

**Policy Position Paper By
the Egyptian Junior Business Association on**

DIGITAL TRANSFORMATION & ITS IMPORTANCE TO YOUNG ENTREPRENEURS

June 2020



** This paper includes the key points and takeaways from the Egyptian Junior Business Association (EJB) meeting on May 14, 2020*

RESPONSIBLE ENTITIES:

- * The House of Representatives
- * The Cabinet
- * The Ministry of Communications and Information Technology
- * The National Telecommunications Regulatory Authority
- * The Ministry of Planning and Economic Development

CURRENT STATUS OF DIGITAL TRANSFORMATION & THE TELECOMMUNICATIONS MARKET IN EGYPT

- * Ranking in the 2019 Global Competitiveness Index: Egypt ranked 106th out of 141 countries
- * Internet users: approximately 47% of Egyptian adults
- * Mobile phone internet subscriptions: 54% of the total population
- * Landline internet subscriptions: 6.7% of the total population
- * High-speed fiber-optic internet subscriptions are virtually nonexistent
- * There are four large telecommunications companies—providing phone and landline and mobile internet services—competing in the Egyptian market.
- * The National Telecommunications Regulatory Authority, which is affiliated to the Ministry of Communications and Information Technology, is the body responsible for regulating the telecommunications sector.
- * Prime Ministerial Decree No. 51 of 2020 expanded the mandate of the Ministry of Communications and Information Technology to include all the automation and digital transformation competences of the Ministry of Administrative Reform (formerly, the Ministry of Administrative Development).

- * The Ministry of Planning and Economic Development is implementing the plan for the digital transformation of government services. The phased plan aims at linking all government agencies through a unified data sharing system, as well as automating all government units.
- * Egypt took serious steps toward shifting to an electronic payment system and cashless economy; Law No. 18 of 2019 was issued to regulate the use of non-cash payments, more so, the Central Bank of Egypt has launched several initiatives to broaden the scope of electronic payments.

EGYPT'S DIGITAL ECONOMY: CHALLENGES AND PROBLEMS

The COVID19- pandemic has been an eye-opener in terms of unveiling the challenges and problems related to the digital economy in Egypt; issues became more apparent during the full or partial shutdown of operations when the majority of sectors of the economy needed to use advanced technology and communication programs. Among the key challenges and problems are the following:

- * **A weak digital culture:** Users are not accustomed to the use of information and communications technologies in conducting business and economic activities.
- * **A resistant bureaucracy:** The majority of government employees remain unenthusiastic and reluctant to use advanced technology tools in carrying out their functions. Resistance to digital transformation may be attributed to fear of job loss or reduced levels of administrative competences, which ultimately may result in losing privileges. Additionally, government institutions continue to operate in a silo when it comes to digital transformation— there is no meaningful sharing of databases among the various government entities.
- * **Weaknesses in the infrastructure serving the communication and data transmission network:** The network does not reach all areas in the country, particularly rural areas; the network suffers from many deficiencies, including breakdowns, disruptions, recurring inconsistency in service quality, a very sharp drop in speed during peak hours, and poor customer service and technical support. These deficiencies result in significant financial losses, slow growth, and reluctance to embrace a full-scale shift to a digital economy as companies suffer from significant disruptions in their operations that heavily rely on communications and internet services.
- * **Absence of real competition:** The current weaknesses in the communication network infrastructure is largely due to the absence of real competition in the telecommunications market. Although there are four large companies operating in the phone and landline and mobile internet market, in practice, they do not all enjoy the same privileges and resources. On the one hand, the terrestrial network, which all other companies rely on to provide terrestrial internet services, is almost entirely owned by Telecom Egypt. On the other hand, the state owns most of the shares of Telecom Egypt, as well as shares in the other companies, both directly and indirectly. This situation practically impedes any real competition between the companies; real competition is necessary for bringing about a quantum leap in the quality and reach of communication services, which provides a strong foundation for the launch of the digital economy.

- * The formulation of a supportive legislative framework is proceeding slowly: Delays in putting in place the proper framework are impeding the pace of transformation to a digital economy and the use of digital applications. This in turn is hindering the acceptance of the digital culture and the normalization of the use of digital technologies in conducting business operations, electronic payments, e-commerce, or dealing with government institutions.
- * An ineffective oversight body: In most cases, many of the complaints submitted by users to the National Telecommunications Regulatory Authority are either not addressed, or no decisive action is taken against the service provider; the oversight body does not exert enough pressure on the service providers to improve the quality of services provided.

RECOMMENDATIONS

LEGISLATIONS, SYSTEMS, AND REGULATIONS

- * Obligate all government agencies to adopt and broaden the use of the electronic signature for natural and legal persons, and to accept such signature in all transactions and services performed by these government agencies.
- * Obligate all banks to activate internet banking services so that most banking operations can be executed through online applications.
- * Strengthen the independence of the National Telecommunications Regulatory Authority, and provide it with more authority to hold technology companies accountable, especially large telecommunications companies.
- * Grant tax incentives to telecommunications and information technology companies to increase their competitiveness and enable them to provide their services at reasonable prices to users.

INFRASTRUCTURE

- * Establish annual targets for the telecommunications sector, with an eye on reaching global rates in terms of availability, spread, speed, and quality of services.
- * Create a highly competitive environment in the telecommunications market to promote fair and equal opportunity for all service providers; this in turn will assist with accelerating the pace of network modernization.

DIGITAL CULTURE

- * Design and implement a national plan to build awareness regarding digital transformation, and facilitate the use of internet applications for all segments of society. The COVID-19 crisis presents a good opportunity to change the digital culture, as companies and businesses are now forced to expand their use of the internet, communication applications, e-commerce, and electronic payment.

- * The government should embrace a data-driven decision-making approach to accelerate the adoption of digital transformation by state institutions.
- * Continue supporting the efforts undertaken by educational institutions to narrow the digital divide among students; closing the gap will create a generation that can absorb the digital transformation and contribute to its rapid spread.
- * Expand the scope of training in programming and application manufacturing and management to meet the labor market needs for technology professionals.

E-GOVERNMENT

- * In the context of the undergoing efforts of unifying government data management to be under the umbrella of a single agency, and in order to coordinate the interaction between the various government entities and the private sector, it is recommended to establish flexible and effective rules for sharing data.

- * Develop the administrative structure of the state so that duties are redistributed among government employees according to the unified system of e-government, and every government employee is assigned a digital identification card.
- * Implement intensive rehabilitation and training programs for government employees to accelerate their integration into the e-government system.
- * Provide support to local firms working in the digitalization industry and build incubators for small businesses to enable them to produce globally competitive products.

DIGITAL TECHNOLOGY COMPANIES

- * Expand the investment flows to promising digital technology companies, and create business incubators to support small companies and enable them to produce local products that can compete with global brands.