



Case Title:

CLA Applied to NPI: The Case of FinBi, Egypt

Name:

Ingi Lotfi and Michael Trueblood

Organization:

USAID/Egypt Office of Economic Growth



FinBi's Partnership with a Local Incubator, photo of USAID/Egypt

Summary:

This very big success story shows what can happen when USAID takes a patient CLA approach to building up and supporting a local partner over several years. Through an on-going focus on collaboration and learning and explaining USAID's processes for the local partner, FinBi, they gradually learned and adapted their business processes and became a highly effective partner.

In early 2020, USAID/Egypt's Office of Economic Growth was looking to establish a "bridge" activity that could support recently established business incubators. The AOR successfully shepherded a proposal from FinBi, previously only a subcontractor, called the Sustainable Services Activity (SSA) for approval and award. FinBi hit some initial bumps as the lead firm, but quickly learned some lessons and showed marked improvement in its performance over time. Later, when a key Government agency wanted to work with a trusted local partner to support institutional reform efforts, the agency went to FinBi. The firm developed a very strong proposal with a good theory of change linked to the Mission's CDCS and included an MEL approach with excellent indicators. When the Mission Director and OAA Director heard that FinBi had a new idea to support MSMEs, they both responded enthusiastically that USAID should absolutely consider it since they were a great local partner! FinBi submitted a proposal in collaboration with the agency that was like night and day -- amazingly strong on the first attempt and garnered immediate support.

The organizational transformation over the last three years to one that is highly effective has been truly impressive!

1. WHAT: What is the general context in which the case takes place? What organizational or development challenge(s) or opportunities prompted you to collaborate, learn, and/or adapt?

For the last several years, USAID/Egypt has been trying to build up the startup and innovation space. Surprisingly, startup activity began to flourish in Egypt in the chaos following the political revolutions that occurred in 2011 and 2013. USAID/Egypt began to support these nascent activities through startup weekends, competitions, and support to incubators, accelerators and angel investment. One local firm, FinBi, served as a sub-contractor on the USAID Strengthening Entrepreneurship and Enterprise Development (SEED), which ended in 2020. As the Mission began to design follow-on activities, there were renewed calls from Washington to redouble our efforts to strengthen local partnerships, such as the New Partnership Initiative (NPI). Since the local company, FinBi, was a subcontractor under SEED, USAID/Egypt decided to take a calculated risk and sign a follow-on activity with them to continue the support to the nascent entities established and supported during the SEED project to ensure their sustainability during the COVID era. This was the first time for FinBi to be a prime awardee with USAID for a project that would serve as a bridge to a much larger follow-on activity.

2. What two CLA Sub-Components are most clearly reflected in your case?

Mission Resources

Relationships & Networks



3. HOW: What steps did you take to apply CLA approaches to address the challenge or opportunity described above?

Due to extenuating circumstances related to a backlog of procurements, the Office of Economic Growth knew there would likely be a gap in programming for a follow-on activity. We were concerned about the stability of a few new incubators and business development centers that we had established under the USAID Strengthening Entrepreneurship and Enterprise Development (SEED) activity. We wanted to design a bridge activity that focused on providing limited technical assistance to strengthening some of the newest, most “wobbly” incubators. The AOR expert in this area began to sell her idea of providing limited TA to FinBi -- first to the Economic Growth Office management, then the Office of Acquisition and Assistance (OAA), then Program Office, then the Front Office. She successfully convinced everyone that this was a good idea and found funding for it (two years, \$4.5 million). During this time period, COVID-19 struck and the Mission began to telework. Many local firms were struggling during this economic slowdown. The AOR added a component to the SOW allowing the activity to support SMEs struggling with COVID-19. Later the AOR successfully shepherded a proposal from FinBi called the Sustainable Services Activity (SSA) for approval and award.

FinBi hit some initial bumps as the lead firm this time, but quickly learned from their lessons and showed marked improvement in its performance over time. A year later the Government of Egypt announced that it was hosting COP27. By this time, the activity was really hitting its stride. SSA had been supporting the Youth Entrepreneur Network (YEN). YEN leaders quickly decided they wanted to hold a pitching contest for climate-related start up. The idea quickly took off and SSA began planning for it. The Government heard about the planning, and asked them to expand to international startups. Due to budget constraints, SSA had to hand this off to the Mission’s new activity, Business Egypt. In a model of inter-activity cooperation, the YEN climate startup competition ended up being a major success at COP27 with three GOE ministries involved and claiming credit.

Then the Micro, Small, and Medium Enterprise Development Agency (MSMEDA), the GOE agency responsible for entrepreneurship and MSMEs, approached USAID and wanted to discuss a new proposal involving sensitive GOE issues related to the restructuring and modernization of the agency. Due to FinBi’s past experience in restructuring, the head of MSMEDA requested that FinBi provide this assistance. This request for assistance was a big deal for us because of the important role the agency should play for the development of MSMEs but unfortunately was not playing it due to capability and political issues. When the Mission Director and OAA Director heard that FinBi had a new idea for another activity to support MSMEs, they both responded, “We should absolutely consider them, they have been a great local partner!” FinBi submitted a proposal in collaboration with MSMEDA.. This time the proposal from FinBi was like night and day -- amazingly strong on the first attempt. Everyone in the support offices favored it immediately.

It was clear that FinBi internalized an adapting and learning approach learned and adapted its manuals as a result of implementing the previous SSA project. The proposal had a good theory of change, explained how it was related to the CDCS, included an MEL approach with indicators, and clearly described the activities that will be undertaken to modernize MSMEDA. Due to the great proposal and FinBi’s understanding of USAID regulations, the planning phase took less than 4 months. The Cooperative Agreement is expected to be signed in June 2023.

4. RESULTS: Choose one of the following questions to answer.

We know you may have answers in mind for both questions; However please choose one to highlight as part of this case story

B. ORGANIZATIONAL EFFECTIVENESS

USAID's efforts to support local partners goes back several years now. This very big success story shows what can happen when USAID takes a patient approach to supporting a local partner over several years. Through an on-going CLA model of explaining USAID's processes and expectations to the local partner (FinBi), the partner was able to slowly adapt and learn. As noted above, when a key Government agency wanted to work with a trusted local partner to support institutional reform efforts, they went to FinBi. FinBi by this time had become a very effective local partner for USAID/Egypt. The firm developed a very strong proposal with a good theory of change, explained the relationship to the Mission's CDCS, included an MEL approach with indicators, and clearly described the activities that will be undertaken to modernize MSMEDA. The organizational transformation over the last three years to one that is highly effective has been truly impressive!

Some of the biggest improvements occurred with the adoption of a theory of change with a good set of indicators to show progress and success of various activities. This was a point of conflict between the SSA AOR on the one hand and the SSA COP and FinBi President on the other to the extent that the AOR almost requested the termination of the cooperative agreement with FinBi. At that time, it was obvious that FinBi was not fully aware of the importance of indicators and how they relate to USAID's objectives. The draft MEL plan and the set of indicators included in FinBi's recent proposal was a great surprise to all of us. It showed a significant improvement in FinBi's understanding of monitoring and evaluation. The proposal not only included a MEL plan, but also an approach to collaboration, learning, and adaptation.

5. ENABLING CONDITIONS: How have enabling conditions - resources (time/money/staff), organizational culture, or business/work processes - influenced your results? How would you advise others to navigate any challenges you may have faced?

Several conditions and issues affected the trajectory of the successful emergence of FinBi as a strong local partner. Several factors contributed positively. For example, the Agency was emphasizing the New Partnership Initiative when FinBi was being considered for a local partnership, so OAA was looking for suitable local partners with good potential. Another important factor was COVID-19. The Mission was searching for creative and tangible solutions that could help local businesses suffering from the economic distress of COVID-19, and the FinBi proposal was opportunistic in this sense. Additionally, FinBi's good reputation as a local company that had been a subcontractor to USAID projects was also important. Although it had never been a prime contractor, being a subcontractor was helpful to USAID issuing a cooperative agreement to implement the SSA project, which later facilitated the decision to work with them again to implement the new, more challenging project, STEP activity.

On the other hand, this effort did run into some obstacles. Identifying financial resources has been a challenge to consider the new proposal from FinBi. However, due to the importance of the proposed program description for MSMEs' development, USAID reallocated some funds from existing projects to FinBi's proposal. Additionally, some staff members were overloaded, so sometimes it was a challenge to complete the paperwork necessary to sign the cooperative agreement. The importance of the proposed application led the activity planning team to give it the highest priority and the GLAAS action was finalized.

To conclude, we would advise others to not give up and be patient if you believe in the potential of the local partner!