

## UN EGYPT COVID-19 INSIGHTS SERIES

# AGRI-FOOD AND COVID-19 IN EGYPT: ADAPTATION, RECOVERY AND TRANSFORMATION

No. 10/2020

### 1. Overview

In the framework of the “Inclusive Green Growth in Egypt” project implemented by UNIDO and funded by the Swiss Development Cooperation (SDC), UNIDO has conducted a rapid qualitative assessment of the key bottlenecks in Egypt’s food system (with a focus on food processing and SMEs) and the impact of COVID-19 through semi-structured interviews with key national stakeholders and subject-matter experts. Accordingly, recommendations for interventions to support the adaptation, recovery and transformation of Egypt’s agri-food sector and particularly its SMEs were developed.

### 2. Key vulnerable groups or sectors in focus

Although global food markets appear robust with abundant stocks, collapse in demand and disruptions in supply, production and trade, limited finance, unsustainable production and consumption patterns, infrastructure weaknesses together with increasing food access issues due to loss of critical income sources may jeopardize the safe and continuous supply of food, which is essential for the sustainability of livelihoods and businesses. Without focused attention and dedicated response measures, the combined effects of COVID-19 and the emerging global recession could disrupt the functioning of food systems. Egypt’s agri-food system, considering both agriculture and food processing as well as related input and trade systems, contributes by 24.5% to the country’s GDP and by 23.2% to Egypt’s labour value added (IFPRI, 2018). Agriculture is a major source of wage- and self-employment for women, especially in rural areas. The food and beverages industry is Egypt’s second top industry by manufacturing value added, the first by manufacturing employment, and the third by manufacturing exports. ([UNIDO Industrial Analytics Platform](#))

### 3. Key insights from the knowledge product

While it is essential to mitigate the current negative impacts of COVID-19 in order to ensure continued production in the short-term, it is equally vital to start planning for the market restructuring and post-crisis growth in order to support the recovery and transformation of Egypt’s food system in the medium and long terms, making it more inclusive, sustainable and resilient (UNIDO, 2020c; UNSG 2020).

COVID-19 is magnifying pre-existing weaknesses in Egypt’s agri-food sector, in addition to bringing about new challenges and opportunities. Although the pre-existing weaknesses are well known, a comprehensive understanding of the issues that Egypt’s agri-food enterprises, especially SMEs, face is paramount to devise response measures tuned to the characteristics and needs of the sector.

Critical areas for ensuring the market functioning (i.e. supply, demand, labour, production, and finance) were investigated and, in each area, several bottlenecks (pre-existing weaknesses and COVID-19 induced threats) identified as follows:

- Supply
  - Low level of consistency of the quality of domestic inputs
  - Reliance on imported raw materials, intermediate goods and packaging
- Demand
  - Mild export contraction of both fresh and processed products (Q1 2020)
  - Drop in demand for food by the HO.RE.CA (hotels, restaurants, cafés) sector
  - Inadequate infrastructure capacity and logistics services
- Labour
  - Lack of qualified labour force domestically
- Production
  - Factories operating below capacity
  - Drop in sales and revenues
  - Difficulty in sustaining labour and input costs
  - Weak managerial capacities and lack of standard operating procedures (SOPs)
  - High level of losses and waste along the food value chain
  - High water and energy consumption, GHG emissions
  - Food safety
  - Gaps in regulations and legislations
  - Limited institutional capacity to provide upgraded knowledge and services
- Finance
  - Insufficient flexibility in lending and repayment conditions
  - Limited agri-food know-how in the financial institutions and perception of agri-food sector as high risk
  - Insufficient info and knowledge on financing
  - Lack of adequate business plans / accounting systems

#### 4. Policy Implications

Because of its strategic importance and the presence of the key bottlenecks mentioned above, the agri-food sector deserves focused attention when planning interventions to respond to the economic crisis of COVID-19 in order to capture opportunities domestically and abroad. In addition to measures to mitigate the immediate shocks, relief and stimulus packages should include targeted measures to enable Egypt's food system undergo a certain degree of structural change and reorientation.

Based on the rapid qualitative assessment of the key bottlenecks and review of the fiscal and financial measures enacted by the Government of Egypt, interventions to support the adaptation, recovery and transformation of Egypt's agri-food sector and particularly its SMEs are recommended. The recommended interventions include

different types of measures and instruments, i.e. information and advice, economic instruments, regulations / legislations. To be successful, they require close collaboration between policy makers, support institutions representing/governing the sector, and the private sector building on the positive examples of collaboration already observed during the COVID-19 crisis.

Acknowledging the SMEs' contribution to Egypt's agri-food sector, out of the long list of recommended interventions, a short list of priority interventions targeting SMEs in the short (1 year) and medium term (3 years) is developed. The priority interventions aim at increasing the resilience and competitiveness of SMEs and leveraging their ability to innovate and adapt to changing market dynamics, nature of supply and demand and nature of competition. The interventions address internal and external challenges that agri-food SMEs face as a result of either pre-existing weaknesses or COVID-19 induced threats.

- Supply & Demand
  - Quality assurance and control
  - Market intelligence (local and export markets)
  - Branding
  - Roadmap for local manufacturing
- Production
  - Risk management, emergency preparedness and SOPs
  - Strategic planning and operation optimization
  - Productivity, competitiveness and resource management
  - Food safety for local and export markets
- Labour force
  - Career guidance and skill development / upgrading
- Finance
  - Dedicated financial products and services
  - Bankability of SMEs

## 5. Programmatic relevance

The recommended interventions have been discussed and reviewed with the interviewed stakeholders and subject-matter experts. They are directed to policy makers, business support organizations and industry representative bodies, the private sector, as well as international organizations, and serve to support them in the development of impactful interventions. The recommended interventions are indicative and not by any means exhaustive. Their implementation would require in-depth analysis and planning. Nonetheless, the key bottlenecks analyzed and the interventions recommended form the basis for the development of programmatic support and policy measures.

## 6. Partners and Donors



**COVID-19  
RESPONSE**



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The report was prepared in the framework of the “Inclusive Green Growth in Egypt” project implemented by UNIDO and funded by SDC. It was developed in coordination with the Rome-Based Agencies in Egypt (FAO, IFAD and WFP), and benefitted from the invaluable insights by industry representative bodies, business and financial support institutions, and subject-matter experts.

**7. Link to the full knowledge product:**

[https://www.unido.org/sites/default/files/files/2020-09/IGGE\\_Agrifood\\_and\\_COVID19.pdf](https://www.unido.org/sites/default/files/files/2020-09/IGGE_Agrifood_and_COVID19.pdf)

**8. Name and email address of a focal point for the knowledge product**

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