

Digital transformation: a step forward amid the exceptional circumstances ordained by the spread of the global pandemic COVID-19

Hadia El Beshry - Senior Associate - Corporate Structuring
- Cairo

Amr Hamdy - Senior Counsel - Corporate Structuring
a.hamdy@tamimi.com



Introduction

Over recent years, the Egyptian authorities have endeavoured to penetrate the digital world and provide governmental services through the internet and cellular phone applications to facilitate a more efficient and less time consuming service.

Law No. 72 of 2017 known as the 'New Investment Law' explicitly mandated the necessity of resorting to new technologies in providing services to investors. In that respect, the Governmental Authority for Investment and Free Zones ('GAFI') adopted various initiatives that aim to use technology such as providing selected services through the internet.

Attempts by the authorities to enter the digital world were distinct, aiming to break the monotony of executive routine and lift bureaucratic burdens that are weighing on investors and individuals dealing with governmental authorities. However, it was the outbreak of COVID-19 that forced several Egyptian authorities to take further measures to enforce and activate exceptional mechanisms to provide remote services to their intended audience.

Digitalisation measures

The Tax Authority, Financial Regulatory Authority ('FRA') and GAFI were among the most prominent governmental authorities that undertook the digitalisation of their services.

1. Tax Authority

The Tax Authority had taken effective measures prior to COVID-19, allowing tax declarations to be submitted remotely on several portals including mobile applications as well as providing cloud storage spaces for individuals to securely save all relevant information to tax files. Tax files may be accessed at any time and managed proactively by the individual as well as the Tax Authority's officer, thereby allowing greater flexibility and efficiency.

These measures are considered fundamental during the current circumstances in order for taxpayers to submit tax declarations without the need to personally visit the Tax Authority as the regular process would usually require.

2. Financial Regulatory Authority

Upon the issuance of the Prime Ministerial Decree No. 606 of 2020, by virtue of which the Government suspended all group activities and mass gatherings (the 'Prime Ministerial Decree'), the Chairman of the FRA issued a statement urging listed companies and companies working in financial non-banking activities to put in place effective electronic systems that would enable their shareholders to vote remotely during the general assembly meetings.

The Chairman of the FRA also explained that the Prime Ministerial Decree required the concerned authorities to enforce the relevant provisions provided in the Companies Law No. 159 of 1982 (the 'Companies Law') which allow listed companies to use electronic voting systems for the purposes of their Ordinary General Assembly meetings and Extra Ordinary General Assembly meetings.

3. Governmental Authority for Investment and Free Zones

Currently, GAFI permits companies to be established online by submitting all required documents through a dedicated portal for incorporation processes. The previous process for company incorporation and establishment required the physical presence of the founders' agent at GAFI in order to personally submit all documents in addition to attending a review by the relevant officer of such documents. Said process could take up to a week and require several visits to GAFI.

To facilitate the incorporation process, GAFI had also permitted the use of electronic signatures in accordance with Law No. 15 of 2005 regulating the use of electronic signatures. However, the documents would then still need to be submitted physically to GAFI, which made the use of said electronic signature redundant.

In the wake of COVID-19 and following in the FRA's footsteps, GAFI's Chairman issued a decision regulating the convening of general assembly meetings remotely. This decision complements the Prime Ministerial Decree, which allowed for board of directors' meetings and general assembly meetings (whether ordinary or extra ordinary) to be convened remotely via new telecommunication means (audio or video are admissible), subject to their conformity with the Companies Law and the New Investment Law. This is the first time in GAFI's history that non-physical attendance in general assembly meetings has been permitted.

GAFI's Chairman's decision further provided that companies should put in place effective means for shareholders, managers, members of the board of directors to vote, as the case may be.

As for the minutes of meetings and relevant documents, they should be signed and submitted to GAFI on a combined disc (CD) for notarisation. Additionally, GAFI's Chairman's decision also mandated that said

minutes should be submitted through an internet portal. However, given the rapid change in the means of submission of documents for notarisation the portal lacks the practical means of review and is yet to be an effective alternative to physically attending GAFI for notarisation.

Given the measures taken by the Government to slowly resume work as usual while enforcing physical distancing measures, GAFI has further introduced a system, through its website, whereby individuals can reserve appointments for specific time slots to visit GAFI. Once the appointment is confirmed, the appointment holder is required to arrive 15 minutes prior to the designated time slot in order to be medically examined and sanitised. While this initiative minimises the risk of contagion and spreading of the virus, it is not a sustainable course of action as it limits the services that may be provided due to time and capacity constraints.

Conclusion

The Authorities' efforts aim to facilitate a targeted transformation as is practicable under the current circumstances as well as pave the way for further development during and post COVID- 19 times. However, in many cases, such as processes where physical identification is required, they remain unused. Services provided by the Notary Public for instance would require this form of identification. The latter may be substituted by an electronic signature which again suffers the same obstacle of required physical submission.

GAFI, which is known as a 'one stop shop' for investors providing services to various ministries, is considered a leader in revolutionising governmental services. Services provided by the Commercial Chamber, the Commercial Register and others requiring a decreased level of formality are likely to be considering following a similar path of digitalisation in the near future.

Digital transformation of governmental services is considered to be at an early stage of implementation however, solid steps have put the Egyptian Authorities on the right track for further change.

For further information, please contact [Ayman Nour \(a.nour@tamimi.com\)](mailto:a.nour@tamimi.com) or [Hadia El Beshry \(h.elbeshry@tamimi.com\)](mailto:h.elbeshry@tamimi.com).