not open the door wide, like opening up restaurants and holding wakes, weddings, and conferences; however, work has to resume especially that whatever we do, there will remain some sectors that will continue to be heavily impacted and beyond our control, such as tourism and the Suez Canal. I would like to end by noting that even international organizations and Gulf countries that traditionally helped Egypt, will not be able to do that now; these countries have their own issues and are also experienced a sharp decline in oil prices; also, many countries are already rushing to seek assistance from the World Bank, the European Bank and the African Development Bank. We are going to witness a period when everyone will only focus on rescuing themselves.

El-Sherei: Mr. Samy, thank you for your presentation, and I would like Mr. Gamal to address your comment regarding the classist nature of the shutdown call. But first, I would like to draw your attention to a recent article in the Financial Times on a survey of a top economist carried out by the Initiative on Global Markets Expert Panel. It was surprising that 80% of economists supported the coronavirus lockdown, despite the huge economic costs of doing so, while 20% were uncertain. Also, I would like to refer to a March 26 report by Imperial College of London which asserted that the COVID-19 outbreak would likely have caused 40 million deaths this year if left unchecked, it further noted that the death rate under a delayed reaction scenario would be 10 million deaths, while if countries acted quickly the death rate would be 300,000. Mr. Sami, I would like to hear views on these two issues, but first, Mr. Gamal, could you explain how you expect people to survive under a shutdown scenario, given the state of the economy, and also if you think the state can afford the costs of supporting people staying at home for 3 or 4 months, such as the case in other countries.

Gamal: *First, I disagree with the approach that compares the deaths caused by the virus to deaths caused by malnutrition or traffic accidents; early on, people were also comparing the corona death rates to those caused by the flu. But as we have come to see, there is a difference between a pandemic that has no vaccine, and these other causes of death, which are important too, and are the outcome of the adopted austerity measures, which reduced public expenditures on social services. A spike in the loss of life, in a country like Egypt should make us reconsider our thinking about social spending, especially at a time where there is an additional major threat that the scope of which remains unknown [inaudible at 00:31:29]. I would also like to address the point raised regarding the societal consensus on health care spending. I do not think there is a consensus on this issue; if we look at the Egyptian Constitution, we see that the state has committed to allocate a percentage of its GDP to health expenditures, however, this percentage is declining, and actually, it was never met since the ratification of the Constitution in 2014. Thus, if we view the Constitution as a document that reflects the societal consensus; in reality, what is happening does not even measure up to what was agreed to. I would like to stress here that I am not undermining the value of the other expenditures that you mentioned, health expenditures are important, and so is spending on these other services. In this regard, I believe there is much room for increasing public revenues; our tax rates are very low, representing only 12- 13 % of the GDP, which is half the percentage in the 1980s, and half the global averages in similar sized economies; thus, there is room for imposing more taxes on sectors which enjoy exemptions, or which the government avoids taxing. I am not calling for a total lockdown, which is impossible. I think that there should be a list of essential industries or economic activities; this would include agriculture, which is important as it represent 13-14% of GNP and employs millions of people, noting here that none of the packages launched included any support to the agriculture production, or framers even though they deserve all the support, however, they remain marginalized; food industries, pharmaceutical and transportation are other sector that can be included on the list of essential industries; the list should exclude the production of Ramadan TV series, as society does not really need them at these times. This is critical especially that maintaining a tight shutdown will result not only in decreasing the number of lives lost, but also will speed up and facilitate the return to normal economic activities when the situation permits in the future. Shut down procedures should be coupled with other procedures; it is not a matter of just telling*

people to stay at home. That is why I do not think the call for shutdown is classist; in contrast, calls for resuming activities, while at the face of it might appear as concerned with maintaining the livelihood of workers (even though there is a high probability that they could die), they could be viewed as only concerned with protecting corporate profits and survival. What would make a shutdown doable is that the state would intervene with policies that will allow people, especially the poor and those who are exposed to such pressures, to survive and not lose their jobs. This would include increasing health care expenditures to protect medical care workers who have already begun suffering from high rates of infection in many hospitals, and also providing unemployment compensation. I would like to mention here the universal basic income, which is being adopted in some countries, including Spain, which is moving towards establishing a permanent basic income in the wake of the pandemic. In addition, two years ago, the IMF produced a study which asserted that while the cost of adopting the basic income would represent 3.5% of the GDP, it will contribute to lowering poverty by 50% and also inequality and will have a positive impact on the ability of people to live. In Egypt, we have an already established in-kind subsidy program, which is benefiting approximately 22 million families; this mechanism could be expanded to reach more people and include more commodities. One of the problems in Egypt is looking at the economy as if it is comprised of only large companies. The private sector itself is not made up of only large companies, it includes small businesses, farmers and others; thus, it is important that when providing support, the government should take into consideration these differences. For example, there were some views that the Central Bank package does not include support for small enterprises, which are in much need for support. I will explain how we can provide resources for such programs in my next response, but I would like to stress now that the steering of the economic policy should not be handed to the Central Bank; while the Central Bank has a very important function, yet, the core of the economic policy should not be monetary, especially that a very large portion of the population do not have bank accounts, and do not particularly benefit from loans or other facilities. The Ministry of Finance, the Ministry of Planning, and other ministries that touch on the life of people should be the ones at the helm when developing the economic policy; it is also critical to create some space for engaging civil society and local communities as there are many initiatives and services that necessitate consultations with these parties; the government will not be effective in carrying out some policies without the cooperation and engagement of these parties.

El-Sherei: Thank you. You mentioned the need to increase health spending, and in fact, government has recently announced its plan to do just that. I would like you to elaborate more on how you think the government can shoulder increased public spending, given the state of affairs of the economy; also, your suggestions appear more appropriate for the long-term, as, at this point, it would be difficult to hold the government accountable for what has happened in the past. I would like Mr. Samy to comment on the point regarding large companies and increasing taxes. I think these companies are one of the major sources of tax revenues, [inaudible at 00:40:40], so and building on Mr. Gamal's point. In your opinion what should the responsibility of the private sector and civil society be in shouldering the burden; is it appropriate to impose a progressive tax, at this point in time, or is it more appropriate to lower the tax rates so that companies are able to retain their staff?

Samy: *It is not the time to discuss general and long-term parameters. Currently, we are in the midst of extinguishing a blazing fire; in a way, delving into these issues now is akin to calling in a contractor while a building is on fire, and holding him accountable for using different paint codes or material, on account that this has contributed to spreading the fire. These are issues for the long term and should be considered to avoid future problems. We have to remember that a few months ago there were many studies about the spread of pandemics, however, policy makers in different countries focused on actual problems they were facing, and operated on the assumption that the probability of these pandemics was low; the assumption proved to be wrong. It is now obvious that the world will be more prepared, and we really do not know if a next crisis will come from the east or the west, it is likely that the next crisis will be very different from the current one. Perhaps if there is one benefit to humanity from all this, it would be learning lessons to help with a future crisis. As for reforming the tax system, I do not think it is the right time to consider this. I would like to clarify that when I talked about health care expenditures, I did not specifically have Egypt in mind, nor was I thinking about the constitutional mandate. I was just providing examples of issues with health care, that many countries, included France, are facing. What I am trying to say is that possibly, there are public expenditures taking place, however, we do not see them covered in news broadcasts on daily basis, nor in any repeated manner. Thus, there are many issues that can save lives, but at the end of the day, the interests of the entire society should prevail over other interests. I would like to add here that companies are not worried about maintaining their profits, rather, they are concerned about staying alive. Companies are already helping, whether in the form of corporate social responsibility, or lending funds, or providing facilities to their suppliers, however, they are not able to reach everyone. I so have an issue with the idea of choosing between industries based on what is essential and what is not. This is an issue that you will never reach consensus on. Certainly, I am not talking about holding conferences or organizing safaris, however, deciding whether chocolate with nuts is essential, or which is more essential a chocolate factory or a wafer factory or ready-made garments, is not an easy task and will give rise to an unending debate. We have to remember that there are a number of issues at stake here—exports, workers, and a number of auxiliary industries serving the industry. Undoubtedly there are some ideas that are good in theory but in application they could be harmful. Also, I would like to address your point about the economists of Chicago, a city I lived in for one year and a half. At the end of the day, they are academics; they are professors who earned their degree, however they are not shouldering the burden of ensuring the livelihoods of hundreds if not thousands of individuals; they are also basing their analysis on what they see in Michigan Ave, Millennium Park, or Lake Shore Drive, not on the living conditions of the individuals living in Mansheyet Nasser or Zaa'rabana in Alexandria. As for the curfew, it is a curfew in name only; in reality, it is not, it is just to show that we are doing what needs to be done; the overcrowding and congestion makes it appear that there is no curfew imposed in the first place. We have to recognize that imposing restrictions on mobility during certain hours, results in overcrowding as the same number of people go, for example, for food shopping during the permitted time frame hours. Thus, let people go to work, and earn incomes; this will also allow the government to collect taxes and social security; social security is particularly an important issue as these funds belong to the people, and it is not clear how the deficit in the social security budget will be addressed. To sum up, you have to adopt smart ideas, including changing work hours in some entities, using digital solutions to allow people to schedule appointments for carrying out certain transactions as you cannot*

totally shutdown the traffic departments or the real estate registry offices; extending the work hours (to reduce overcrowding); providing banking and financial services, through mobile units in cities and villages; jumping into action and expanding the use of technological applications. I agree with Mr. Gamal that we have to expand inclusion of people, as well as the role of civil society, which is perhaps more effective than government due to the zeal of its actors. In my opinion, those who opened the door to the curfew, will not be able to close it until statistics prove otherwise, however we do not have this luxury; we have to work, support one another; significantly increase testing and self-isolation because this is what will mitigate the impact of the virus. Like any other matter concerning humanity, there will always be victims, which is very sad, however, I worry that there will be tens of millions of victims who will suffer greatly, and an increased spike in the crime rate and social tension [inaudible at 00:48:24]. There are different perspectives, but at the end of the day, it is important that the interests of the entire society prevail over any matter.

El-Sherai: I would agree with the point raised by Mr. Samy that the curfew is nominal. In fact, we end up seeing more overcrowding than during regular times, which is a far cry from the required social distancing. This raises the question of whether the curfew is the most appropriate mechanism, given the importance of social distancing, We need to think outside the box, we find overcrowding in front of banks, as they are trying to limit the number of people inside their premises; this issue has been further exasperated due to the limits set by the Central Bank on bank withdrawals and deposits. The chances that infection can spread is higher. The same concern goes for workers who are still going to work, and the chances of them spreading infection within the factory or among family members. In this regard, we need to think of solutions for this problem; we have to think of how to mitigate the risks of infection in the instance we resume essential industries. Equally important, we have to think of how to address industries that we deem non-essential. A number of questions come to mind: Who should shoulder the costs associated with halting operations? Should it be the government, or should the private sector share in these costs? How can we incentivize the private sector to undertake the responsibility of retaining their workers? These are important questions given the fact that while the crisis is severe, it is not expected to last forever, and eventually the economic activities will resume.

Gamal: *First, I would like to stress that the danger of this pandemic on human life is not a matter of opinion; it is a fact. The WHO and other health experts advising government, such as in the US, emphasize that this is not the flu; it cannot be discounted on account that people die anyway from other causes, such as car accidents, and thus we should continue with life as normal. We are under a real threat, especially if we do not take the necessary measures to ensure social distancing and limiting economic activities. For sure this is not a good thing, and it entails losses; however, these losses are necessary and inevitable from the perspective of society's interest, and particularly the interest of those living in Manshiyat Nasser, as they do not possess anything in life except their lives. Individuals who enjoy social privileges are actually the ones who have the luxury of staying home, as their businesses continue to generate revenues, and others continue the operations in their businesses. Thus, the importance of the type of procedures that I am suggesting and the need to balance them with necessities of life, is at the heart of this discussion. So, if we are going to discuss who should go back to work and who should not, then, we can also*

discuss what is to be considered essential within any industry. I was a bit surprised to hear “exports” mentioned as a consideration at this time, especially that one of the features of this crisis is a decline in demand, a demand crisis. It is not expected, for example, that the US market will be open to exports of ready-made garments from Egypt as the US economy is also suffering, and US households are reorganizing their spending priorities. I would also like to mention here that all economic forecasts for Egypt assert that the expected impact of the crisis on the Egyptian economy will be much less than that in OECD countries. The average monthly contraction in OECD countries is estimated at 2%, and if the crisis is to continue through the end of 2020, the average contraction is estimated at 25%; on the other hand, while the worst-case estimates for Egypt (by Capital Economics and others) is a 1.3% contraction, others forecasted a slowdown and not a contraction; these forecasts allow Egypt some room to maneuver. I would like to clarify a point about the issues of taxes. My interest in bringing up the topic was not particularly to evaluate earlier policies per se, but rather, to ensure that we do not fall into the trap of using the same logic when considering current procedures, and also in the future. Thus, if I view healthcare as an important consideration, and this importance is also confirmed now, it behooves us to reconsider how we think about it, and this applies to other sectors too. While I am not sure of the exact figure, but I think that the contribution of corporations, whether large or small, to the total tax revenue does not exceed 10%; while there is also much to be said about the different types of taxes which Egypt does not adopt, however this is not the time for such a discussion. I would like to note too that taxation is one of the reasons behind the gap between the rich and poor, and it is important enough that it should be addressed in the future. There are more reasons that support the need for reviewing taxation. The current crisis will require exceptional public expenditures; thus, it will be important to look for additional revenue sources to cover the extra expenditures, and if we learned something from the current crisis, we should be directing more funds for health, education and other services. In this regard, I would like to mention a very important element that can help free up fiscal space to help the government deal with the current crisis and provide the needed assistance to its citizens. As we have seen, the US stimulus package put cash, billions of dollars, directly in the pockets of citizens, which is not a dreamlike or idealist idea; it was even adopted in a market economy. In this regard, and back to the fiscal space issue, I would like to point to an important recommendation made by Oxfam regarding debt relief, re-negotiating debt service payments or debt forgiveness, especially for developing countries. If the Egyptian government is to re-negotiate with creditors, which is now a globally accepted idea, and if it was granted a debt service moratorium, such as delaying of 50% of the interest payments, [inaudible at 00:58:58] this will make available \$9-10 billion for the Egyptian government that can be used towards providing income to those living in Manshiyat Nasser or in rural Assuit or Sohag and fund healthcare. While I believe that there is a consensus on the need to increase health expenditures in general, however, there is a need to review the priorities to ensure the effectiveness and efficiency of the expenditure; priorities should be given to protecting medical workers and making available the necessary equipment and supplies for combating the virus and provide treatment. I would like to conclude by saying, that the fire that we are trying to extinguish is not a small fire, but rather a rampant large one. There is a common adage that it is during major crisis that major change happens; in time of crisis, we should review policies and make drastic changes, as such changes do not happen in regular circumstances, they happen when it becomes apparent that there is a big problem, and it needs addressing.

El-Sherei: I would like to conclude by reiterating that while we differ on some points, yet we agree on numerous ones. I differ with you on the issue of taxes, namely the level of the collected tax revenue, which I do not think is very low. We have done a study comparing tax rates and total tax revenues in Egypt to other countries, and we concluded that the problem lies primarily in the efficiency of the collection system, as the system fails to collect taxes from individuals or corporations; the tax rates can also be reviewed for adjustment. However, we agree on many issues, among which is the need to set clear priorities for resuming economic activities, and that the current crisis is creating both a supply and a demand shock to the economy, and I would add a confidence shock; there is nothing we can do about the demand shock, and this has bearings on deciding which industries to resume. We agree with Mr. Samy that the current lockdown is something in between, neither a total lockdown nor a full opening of the economy. Perhaps in current context, where tradeoffs are unavoidable, we need to give priority to some industries over others so that people can continue to survive for a longer time period, until hopefully this issue will be cleared. I enjoyed the discussion with you and Mr. Samy and wish you and everyone good health and wellness.

CIPE: I would like to thank you all for today's discussion. I would also like to add my personal thanks as I have benefitted a lot from the discussion. Thank you, Aly, for moderating the discussion, and thanks to Mr. Samy and Mr. Gamal for your insights and providing us with a more clear, comprehensive and accurate picture We appreciate your time and participation.



Sherif Samy is an experienced executive and advisor in the areas of investment, financial markets and corporate governance. He serves as non-executive chairman of a real estate asset management company, chairman of the Egyptian FinTech Association, in addition to being a board member of the National Investment Bank, the Universal Health Insurance Authority, a large commercial bank and a number of companies in the education, private equity and capital market sectors. Sherif has most recently completed a four-year term as head of Egypt's independent non-banking financial regulatory authority (FRA). He served on the board of the Central Bank of Egypt (2017 – 2013), the country's National Payment Council. Starting from 2007 he was appointed for several consecutive terms to the board of the investment promotion agency (GAFI).



Wael Gamal is a political economist, columnist, and researcher, Gamal has 18 years of experience as a journalist working for Al-Alam Al-Youm, Al-Ahram Weekly, Reuters, CNBC Arabic TV channel, BBC Arabic Service, and others. In October 2008, he cofounded the Egyptian daily newspaper, Al-Shorouk, where he was first head of the economy desk, then managing editor from October 2009 to October 2013. He later became Al-Shorouk's director of planning and training and senior economic reporter between October 2013 and February 2015. Gamal then moved on to become a journalism trainer with the Thomson Reuters Foundation and the BBC Trust. Between 2014 and 2016, he was the principal trainer of Thomson Reuters' Wealth of Nations project for investigative journalism in North Africa. More recently, with Salma Hussein, Gamal translated Thomas Piketty's Capital in the 21st Century into Arabic, which was published in June 2016. He was the editor of a volume (in Arabic) entitled The Egyptian Economy in the 21st Century published by Dar Al-Maraya in 2017.

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