



USAID
FROM THE AMERICAN PEOPLE



**ASSESSMENT OF USAID/EGYPT ESTABLISHED
AND SUPPORTED ECONOMIC INSTITUTIONS
FROM 2000 – 2020**

PHASE II REPORT

March 2022

This publication is made possible by the support of the American people through the United States Agency for International Development (USAID) and was prepared by Integra Government Services International LLC for the Learning, Evaluation, and Analysis Project (LEAP III).

ASSESSMENT OF USAID/EGYPT ESTABLISHED AND SUPPORTED ECONOMIC INSTITUTIONS FROM 2000 - 2020

PHASE II REPORT

Contract Title: LEAP III: Learning, Evaluation, and Analysis Project

Contract Number: GS-10F-083CA / 7200AA18M0004

Activity Number: LEAP III 2020 – 1009.1052

Submitted: March 2022

Contractor: Integra Government Services International LLC
1156 15th St NW, Suite 800
Washington, D.C. 20005

USAID Office: USAID/Egypt

COR: Katie Qutub, kqutub@usaid.gov

Photo Credit: **Left Photo:** Loaded containers stacked on top of a cargo ship sailing in a canal, Suez Canal, Red sea, Egypt | Photographer: Camille Delbos for iStock Photo

Center Photo: Close-up of Egypt currency (50 piastres banknote) and 5 qirsh coin | Photographer: Marzia Camerano for Getty Images

Right Photo: Sunset over the Nile in Cairo downtown, Egypt | Photographer: [Alex Anton](#) for Shutterstock

DISCLAIMER

This report is made possible by the support of the American people through USAID. The authors' views expressed in this publication do not necessarily reflect the views of USAID or the United States Government.

TABLE OF CONTENTS

LIST OF TABLES	2
LIST OF FIGURES	2
ACRONYMS	3
ACKNOWLEDGMENTS	7
EXECUTIVE SUMMARY	8
1. INTRODUCTION	13
2. METHODOLOGICAL APPROACH	15
3. SUMMARIES OF THE PHASE II CASE STUDIES	18
4. KEY FINDINGS	25
5. RECOMMENDATIONS	34
ANNEX I: PRIVATE SECTOR CASE STUDIES	38
ANNEX II: PUBLIC SECTOR CASE STUDIES	60
ANNEX III: NGOs AND SERVICE PROVIDERS	84

LIST OF TABLES

TABLE 1: USAID’S EFFECT ON OPERATIONAL AND FINANCIAL SUSTAINABILITY	9
TABLE 2: PHASE II INSTITUTIONS	13
TABLE 3: NUMBER OF KI INTERVIEWS BY INSTITUTION	15
TABLE 4: NUMBER OF GROWERS TRAINED BY THE PREMIUM PROJECT, 2011–2017	47

LIST OF FIGURES

FIGURE 1: EGYPT’S EXPORT OF SELECTED FRESH VEGETABLES, 1995–2020 (IN MT)	54
FIGURE 2: EGYPT’S FRESH FRUIT EXPORTS, 1995 TO 2020 (IN MT)	55
FIGURE 3: EGYPT’S EXPORT REVENUES FOR SELECTED VEGETABLES, 1995-2020. (IN MILLION USD, NOMINAL TERMS)	56
FIGURE 4: EGYPT’S REVENUE FROM FRUIT EXPORTS, 1995-2020 (IN MILL. USD, NOMINAL TERMS)	56

ACRONYMS

ABA	-	Alexandria Business Association
AEC	-	Agricultural Export Council (under the Ministry of Trade)
AECOM	-	Architecture, Engineering, Consulting, Operations, and Maintenance
AMAL	-	Advanced Marketing and Agribusiness Logistics
AOR	-	Agreement Officer's Representative
ASRT	-	Academy of Scientific Research and Technology
AT	-	Assessment Team (of LEAP III)
ATS	-	Agricultural Technical School
ATUT	-	Agricultural Technology Utilization and Transfer
AYB-SD	-	Alashanek Ya Balady Association for Sustainable Development
BE	-	Business Egypt
BEE	-	Business-Enabling Environment
BDS	-	Business Development Service
BoD	-	Board of Directors
BRC	-	British Retail Consortium
CBE	-	Central Bank of Egypt
CGC	-	Credit Guarantee Corporation
CLDP, CLDP II, & CLDP III	-	Commercial Law Development Program I, II, and III
COMTRADE Database	-	Common Format for Transient Data Exchange (IEE), UN Trade
COP	-	Chief of Party
COR	-	Contract Officer's Representative
CRM	-	Customer Relationship Management (software)
ECES	-	Egyptian Center for Economic Studies
ECP	-	Egypt Competitiveness Project

EGP	-	Egyptian Pound
ENCC	-	Egypt National Competitiveness Council
EOS	-	Egyptian Organization of Standards
ERAS	-	Egypt Rural Agribusiness Strengthening (of USAID)
EU	-	European Union
Fab Lab	-	shorthand for Fabrication Laboratory
FA	-	Farmers Associations
FAS	-	Foreign Agricultural Service
FDA	-	Food and Drug Administration (of the U.S.)
FinBi	-	Finance and Banking Consultants International
FSPU	-	Feasibility Studies and Public Private Partnerships Unit, (Ministry of Planning and Economic Development)
FSA	-	Food Safety Agency
GDA	-	Global Development Alliance
GIZ	-	Deutsche Gesellschaft für Internationale Zusammenarbeit, GmbH
GOE	-	Government of Egypt
GOEIC	-	General Organization for Export and Import Control
GlobalGAP	-	Global Good Agricultural Practices
GUC	-	Grants Under Contract
HEIA	-	Horticultural Export Improvement Association
HU	-	Heliopolis University (Estedama Incubator)
ICT	-	Information and Communications Technology
IFC	-	International Finance Corporation
IPRA	-	Intellectual Property Rights Assistance Project
ILO	-	International Labour Organisation
IPR	-	Intellectual Property Rights
ISIPPM	-	Integrated System of Investment Plan Preparation and Monitoring (Ministry of Planning and Economic Development)

IT	-	Information Technology
ITDA	-	Internal Trade Development Authority
KI	-	Key Informant
KII	-	Key Informant Interview
LEAP III	-	Learning, Evaluation, and Analysis Project (USAID)
M&E	-	Monitoring and Evaluation
MESR	-	Macro-Economic Stabilization and Reform (USAID)
MFIs	-	Microfinance Institutions
MALR	-	Ministry of Agriculture and Land Reclamation
MoETE	-	Ministry of Education and Technical Education
MoF	-	Ministry of Finance
MoSS	-	Ministry of Social Solidarity
MoTI	-	Ministry of Trade and Industry
MPED	-	Ministry of Planning and Economic Development
MRLs	-	Maximum (permissible) Pesticide Residue Limits
MSMEDA	-	Micro, Small and Medium Enterprises Development Agency
MSMEs	-	Micro-, Small-, and Medium-sized Enterprises
MT	-	Metric Tonne
MTC	-	Management and Training Corporation
MVP	-	Minimum Viable Product
NCBA/CLUSA	-	National Cooperative Business Association/Cooperative League, USA
NFSA	-	National Food Safety Authority
NGOs	-	Non-governmental Organizations
NRM	-	Natural Resource Management
OEG	-	Office of Economic Growth (USAID/Egypt)
PPIAF	-	Public-Private Infrastructure Advisory Facility
PPPCU	-	Central Public-Private Partnership Unit, Ministry of Finance
PPD	-	Public-Private Dialogue

PPP	-	Public-Private Partnership
SEB	-	Small and Emerging Business Project (USAID)
SEED	-	Strengthening Entrepreneurship and Enterprise Development (USAID)
SIPRE	-	Strengthening Intellectual Property Rights in Egypt
SME	-	Small and Medium Enterprise
SOP	-	Standard Operating Procedure
SSA	-	Sustainable Services Activity (USAID)
STTC	-	Short-term Training Courses
TA	-	Technical Assistance
TAPR & TAPR II	-	Technical Assistance for Policy Reform I and II (USAID)
TIPRE	-	Technical Assistance for Intellectual Property Rights in Egypt
TFP	-	Trade Facilitation Project (USAID)
TICO	-	Technology Innovation and Commercialization Office
TIDO	-	Trademark and Industrial Design Offices
ToT	-	Training of Trainers
TRADE	-	Trade Reform and Development in Egypt (USAID)
TVET	-	Technical and Vocational Education and Training
UNIDO	-	United Nations Industrial Development Organization
USAID	-	United States Agency for International Development
USD	-	United States Dollar
USDA	-	United States Department of Agriculture
USG	-	United States Government
USPTO	-	U.S. Patent and Trademark Office
VTEC	-	Vocational Training and Employment Center (ABA)
WE	-	Workforce Egypt (USAID)
WFP	-	World Food Program
WIPO	-	World Intellectual Property Organization
WISE	-	Workforce Improvement and Skills Enhancement (USAID)

WTO

- World Trade Organization

ACKNOWLEDGMENTS

The authors acknowledge the input of Ms. Ayat El Dersh (Project Management Specialist, Monitoring and Evaluation Area, Analysis Unit, USAID/OEG) and Mr. Tom DiVincenzo (Team Leader of the Analysis Unit, USAID/OEG) for their technical management of this activity and helpful guidance. In addition, five USAID/Egypt/OEG project officers provided technical input on numerous Egyptian institutions and USAID projects, key contacts for several important projects, and additional reading material: Rasha Hakim, Ingi Lotfi, Manal el Samadony, Mohammed Abo El Wafa, and Mohammed Abdel-Rahim.

This report would not have been possible without the expertise of Dr. John Holtzman (senior agricultural economist and institutional analyst), Dr. Mohammed Mossallam (economic development consultant), and Ms. Youmna Khalil (survey, and monitoring and evaluation expert). They conducted 40 interviews with Government of Egypt (GOE) agencies, managers of private entities, USAID project Chiefs of Party (COPs), Deputy COPs, and beneficiaries of USAID projects. The team appreciated the cooperation of the key informants and their willingness to answer questions. Dr. Holtzman is the lead author of this report, with Dr. Mossallam and Ms. Khalil developing three case studies each (Dr. Holtzman also developing three) and contributing text to the main body of the report. They also conducted all of the interviews where the Arabic language was required, and many that were in English.

The team would also like to thank Ms. Katie Qutub (LEAP III COR) of the Bureau for Development, Democracy and Innovation (DDI), David Quinn (LEAP III Project Director), who served as an advisor and editor; and the following Integra staff: Penelope Norton for administrative, formatting and editorial support, Theresa Miles for activity and budget management, and Jodi Schur for copy-editing.

EXECUTIVE SUMMARY

PURPOSE, OBJECTIVES, BACKGROUND

The purpose of this assessment is to identify, categorize, and assess the public and private institutions that were established, expanded their functions, or received general capacity strengthening from the United States Agency for International Development (USAID)/Egypt's Office of Economic Growth (OEG) from 2000 to 2020. A Phase I report was prepared as a broad inventory of Egyptian institutions that have received technical and capacity support from OEG since the late 1990s. Phase II provided a deep dive on nine case studies identified during Phase I, focusing on 1) the effect of USAID's interventions on operational and financial sustainability, 2) key drivers of USAID interventions, and 3) major sustainability challenges. This Phase II report summarizes key findings from nine case studies based on 40 interviews conducted from late September through early November 2021. The case studies included:

- **Private sector entities:** Alexandria Business Association (ABA), Esna Packhouse, and the Horticultural Export Improvement Association (HEIA).
- **Public sector entities:** National Food Safety Authority (NFSA), Public-Private Partnership (PPP) Unit at the Ministry of Finance (MoF), and Trademark and Industrial Design Office (TIDO).
- **Non-government organizations (NGOs) and service providers:** Business Development Services (BDS) centers, Egyptian National Competitiveness Council (ENCC), and Business Incubators.

The assessment team (AT) used qualitative methods to examine the effectiveness of USAID's support to the nine Egyptian institutions, assessing the short-term outcomes and medium- to longer-term impacts of on performance. Key lessons learned supporting institutional development and building capacity were identified. General lessons learned from the case studies and those specific to similar institutions were summarized. Finally, the team developed recommendations for USAID/Egypt OEG on future directions and priorities for institutional support and development.

KEY FINDINGS

EFFECT OF USAID'S INTERVENTIONS ON OPERATIONAL & FINANCIAL SUSTAINABILITY

The AT ranked the institutional support and their effect on sustainability using four categories:

- **Most Sustainable:** Used USAID technical assistance and grants very effectively and created significant revenue streams after USAID support ceased.

- **Partially Sustainable:** USAID support has been effective, but institutions are not yet fully staffed, or the capacity to generate revenue declined after USAID support ended.
- **Too Early to Tell, But Positive Signs:** Recently established institutions created or reorientated with USAID support and showing signs of future sustainability.
- **Mixed Results:** Efforts to retain staff and generate revenue compromised the road to sustainability.

TABLE 1: USAID’S EFFECT ON OPERATIONAL AND FINANCIAL SUSTAINABILITY	
Most Sustainable	<ul style="list-style-type: none"> ● The institutions which received the most USAID support over the longest period, HEIA and ABA, have become the most sustainable. ● HEIA has developed multiple revenue streams and member dues and provides valuable services, including the Perishables Terminal and HEIACert. ● Through 15 years of USAID/OEG assistance, the ABA has expanded from a modest microfinance provider in two governorates to a major microfinance loan provider with an annual profit of 200 million Egyptian pounds (EGP), 12.7 million United States Dollars (USD).¹
Partially Sustainable	<ul style="list-style-type: none"> ● The NFSA and Esna Packhouse are qualified as partially sustainable. ● NFSA is only in its fourth year of official existence but has accomplished many important tasks in developing a functional food safety agency (FSA) with USAID, the Foreign Agricultural Service of the United States Department of Agriculture (USDA/FAS), and other donor support. However, many challenges remain, especially training and upgrading NFSA’s inspection force. ● USAID support to the Esna Packhouse helped set up a produce collection center, strengthen into a packhouse with cold storage and transport, and assisted in negotiating contracts with export buyers. However, USAID support was terminated too abruptly in February 2018, and the packhouse became a breakeven operation as fewer contracts with exporters were negotiated.
Too Early to Tell, But Positive Signs	<ul style="list-style-type: none"> ● The recipient sub-institutions generally capitalized on USAID support to incubators and BDS centers to improve sustainability prospects. ● The non-bank financial services sector is nascent and emerging in Egypt, so alternative models of BDS centers and incubators are being piloted and tested for their potential to become sustainable. ● Not all of these sub-institutions are functional at this point, and most require additional USAID technical assistance (TA), training, and capacity-building to become fully operational and self-sustaining.

¹ All EGP to USD exchange rates were calculated using Google on December 30, 2021.

<p>Mixed Results</p>	<ul style="list-style-type: none"> • USAID support to the TIDO did not result in complete digitization of this important public institution, primarily due to inadequate buy-in of senior managers, too much turnover in management and staff, and incomplete conversion from a paper-based filing system to a digital one. • The MoF's PPPCU is a work in progress. While there have been relatively few PPPs consummated to date in Egypt, there is hope that USAID and other donor support will strengthen Egypt's capacity to identify potential PPP investments, do a rigorous analysis of costs and returns, and attract PPP investors. • Since the institutional support grants were terminated, the ENCC has continued to work with several donors, including USAID, through grants tied to projects, though there have been periods of uneven revenue flow. The ENCC may need to consider restructuring, expanding membership, and a creative fund-raising approach to restoring its performance.
-----------------------------	---

FACTORS IN THE CASES IN WHICH THE IMPACT/EFFECT OF USAID INTERVENTIONS HAVE BEEN SUSTAINED

- **Continuity of USAID support** across multiple project cycles, up to eight to ten years, has been essential to the sustainability of ABA, the Esna Packhouse, and HEIA.
- **Strong institutional leadership over many years, with minimal turnover.** Both ABA and HEIA have benefitted from strong leadership. For example, HEIA's leadership was able to identify and secure the necessary financing to build the perishables terminal to facilitate their growth and increase horticultural exports. Similarly, three senior managers have led the NFSA and its informal precursor in the Ministry of Trade and Industry (MoTI) since 2008. Early USAID technical assistance helped them create a shared vision.
- **A clear mandate and at least tacit support from the highest levels of the Government of Egypt (GOE).** Establishing the NFSA through the 2017 law and 2019 executive regulations required GOE approval and recognition that upgrading food safety in Egypt was a high priority for domestic consumers and ensuring international buyers that Egyptian exports were safe.
- **A satisfied membership or client base willing to pay membership dues and fees for high-quality and desired services.** The ABA has a strong base of microfinance clients in the lower-income segment, where they have an advantage over their competitors. This has led to satisfied customers and repeat business, which has increased the ABA revenues (from lending) and allowed the ABA to pursue other initiatives (e.g., creating a BDS Center and the Vocational Training and Employment Center - VTEC) that will take time to become self-sustaining.

THE PRIMARY CHALLENGES/OBSTACLES IN THE CASES IN WHICH THE IMPACT/EFFECT OF USAID'S INTERVENTIONS HAVE NOT BEEN SUSTAINED

- **USAID has not fully institutionalized costly Information Technology (IT) systems and software investments in Egypt.** IT systems require post-project support, as technology changes and systems require maintenance and periodic upgrades, and committed leadership to continue using new systems and training staff. For TIDO, USAID provided initial digitization support but did not secure a sustainability plan with buy-in from TIDO leadership to continue upgrading and implementing the new digital process. In addition, Customer Relationship Management (CRM) software systems and Infomatch tools for BDS centers and incubators were not sustainable because they were only introduced at the end of the Strengthening Entrepreneurship and Enterprise Development (SEED) Project and were not sustained.
- **Long gaps between USAID projects supporting institutional development can undermine the sustainability of USAID initiatives.** Long gaps between discrete USAID support for institutional development can hamper sustainability and lead to losing momentum because continuity of support was required. The Esna Packhouse is one example of managers reporting that USAID support ended too soon and abruptly, and assurances of follow-up project support were not realized. Following the closure of the USAID Premium Project (Premium) at the end of February 2018, Esna Packhouse throughput and operations declined.
- **Donor coordination remains a challenge.** Coordination across different donor agencies appears to have been weak in the case of the NFSA. One reason for minimal coordination is that each donor may have a different vision of what the NFSA should focus on in the short- to medium-term. The ENCC is another case where stronger donor coordination could have led to more continuous institutional strengthening of the ENCC.
- **The leadership management style of collaborating Egyptian institutions and turf battles over jurisdictional boundaries can affect project implementation effectiveness.** One possible adverse consequence of a strong top-down management style in public agencies is institutional rivalries that impede progress and undermine collaboration. Cross-agency coordination between the PPPCU and the newly established Feasibility Studies and PPPs Unit (FSPU) at the Ministry of Planning and Economic Development (MPED) has been less than ideal, in part due to institutional rivalries, unclear mandates, and the lack of qualified staff.
- **Staff turnover remains problematic.** Institutions, such as TIDO, have experienced high senior management turnover, which has slowed USAID project implementation and affected the commitment of counterpart public institutions to recommended reforms, innovations, and expansions of functionality. The ENCC experienced difficulties retaining talented senior

researchers and research associates, undercutting this NGO's ability to do strong technical work to inform public-private dialogue (PPD) and influence policy formulation.

CONCLUSIONS

A general conclusion of this assessment is that USAID should program enough resources over more than one project cycle to build institutional capacity that will be sustained once USAID support is completed. This is particularly important for public sector institutions. In some cases, following the end of some projects, service and maintenance agreements should be funded for several years so that computer hardware and software can be maintained, debugged, and upgraded, and facilities and equipment/machinery (provided to institutional beneficiaries) remain operational. While not a recommendation for creating an endowment, a final near end of project grant could be provided to put service and maintenance agreements in place.

Despite contracting delays, USAID has done well to follow up SEED, Workforce Improvement and Skills Enhancement (WISE), and Food Security and Agribusiness Support (FAS) with Trade Reform and Development in Egypt (TRADE), Business Egypt (BE), Workforce Egypt (WE), and Egypt Rural Agribusiness Strengthening (ERAS). These four OEG flagship projects provide a critical mass of USAID resources to continue institutional strengthening and capacity-building. The Macro-Economic Stabilization and Reform (MESR) adds public sector enabling environment and public finance/expenditure dimensions to this mix. Yet after multiple rounds of assistance, financial and operational sustainability remain elusive for many institutions, particularly those in the public sector. The many reasons for this are covered in this report. However, the relevant question for USAID/Egypt is at what point should Egyptian institutions or the GOE (in the case of public institutions) be expected to ensure their sustainability? MoF decisions about public sector budgetary allocations matter. USAID projects can lift public institutions to a higher level of performance in the short term. However, whether these upgrades are sustained by adequate public finance decisions or measures put in place to collect higher fees for services rendered (e.g., for permits and licenses issued) is beyond USAID's control.

I. INTRODUCTION

I.1 PHASE I ACHIEVEMENTS

USAID/Egypt requested that the Learning, Evaluation, and Analysis Project (LEAP III) assess USAID-established and supported economic institutions since 2000. The purpose of the assessment was to look back over USAID interventions from 2000 to 2020 and identify, categorize, evaluate, and analyze the public and private institutions that were established, expanded their functions, or received capacity strengthening from USAID/Egypt's OEG. The assessment was divided into two phases.

In Phase I, the assessment team (AT) conducted a comprehensive historical overview of OEG programming to identify the Egyptian economic institutions which were established or expanded functionality with USAID support or received general capacity strengthening from OEG. Key tasks for Phase One included:

- Creating a database of over 230 entries tied to a specific Egyptian institution that received USAID technical and capacity-building support.
- Mapping institutions that had received significant (typically multi-project) support from USAID/OEG following database development. Through a series of screening and prioritization steps, the ET arrived at a subset of these institutions to be considered for further study in greater depth in Phase II. Based on conversations with USAID/Egypt, ten institutions were selected. However, Technical and Vocational Education and Training (TVETs) were dropped at the implementation phase due to inadequate access to KIs.
- Drafting a report identifying the key achievements of USAID projects in supporting selected institutions.

In Phase II, the AT conducted a deeper-dive analysis of the selected institutions. The goal was to document key factors of sustainability, measuring effectiveness or ineffectiveness and continued existence of an institution and challenges to establishing/sustaining institutions encountered by USAID or the institutions themselves. To achieve this goal, the following research questions were developed:

- What was USAID's interventions' effect on the recipient institution's operations and financial sustainability?
- What are the driving factors in the cases in which the impact/effect of USAID interventions have been sustained to date?
- What are the main challenges/obstacles in the cases in which the impact/effect of USAID's interventions have not been sustained?

I.2 PHASE II INSTITUTIONS

Based on conversations with USAID/Egypt, ten institutions were selected for the Phase II analysis (see Table 2). Of these, seven institutions fit within the traditional definition of an institution (e.g., a specific organization, establishment, or foundation devoted to the promotion of a particular cause or program).² The remaining three are groupings of smaller institutions, and for clarity, are referred to here as sub-institutions.

TABLE 2: PHASE II INSTITUTIONS	
Institutions	Sub-Institution Grouping
Alexandria Business Association (ABA)	Business Development Services (BDS) Centers
Egyptian National Competitiveness Council (ENCC)	Incubators
Trademarks & Industrial Designs Office (TIDO)	Technical and Vocational Education and Training (TVETs) – <i>dropped as a case study</i>
Horticultural Export Improvement Association (HEIA)	
Central Public-Private Partnership Unit (PPPCU), MoF	
National Food Safety Authority (NFSA)	
Esna Packhouse	

The rationale for selecting these institutions included that they:

- Received support over more than one project cycle, including at least one cycle since 2011;
- Benefitted from significant USAID resources in terms of TA, capacity-building, in some cases provision of hardware (IT, equipment, and vehicles) and software;
- Provided a good mix of public and private sector partners of USAID/Egypt;
- Benefitted positively from USAID support and demonstrated medium to longer-term impacts;
- Illustrated sustainability challenges and lessons learned in building institutions in Egypt; and
- Has the current or future potential to partner with USAID.

² <https://dictionary.cambridge.org/dictionary/english/institution>

2. METHODOLOGICAL APPROACH

Based on the assessment goals and the question types, the approach was qualitatively designed to get in-depth information from the stakeholders while exploring sustainability factors and challenges to these institutions. Consequently, the AT conducted key informant interviews (KIIs) with the stakeholder institutions. In addition, the AT triangulated from different sources by conducting interviews with different stakeholders within the same institution and varying the pool of sub-institutions. Another triangulation source included stakeholders from project teams and other relevant bodies related to the recipient institution. The AT selectively used secondary data and findings from the desk review to enhance evidence-based results.

To address the assessment objectives, the AT interviewed stakeholders that satisfied the criteria of being aware of the history of USAID's interventions in the institutions since 2000 and tracing the impact/effect of these interventions to date. This required a purposeful sampling approach in identifying the stakeholders. Hence, the AT requested that the OEG AOR/CORs nominate stakeholders from the selected institutions. Generally, they were key managers of project teams who worked closely with the institutions over the period studied and any other relevant bodies (e.g., oversight authority in the case of TVETs). Additional stakeholders were identified by the AT using the referral technique by requesting references from initial respondents.

2.1 SAMPLING AND SELECTION OF STAKEHOLDERS

Building on the extensive literature review conducted in Phase I, data collection for Phase II was primarily KIIs. Given the continuing risks associated with COVID-19, the KIIs were conducted remotely. The AT planned to limit the number of interviews to 30³ (approximately three per institution), but this number was exceeded, as initial interviews revealed additional KIIs who either knew the history of USAID support (particularly from the early days of institutional support) or managed different components of USAID support to their institution.⁴

The approach to data collection differed for the sub-institution grouping as only a small sample of sub-institutions could be assessed. For each sub-institution grouping, the AT interviewed managers of two sub-institutions and representatives of the government institution responsible for oversight and any project team manager who has worked closely with these institutions. In the case of BDS centers and incubators, supported by the SEED and Sustainable Services Activity (SSA) projects, identifying both an

³ KIIs are counted by the number of interviews and not the number of participants/interviewees, as more than one interviewee was present in some interviews, depending on the counterpart's preference. This happened in six cases.

⁴ For example, as USAID/Egypt has provided support over more than 30 years to the ABA, separate institutional support efforts were targeted to its micro-finance lending, the BDS center, and technical and vocational center (VTEC). To understand the full scope of USAID interventions to ABA, the AT conducted five KIIs.

institution that had responded well to USAID support and faced challenges proved to be straightforward. For TVETs, the AT was able to meet with Ministry of Education officials but was unable to obtain security clearances to do further interviews, so the TVET case study was dropped.⁵

For ease of analysis, the AT organized the nine institutions / sub-institutions into three categories, including 1) private sector entities, 2) public sector entities, and 3) non-government organizations (NGOs) and service providers (see Table 3).

TABLE 3: NUMBER OF KI INTERVIEWS BY INSTITUTION	
Institution	No. of Interviews
Private Sector Entities	
ABA	5
Esna Packhouse	3
HEIA	3
Public Sector Entities	
NFSA	6
PPPCU	4
TIDO	3
NGOs and Service Providers	
BDS centers	3
ENCC	6
Incubators	4
TVETs – <i>dropped as a case study</i>	3
TOTAL	40

2.2 KEY INFORMANT INTERVIEWS

The AT developed semi-structured questionnaires for use during the KIs. There were three distinct questionnaires (available here). One common questionnaire was developed for the seven major institutions, and two tailored questionnaires were developed for the BDS centers and Incubators.⁶ The questionnaires provided a common interview structure to generate robust cross-sample findings.

⁵ The AT conducted interviews with the MoETE managers familiar with TA and capacity-building support provided under WISE and ECP, and the WISE (and WE) deputy COP, but this did not constitute a sufficiently balanced perspective that would allow for developing a full case study.

⁶ The AT also developed a questionnaire for TVETs. However, as noted above, this category was dropped because the AT could not get a security clearance in time to meet with government officials.

However, they allowed the interviewers to probe issues or findings that required follow-up and more tailored questions.

The AT generally found that most KIs were relatively easy to reach and willing to be interviewed.⁷ The AT noted that using remote platforms for virtual interviews worked well. KI observations of USAID institutional support and the challenges facing their institutions were pertinent, direct, and reasonably candid. They understood the importance of this assessment from a retrospective standpoint and looking forward to designing effective future USAID institutional support. Although some of the interviews were completed within an hour, most took longer (varying between 75 and 90 minutes). The AT followed up with clarifying questions by email or brief telephone calls in a few cases. Some institutions provided additional inputs, including documents, presentations, weblinks, or data, captured as secondary data in the analysis.

2.3 DATA ANALYSIS

Given the nature of the study, the AT conducted a content analysis of the qualitative data for the case studies. The AT produced detailed interview notes for each KII. These notes were uploaded to a Google Drive, reviewed by the team, and finalized. The AT looked for common themes, analyzed, and categorized them to answer the research questions, and developed case studies and cross-cutting findings and recommendations. No economic analysis of secondary data was done, except for the HEIA case study.⁸ The AT analyzed longer-term trends in export volumes and revenues for selected horticultural crops, where significant increases could not be attributed solely to USAID and HEIA interventions, but where both institutions played an important role in the growth of the horticultural subsector.

2.4 LIMITATIONS OF THE DATA COLLECTED

This assessment relies on KI appraisals of USAID institution-building interventions' effectiveness, impacts, and sustainability. There is subjectivity in KI responses, particularly in the absence (in some cases) of formal project evaluations and mixed-method impact assessments. The AT used judgment from prior work experience in Egypt and extensive informal interview skills when interpreting these findings.

⁷ Many of the interviews were conducted by the local Economic Growth expert and the M&E expert in Arabic. This ensured that each meeting balanced subject matter understanding and best practices in USAID evaluation methods. Where the Economic Growth expert was unavailable, or the Team Leader had more knowledge about an institution and its work, the Team Leader conducted interviews in English when KIs could do interviews comfortably in English; he also participated in other English language interviews as the notetaker.

⁸ International horticulture export data for Egypt, obtained from the UN COMTRADE database, was analyzed to show indirect evidence of the impact of significant USAID projects and grant support to HEIA.

The general absence of disaggregated institutional budgets (e.g., staff numbers, pay scales, various expenditures—both recurrent and investment) made it challenging to assess the financial sustainability of the USAID-supported institutions. For example, no data were provided on detailed throughput of the Esna Packhouse by product and season (month by month), prices received for export produce by farmers of the three associations that owned the packhouse, costs of packhouse investments (by packhouse management), operating expenditures, and the names and contact information of exporters who contracted with farmers to bring produce to the packhouse. Information reported verbally by the three former and current Esna Packhouse managers was not entirely consistent, although responses to questions about the effectiveness of USAID support, its sustainability, and lessons learned were consistent across interviewees and therefore judged to be reliable.

Given the limitations imposed by relying on KIIs for the assessment, USAID could consider requiring contractors who support key Egyptian institutions to collect and report data on the operations, costs, and outcomes/beneficiaries (to the extent that the beneficiaries are willing to cooperate and protocols are in place for protecting the confidentiality of certain information). At a minimum, obtaining data on budget allocations to USAID-supported public institutions would be instructive in observing trends in MoF support, one important factor contributing to the sustainability of USAID interventions.

3. SUMMARIES OF THE PHASE II CASE STUDIES

The case studies are divided into three categories, including 1) public sector institutions, 2) private sector institutions, and 3) NGOs and service providers. The case studies summarize the institution's history and support from USAID/Egypt. The studies analyze the effectiveness of the USAID support, the short and medium- to long-run impacts, the sustainability of USAID introduced improvements in institutional capacity, the institution's operational and financial sustainability, and a summary of lessons learned. The structure of each case study is the same, except for the BDS and incubators that focus on two supported entities under each sub-institution. Below are summaries of the nine case studies (details are presented in Annexes I to III). The case studies vary in length and depth, depending on the USD value of the USAID intervention, the number of years of support, and the breadth and complexity of the institutional support.

3.1 PRIVATE SECTOR ENTITIES

ALEXANDRIA BUSINESS ASSOCIATION (ABA)

USAID assisted ABA in opening seven new branches by supporting capacity-building of the staff and providing equipment to the branches. This allowed ABA to expand its operations beyond Alexandria and reach more clients, transforming it into one of Egypt's most successful microfinance institutions (MFIs). The microfinance operations have been financially sustainable for 20 years and have generated enough revenue to support other projects such as the BDS and VTEC Centers. These two entities rely on grants, and ABA provides the difference. ABA microfinance operations generate 200 million EGP (12.7 million USD) of net profit annually, allowing the association to provide capacity-building to its staff by sending them to conferences and training courses.

If ABA decides to gradually remove its subsidized fee and move away from the traditional model—where BDS services are offered as part of the non-financial services—BDS will need five years to become self-sufficient. Post-WISE, ABA revised VTEC's operational model by focusing on training for employment based on market demand competencies instead of certified academic training initially suggested by WISE. In addition, a career guidance unit was developed. Applicants are initially assessed whether they are ready for the transition to employment or need further skills and competencies. The applicant is then given on-the-job training or is placed in an apprenticeship program. While VTEC currently generates revenue from memberships, sponsors, and partnerships, it needs another four years to be financially sustainable. It costs ABA five million EGP (\$318,000) annually to run the VTEC, which

the microfinance component covers. However, due to their social mission and focus on the less privileged non-commercial beneficiaries, financial sustainability is taking longer to achieve.

USAID has the advantage of large-scale support and long-term funding that many other donors cannot match. As a result, ABA expanded its operations, became self-sufficient, and expanded funding to support initiatives under the ABA umbrella, such as BDS and VTEC. ABA also became a technical and service provider to the government and other institutions.

Implementing partners and USAID need to work on local solutions by engaging and partnering with local partners. This is important and will ensure specific and customized TA and capacity-building initiatives that are effective and relevant. In addition, equipment and software need to be provided early or no later than the midpoint of the project to ensure they are used and fully operational. Finally, both the lack of buy-in from ABA's Board of Directors (BoD) on developing the BDS services and the premature ending of the support provided by WISE to the VTEC center due to conflicting visions between the project team and ABA's management provided opportunities for instructive lessons learned.⁹ It is important to focus on adapted solutions with empowered local partners who are not just passive recipients of assistance.

ESNA PACKHOUSE

This packhouse was initially created as a collection center under HEINZ-GDA (2009–2010) and was expanded into a packhouse with cold storage by the Premium Project (2011–2018) and further equipped with a classroom for on-site farmer training in Global Good Agriculture Practices (GlobalGAP) standards and best practices. This packhouse, owned by three Farmers Associations (FAs), would not exist without USAID support. According to three key informants who have been involved in packhouse management, USAID support terminated too early for Esna's high level of throughput and revenue (during the final years of Premium, 2011-2018) to be sustained. The number of export deals decreased, as did packhouse throughput from 2018 onward.¹⁰ The COVID-19 pandemic likely played a role in performance decline. The packhouse was a breakeven operation at data collection (2021). Total revenues declined, and maintenance costs had to be taken on by Esna. As a result, there were no residual profits to pay out dividends to their three FAs leading to trouble attracting new clients, namely exporters. USAID should consider supporting deal-making, additional farmer training in GlobalGAP, and partially subsidizing annual (GlobalGAP, Fair Trade) or biannual (the British Retail Consortium - BRC) certification fees.

⁹ Regarding the BDS component, the board wasn't convinced with the suggested model to provide more fee-based services and preferred the traditional method of operation (subsidized and part of the loan). Regarding VTEC, there was a misalignment on its objectives and mandate with the IP, leading to early closure. ABA later continued working on the center without their support and revamped its operations to suit local needs and reality.

¹⁰ According to another respondent, it may be the case that the Esna packhouse managers painted in an inaccurate picture of the level of packhouse operations since 2018 to strengthen their case for receiving further grants and assistance from USAID.

HORTICULTURE EXPORT IMPROVEMENT AGENCY (HEIA)

USAID support took HEIA from a small group of producers/exporters in 1996 to a major association with multiple revenue streams by 2021, including earnings from the Cairo International Airport perishables terminal and HEIACert, a recent initiative to provide GlobalGAP certification to exporters of horticultural products. USAID grants to HEIA from 1996 to 2004 led to a rapid expansion in membership, TA and training offerings to members, a Luxor office, study tours to horticultural exporting countries, and general capacity-building. With these grants and establishing the perishables terminal, HEIA graduated from donor assistance. HEIA entered a GDA with ACIDI-VOCA on USAID's Advanced Marketing and Agribusiness Logistics (AMAL) Project in 2015 and funded the construction of the Luxor Packhouse, which has seen limited use since the AMAL GDA was completed in 2018. Very little information about what ERAS (2018-2023) plans to do with HEIA or what effect ERAS has had on horticulture exports from its client FAs and exporters is publicly available.¹¹ HEIA is a successful trade association with strong leadership and a clear vision for its future diversification.

3.2 PUBLIC SECTOR ENTITIES

NATIONAL FOOD SAFETY AGENCY (NFSA)

Early USAID support through the Technical Assistance for Policy Reform II (TAPR II) Project and the Trade Facilitation Project (TFP) to a small group of staff in MoTI working on food safety kept the concept of a free-standing food safety authority alive for a decade from 2008 onward. USAID TA provided some baseline drafts of laws and regulations, an organization chart and job descriptions, and a study tour to the United States. It raised awareness of how an FSA (modeled on the Food and Drug Administration - FDA) should be organized and function. After NFSA was officially created by law in 2017, USAID provided support from 2018 to 2021, almost entirely short-term training. USDA/FAS's TAIB has been the main capacity-building project since 2018, working on streamlining food imports into Egypt (through a risk-based assessment system) and developing horizontal regulations on topics such as pesticide residues, microbial contamination, and other technical issues. USDA has funded most of NFSA's capacity-building since NFSA was established in 2017. However, USAID played a critical role in creating a national food safety agency by laying the legal, regulatory, and institutional design framework under TAPR II and drawing attention to the need to build strong food safety awareness in Egypt.

CENTRAL PUBLIC-PRIVATE PARTNERSHIP UNIT (PPPCU)

USAID's earlier support enabled the PPPCU to develop the legal and regulatory framework for PPPs and hence provided the foundation on which the Unit and other development partners have continued to

¹¹ ERAS has only submitted three periodic reports to the USAID DEC: the FY 2019 Q1 and Q2 quarterly reports and the FY2020 Q1 report.

build. USAID's interventions under TAPR II played an essential role in facilitating the launch of the PPP program by equipping the PPPCU with the required tools, knowledge, and capacity.

However, shortly after the first PPP project was launched, external factors (political and economic instability) hampered the development of the program in the short to medium run (2011–2014). In the long run, several challenges have restricted the growth of the PPP program in Egypt. These obstacles include the lack of incentives across line ministries, inadequate technical capacity to identify, assess, and implement PPP projects, and other institutional and regulatory challenges.

In recent years, the GOE has engaged with its development partners, including USAID (through the MESR project), on several reform initiatives to address the PPP program's structural deficiencies. These initiatives have included restructuring and expanding the scope of the PPPCU while providing it with increased autonomy and access to its financial resources, establishing a new PPP Unit at the MPED to improve the pipeline of the PPP projects, amending the PPP law, and developing new satellite PPP units. While some progress has been achieved, the reform process is still a work in progress, and there is significant work to be done to overcome the sector's chronic challenges.

Finally, some of the key lessons learned in this case study include 1) Making significant investments in developing the line ministries' capacity to assess and identify potential opportunities for PPP projects is a prerequisite for the growth of the PPP program. Given the ambitious nature of this task, it should be implemented over several phases by supporting a few selected line ministries in each phase, 2) Institutional rivalries between the PPPCU and the MPED represent an obstacle to ensuring USAID's interventions' effectiveness. Concerted efforts by the MESR project team are required to ensure everyone is on board before proceeding with activities that link the two institutions, and 3) Coordination between USAID and other development partners should be improved in existing efforts to support the development of the PPP program. The absence of clarity over the different interventions and the less than optimal collaboration between the partners limits the potential impact of the support received by the PPPCU.

TRADEMARKS & INDUSTRIAL DESIGNS OFFICE (TIDO)

Between 1998 and 2006, three USAID projects—Strengthening Intellectual Property Rights in Egypt (SIPRE), Technical Assistance for Intellectual Property Rights in Egypt (TIPRE), and the Intellectual Property Rights Assistance Project (IPRA)—engaged with TIDO and invested heavily in the institution providing it with the resources, equipment, and capacity-building support to develop an automated system.¹² While USAID was able to provide TIDO with the base for its digital transformation process, the weak and uneven buy-in and commitment across the leaders of the authorities overseeing TIDO resulted in incomplete digitization of the institution's operations to date.

¹² TIDO also received capacity-building support from other projects, including CLDP I, TAPR II, and TFP.

Training and technical support after the three main USAID projects ended in 2006 has been inadequate, as has the IT system maintenance and upgrades.¹³ The institution's efforts to digitize a backlog of paper files are costly and time-consuming. Moreover, the maintenance of a hybrid paper/digital filing system has hampered the efficiency and performance of TIDO.

TIDO's institutional affiliation was changed four times during the period of USAID support and between projects. At the start it was under the Ministry of Supply, then changed to the Ministry of Trade, which later became the Ministry of Trade and Industry. Finally, TIDO was moved to the Internal Trade Development Agency. Each institution had different foci, leadership, and commitment to the full digitization process. With all these moves and institutional homes, TIDO lacked sustained parent ministry commitment. With a stronger high-level Ministry commitment, the parent Ministry could have allocated more of its budget to TIDO and transferred staff to the office from other departments. Another factor has been staff shortages at TIDO. As a government organization, the office was not able to recruit staff due to GOE hiring freezes, despite the economy and businesses were growing, leading to more requests for trademark registrations.

Until recently, the authorities did not prioritize upgrading TIDO's operational performance. Hence, the funding/resources allocated to the offices were only sufficient to maintain operations regardless of quality and efficiency. However, since 2019, there has been a revival in TIDO under new leadership as the Internal Trade Development Authority (ITDA) has committed resources to advance the reform agenda, and partners such as the European Union (EU) have also come on board.

Some of the key lessons learned include: 1) Successful implementation of IT/digitization innovations depends on the attitude/willingness of senior management to embrace change, follow-up on-the-job training, and IT support to staff responsible for implementing change, 2) USAID support to IT system development usually requires more funds, IT and technical support, and follow-up maintenance/upgrading contracts (post-project) than anticipated, 3) TIDO's experience also revealed that an essential prerequisite to the sustainability of any digital transformation project in public offices that have been operating for an extended period is hiring an external contractor to expedite the digitization of the paper files in the archives.

3.3 NGOs AND SERVICE PROVIDERS

BUSINESS DEVELOPMENT SERVICE (BDS) CENTERS

The AT did case studies of two specific BDS centers as examples (Alashanek Ya Balady Association for Sustainable Development (AYB-SD) and Ibn Souq). USAID/Egypt chose these two as examples of a BDS Center doing well and another facing challenges.

¹³ WIPO was TIDO's primary source of external support after USAID projects were completed. Their support was judged to be helpful but insufficient.

USAID's support to the Egyptian business start-up ecosystem and support of the BDS Centers started from 2015 to 2020, through SEED.¹⁴ From 2015–2020, SEED supported expanding and strengthening these newly established BDS centers (approximately 16 centers in 2018/2019) through TA and capacity-building. After SEED ended, the SSA Project launched in 2020 as a two-year follow-on project to continue supporting these BDS centers with more TA and capacity-building but more focused on their financial and operational sustainability.

Due to the young age of the Egyptian business services ecosystem, it requires much support to reach operational and financial sustainability. USAID should continue supporting BDS providers to institutionalize this process. BDS centers are not a homogenous group. Accordingly, interventions should be customized and adapted to fit their needs and clients. One of USAID's strengths is mobilizing experts in multiple, relevant fields.

One sustainability factor for TA is the one-on-one mentoring and coaching sessions conducted by the project staff and consultants. This is a much-needed activity that is still required because the scene is quickly changing, and new trends are always arising. However, there needs to be follow-up from either the expert or project staff to be more results-based. And as capacity-building is demand-based, so should be any software and delivered equipment to ensure sustainability.

Another much-needed intervention for BDS centers and all the stakeholders in the ecosystem is networking to capture previous experiences and expose participants to new opportunities. USAID projects provided networking events, but there has been no follow-up mechanism to ensure useful networking continues. While it is acknowledged that strategic public partners are not responsive, they do have the potential to maintain their BDS centers. This is another area that USAID should take into consideration for future support.

While BDS centers owned by the private sector have a better potential for financial sustainability, that does not necessarily translate into being inclusive of all marginalized groups. NGO-based BDS centers are more inclusive due to their social mission. However, their sustainability is threatened because their business model is heavily subsidized through grants and donors and the challenges associated with the NGO law. This is something USAID should take into consideration when designing future interventions.

EGYPTIAN NATIONAL COMPETITIVENESS COUNCIL (ENCC)

USAID's interventions played a critical role in transforming ENCC from a nascent entity into an influential policy advocacy player in the short run. However, the institution is struggling operationally and financially. USAID's institutional grants and support were instrumental in expanding ENCC's scale and scope. Reports on competitiveness and advocacy efforts across different sectors, facilitated by the

¹⁴ AECOM sold its USAID practice to DT Global in August 2019. DT Global became the prime contractor during the final year of SEED.

grants, were well received by stakeholders in the private and public sectors. In a short time, ENCC became an influential player in the policy advocacy field with high-level GOE credibility due to USAID institutional grants.

When USAID's institutional support ended in 2014, ENCC depended on (less well funded) donor project grants. Key senior and junior staff left ENCC,¹⁵ and their operations were significantly scaled-down, as grants could not cover salaries. Since then, ENCC has depended on project-funded analytical work under USAID projects such as SEED and WISE, which were well received and had policy impact.

ENCC is currently struggling to revive its operations without ongoing donor support or a large grant to establish a foundation in the same manner that other organizations like the Egyptian Center for Economic Studies (ECES) have done in the past.¹⁶ Over the years, the institution has experienced some difficulty developing more sustainable sources of funding due to its small membership base and the Board's difficulty developing proposals for alternative sources of revenue generation, due to the perceived risk these pose on the institution's independence.

ENCC's prospects and ability to fulfill its potential rest firmly on replacing its current dependence on donor funds/projects with a more sustainable fundraising strategy. However, the institution faces an uncertain future and remains dependent on project funding through a similar arrangement to the grants under contracts (GUCs) adopted under SEED and WISE.

Some of the key lessons learned include 1) The BoD's resistance to expand the membership base and consider more fee-based activities to raise revenue has led the ENCC to a critical impasse as it can currently only operate as a thinly staffed, quasi-consulting entity funded by donor projects (using GUCs), 2) ENCC would have benefited from more monitoring and evaluation (M&E) from USAID and follow-up support to ensure the institution was taking concrete steps towards becoming more operationally and financially sustainable before providing further institutional grants. Any additional institutional support for ENCC should be conditioned on a commitment from the board to introduce measures enabling the institution to become a financially independent institution, and 3) the willingness of companies and philanthropists to fund a competitiveness think tank/advocacy group in Egypt is limited. More financially sustainable think tanks like ECES benefited from large endowment funds to help develop a solid base to build on.

INCUBATORS

¹⁵ The turnover started after the end of the TAPR II project when ENCC first started to experience financial struggles.

¹⁶ Currently not feasible considering the lack of donor institutions willing to provide such support.

The AT looked at USAID interventions with incubators and spotlighted two specific incubators as examples: the Rowaq Incubator of Qena University and the Heliopolis University (HU) Estedama Incubator. USAID/Egypt chose these as examples of an incubator doing well and another facing sustainability challenges.

The study tour and one-on-one customized mentorship provided through SEED were instrumental in providing the incubators with knowledge and the best international practices to implement in the Egyptian ecosystem. This established the foundation for all the incubators' work, enabling them to attract other donors and grants. However, this would not have been possible without the positive enabling environment and buy-in from the GOE, which encouraged universities in Egypt to launch incubators.

Incubators have different needs and work at different paces. This was incorporated under the SSA to ensure that customized support (addressing their specific needs) is provided to incubators. However, tools and software, such as CRM and Infomatch were not fully utilized due to a lack of buy-in from most incubators or an implementation plan after the project's end.

Despite SSA's focus on sustainability, there is a continuous need for capacity-building and TA, and there are currently new developments and emerging topics. USAID should continue offering capacity-building to incubators as they are in the early phases and need follow-up support to continue growing, evolving, and supporting startups beyond the initial incubation stage. Different levels of support will be required as the incubators have matured at different rates and need different types of support.

Consequently, maintaining a network between different players in the ecosystem is still important. It will link incubators to other partners and stakeholders from entrepreneurs to accelerators, BDS providers, investors, and donors and preserve the gains beyond the project duration. Furthermore, USAID can develop a more institutionalized network of support recipients from USAID projects to ensure a more systematic approach to collaborating, sharing experiences, and providing technical support.

USAID should try to maintain their previous investments made through SEED and SSA by assisting all originally assisted incubators. This can be done by assessing the assisted incubators, then deciding the support type and TA that is most appropriate for each.

The existing business model adopted by the university-based incubators might not be sustainable in light of the competition they will face from the emerging private sector incubators through banks and fintech companies expected to develop their own incubators. There needs to be a stronger emphasis on developing more scalable business models for university incubators to survive.¹⁷ In addition, the

¹⁷ According to a COR, SEED had designed an activity with the Academy of Scientific Research and Technology (ASRT) to support incubators affiliated with universities to become independent entities with their own budgets and boards of directors (in line with Law 23 of 2018, which allows universities to establish their own companies). However, they were not able to implement it due to time constraints.

ecosystem is donor reliant, and clients can easily turn to other public centers that provide free or subsidized services. On the other hand, university incubators have benefits (covered operational expenses) and talented staff who can support incubators. This niche might not be available to other entities, such as research and science-based initiatives. Given that the ecosystem is still maturing and growing, it is advisable to conduct a post-SSA evaluation to capture the latest trends and lessons learned.

4. KEY FINDINGS

This chapter distills and summarizes the key findings from the detailed case studies while addressing the following key questions:

- What was USAID's interventions' effect on the recipient institution's operations and financial sustainability?
- What are the driving factors in the cases in which the impact/effect of USAID interventions have been sustained to date?
- What are the main challenges/obstacles in the cases in which the impact/effect of USAID's interventions have not been sustained?

4.1 USAID'S INTERVENTIONS EFFECT ON OPERATIONAL AND FINANCIAL SUSTAINABILITY

The AT ranked the institutional support efforts and their effect on institutional sustainability using four categories:

- **Most Sustainable:** Used USAID technical assistance and grants very sustainably and created significant revenue streams after USAID support ceased.
- **Partially Sustainable:** USAID support has been effective, but institutions are not yet fully staffed, or capacity to generate revenue declined after USAID support ended.
- **Too Early to Tell, But Positive Signs:** Recently established institutions created or reorientated with USAID support and showing signs of future sustainability.
- **Mixed Results:** Efforts to retain staff and generate revenue compromised the road to sustainability.

MOST SUSTAINABLE

The institutions that received the most USAID support over the longest period (HEIA and ABA) have become the most sustainable institutions reviewed receiving USAID assistance.

Grants to HEIA enabled the trade association to hire a team of agronomists to work with horticulture producers, send certain members on study tours to exporting countries, and plan (and eventually find funding for) an investment in a Perishables Terminal at the Cairo Airport. HEIA has developed multiple revenue streams beyond member dues and provides valuable services to members, including the Perishables Terminal and HEIACert.

Through 15 years of USAID/OEG assistance, ABA expanded from a modest microfinance provider in two governorates to a major microfinance loan provider in many governorates, including several in Upper Egypt. ABA's annual profit of 200 million EGP (12.7 million USD) is derived entirely from its microfinance operation, and it is now the leading MFI in the Middle East and North Africa region. ABA also received USAID project support to create a BDS Center and VTEC. ABA management expects the VTEC and BDS to be financially sustainable in a couple of years. ABA can fund these USAID-established initiatives from its microfinance activities.

PARTIALLY SUSTAINABLE

The NFSA and Esna Packhouse are partially sustainable. NFSA was created in 2017 by law and made fully operational in 2019 with executive regulations. Early USAID support through the TAPR II and TFP aided several senior staff in a separate unit at MoTI to flesh out the concept of an Egyptian food safety authority through TA designed to develop a legal framework, an organizational framework, and operating procedures. While NFSA is only in its fourth year of official existence, it has accomplished many important tasks in developing a functional FSA with USAID, USDA/FAS, and other donor support. Many challenges remain, especially training and upgrading NFSA's inspection force.

The Esna Packhouse was created as a produce collection center with USAID funds in 2009/2010, strengthened into a packhouse with cold storage and transport by follow-on USAID projects from 2011 to 2018, and assisted in negotiating contracts with export buyers. When USAID support largely ceased in 2018, packhouse throughput declined as fewer contracts with exporters were negotiated. The packhouse became a breakeven operation unable to provide "dividends" from additional profits distributed to farmers in the three FAs that own and operate the packhouse. The COVID-19 pandemic has contributed to performance decline. However, Esna Packhouse management insists that it needs further USAID grant support to upgrade the packhouse to BRC standards and identify and negotiate contracts with exporters willing to work with farmers in the three associations. Esna Packhouse KIs stated that USAID support was terminated too abruptly with the closure of the Premium Project in February 2018.

TOO EARLY TO TELL, BUT POSITIVE SIGNS

USAID support helped establish both BDS centers and incubators under the SEED Project from 2017–2020. USAID support to incubators and BDS centers (e.g., Ibn Souq and Rowaq) was generally capitalized on by the recipient sub-institutions to improve sustainability prospects. Not all of these sub-institutions are functional now, and most require additional USAID TA, training, and capacity-building to become fully operational and self-sustaining. The SSA is providing post-SEED support (2020–2022), and it is hoped that Business Egypt (BE) will continue to work with at least some of the BDS centers and incubators assisted by SEED and SSA.

It is too early to judge the sustainability of incubators, although SSA staff are on the right path by coaching them on the equity investment model and product development. The financial sustainability of incubators varies between the private sector, university, and NGOs. Rowaq, a university incubator, benefits from a wide range of university resources (physical plant, infrastructure/utilities, and university faculties) to support its sustainability. It has diversified its sources of income. The capacity-building support received under SEED enabled them to become one of four incubators that successfully obtained an investment from Banque Misr (representing the CBE) of around 4 million EGP (255 thousand USD). However, NGO incubators such as AYB have not charged loan recipients separate and transparent fees for BDS services, preferring to bundle BDS into loan repayments. This continued practice has poor prospects of making NGO-provided BDS financially sustainable.

In addition, the non-bank financial services sector is nascent and emerging in Egypt, so alternative models of BDS centers and incubators are being piloted and tested for their potential to become sustainable. Nonetheless, it is too early to judge how sustainable these sub-institutions will be. However, the ecosystem's future looks promising, and further USAID support is required to make a subset of the SEED-established BDS centers and incubators self-sustaining.

MIXED RESULTS

USAID's support to TIDO did not result in full digitization of this important public institution, largely due to inadequate buy-in of senior managers, too much turnover in management and staff, and incomplete conversion from a paper-based filing system to a digital one. Until 2019, USAID assistance to TIDO could be considered incomplete in making TIDO a fully functional institution. With a change in management in 2019, willing to push full digitization of TIDO operations, there is hope that the objectives of the three USAID projects from 1998 to 2006 could be achieved. Future support could come from USAID's BE or another donor.

The PPPCU is another work in progress. USAID support under TAPR II helped promote the PPP concept, and the current MESR Project is working closely with the PPPCU and a new PPP Unit at the MPED to expand the pipeline of possible PPP projects, improve the development of a database and screening processes, and upgrade the technical skills of staff in both units. While there have been very few successful PPPs consummated to date in Egypt, there is hope that USAID and other donor support will strengthen Egypt's capacity to identify potential PPP investments, do a rigorous analysis of costs and returns, and attract PPP investors. But it is too early to tell if the PPP Units in the Ministries of Finance and Planning will succeed in these tasks, and future donor assistance will be required to make this happen.

ENCC became successful with large USAID institutional support grants under TAPR II and the Egypt Competitiveness Project (ECP) from 2006 to 2014. ENCC's competitiveness reports and other analytical outputs were viewed favorably by public and private stakeholders. ENCC organized high-profile events

and influenced public/private dialogue in the policy arena. Since the termination of institutional support grants, ENCC has experienced an uneven flow of donor funds and has lost prominence as a think tank informing policymaking. It remains dependent on donor funds and has shed its senior and junior/mid-level technical staff. ENCC needs restructuring, expanded membership, and a more creative fundraising approach to restore its performance and credibility. Unfortunately, ENCC's current leadership has reservations about bringing about these changes, so ENCC's future remains unclear. It may continue to operate intermittently as a quasi-consulting entity when it receives donor grants, but its influence has waned. USAID might work with ENCC through the BE and WE Projects. However, in the final analysis, although USAID attempted to put ENCC on a sound operational and financial footing during the period of institutional grants, this was not accomplished. It may be that without significant donor support, the think tank and policy analysis and advocacy ecosystem in Egypt will remain underfunded and immature for some time to come.

4.2 FACTORS IN THE CASES IN WHICH THE IMPACT/EFFECT OF USAID

INTERVENTIONS HAVE BEEN SUSTAINED

CONTINUITY OF USAID SUPPORT

Continuity of USAID support across multiple project cycles for up to eight to ten years has been essential to the sustainability of ABA, the Esna Packhouse, BDS centers, and HEIA. ABA received grants, and USAID funded TA and training from the early 1990s to the mid-2000s. The Esna Packhouse was progressively built, expanded, and assisted in negotiating contracts with exporters from 2009 to 2018. USAID's support to BDS centers and incubators began as a modest pilot under ECP (2011–2015), but it became much more important under the SEED Project (2017–2020), continues under the SSA, and will likely be sustained by the recently awarded BE contract. Finally, HEIA received TA, training, capacity-building, study tours, and technology transfers from USAID support from 1999 to 2004. HEIA is now self-sustaining with multiple revenue streams and directly attributes its success in expanding, growing production, and increasing exports and revenues to USAID's support since 1999.

If the same contractor implements multiple phases of an activity, this can yield strong results for continued sustainability. The National Cooperative Business Association/Cooperative League's (NCBA/CLUSA's) support of ABA over more than a decade is a good example. In the case of BDS centers and incubators, work that began under SEED is being continued under SSA, implemented by AECOM/DT Global subcontractor, Finance and Banking Consultants International (FinBi), which has retained most of the key SEED staff. As BE contractor DAI mobilizes over the next few months, it will be important for a sustainable transition with continued support for the various BDS centers. SSA and BE overlapping should allow time to collaborate on BDS centers and incubators and favor a smooth transition.

Another example is the WISE Project (2015–2020) support of technical and vocational education followed by WE, where the same contractor (MTC) will implement WE. Back-to-back awards depend on sound performance in the first project cycle. Using the same contractor greatly speeds up mobilization. It is more likely to lead to early results in the second project cycle than when two different contractors implement two different projects.

If repeat awards (1st and 2nd phases of projects) to the same contractor might be considered by some to be anti-competitive, one solution to longer-term institutional capacity building projects might be to extend the period of implementation beyond four to five years. Furthermore, performance-based contracts can justify repeat awards.

STRONG INSTITUTIONAL LEADERSHIP OVER MANY YEARS, WITH MINIMAL TURNOVER

Despite some issues in transition over the years, ABA and HEIA have benefitted from a strong CEO and BoD. For example, HEIA's leadership was able to identify and secure the necessary financing to build the perishables terminal to facilitate their growth and increase horticultural exports. Similarly, NFSA and its informal precursor in the MoTI have been led by the same three senior managers since 2008. Early USAID TA helped them create a shared vision for an eventual FSA. Dr. Hussein Mansour, NFSA Board Chairman, has been the driving force working on upgrading food safety in Egypt for the past 15 years.

A cautionary tale of TIDO reinforces this finding that strong and committed institutional leadership is essential for sustainability. USAID's intervention with TIDO to introduce an IT system that allows for digitization of patent applications has not yet been fully institutionalized due to the lack of TIDO's leadership's commitment of necessary resources to realize this digitization. This commitment needs to be reinforced by providing resources (including time and, in some cases, counterpart funds), human capital, and infrastructure (such as office space). A lesson learned from this assessment is for USAID to carefully consider making major investments in hardware/software that require a significant change in GOE institutions' operations (and staff training/competency). Getting early, upfront commitment from a GOE institution's senior management is critical, as is procuring equipment/software early in project implementation and finding a strong local private sector partner that can provide training, system upgrades and maintenance, and backstopping of the GOE institution's IT staff.

An important corollary to leadership continuity is retaining key mid-level managers and technical staff. The PPPCU in the MoF kept two key senior managers in the Unit, but there was significant staff attrition as they lost most of the core team over the years. This undermined institutional capacity, and the PPPCU is currently developing the capacity of all the new staff with the support of USAID MESR and other donors (including the UK Government). One recommendation for minimizing staff turnover is to include leadership training and TA directed HR departments on ways to retain staff.

Institutional buy-in to and support of USAID's proposed changes in structure, operations, and institutional management is hard to achieve but can greatly facilitate institutional strengthening and transformation. In many cases of capacity-building, there is resistance. In the case of the PPPCU of MoF, there was buy-in to certain aspects of institutional support, such as launching the PPP program and current USAID initiatives to build capacity. However, there has been resistance in delegating authority and any control over the PPP identification and development process. This has led to a tense dynamic between the PPPCU and counterparts in the PPP Unit of MPED. The former does not favor the latter identifying PPP opportunities and filling the pipeline for the PPPCU review and decision-making.

A CLEAR MANDATE AND AT LEAST TACIT SUPPORT FROM THE HIGHEST LEVELS OF THE GOE

The establishment of the NFSA, through the 2017 law and 2019 executive regulations, required GOE approval and recognition that upgrading food safety in Egypt was a high priority for domestic consumers and ensuring international buyers of the safety of Egyptian exports. It took high-level technocratic champions to help push through new laws and regulations and prioritize food safety in government agendas. Such tacit support garnered from the highest levels of the GOE by senior managers in the Agriculture and Food Export Councils and Chamber of Food Industries enabled establishing the NFSA.

Good coordination between USAID and other donors can help speed up institutional development. This has been the case with USAID-funded training and regulatory workshops under SEED, Commercial Law Development Program III (CLDP III), and ERAS complementing TAID's larger capacity-building project funded by USDA/FAS. The USAID TRADE Project may also provide additional resources to existing entities, such as the NFSA.

A SATISFIED MEMBERSHIP OR CLIENT BASE THAT IS WILLING TO PAY MEMBERSHIP DUES AND FEES FOR HIGH-QUALITY AND DESIRED SERVICES

ABA has a strong base of microfinance clients with smaller enterprises that generate relatively low incomes. Their competitors' average loan size is higher, and they target more medium and larger enterprises that receive larger loans. This has led to satisfied customers and repeat business, which has increased ABA revenues (from lending) and allowed them to pursue other initiatives (e.g., creating a BDS Center and the VTEC) that will take time to become self-sustaining. TA provided under USAID projects enabled ABA to continue mentoring VTEC and BDS centers, enabling them to provide services to members. The VTEC under ABA provides services to members such as training, career placement, and tiered facility use, which generates membership fee income for the VTEC. The El Ola Steel Group is one example member.

HEIA has been partially sustainable. It has a regular membership that pays dues, but fees are set too low to be sustaining. However, the General Assembly of HEIA decides on membership fees. The CEO and

BoD have no authority to set annual dues and therefore cannot increase them. HEIA has successfully secured multiple other revenue streams to enable them to be self-sustaining.

4.3 MAIN CHALLENGES/OBSTACLES IN THE CASES IN WHICH THE IMPACT/EFFECT OF USAID'S INTERVENTIONS HAVE NOT BEEN SUSTAINED

There are many challenges and obstacles to institutional development in Egypt. This section highlights those that influence how USAID interventions have been sustained in the case studies. The factors discussed below illustrate how challenges and problems have led USAID interventions not to be fully sustained.

USAID HAS NOT FULLY INSTITUTIONALIZED COSTLY IT SYSTEMS AND SOFTWARE INVESTMENTS IN EGYPT

IT systems require post-project support, as technology changes and systems require maintenance and periodic upgrades and committed leadership to continue using new systems and training staff. USAID and other donors should be cautious of such investments without committing to post-project maintenance, software upgrades, and replacing outmoded hardware. Ideally, the recipient institution would agree to provide these services. If not, a donor must provide some ongoing post-project support. The strongest example is TIDO, for which USAID provided initial digitization support but did not identify and secure a sustainability plan with buy-in from TIDO leadership to continue upgrading and implementing the new digital process. In addition, CRM software systems and Infomatch tools for BDS centers and incubators were not sustainable because they were only introduced at the end of the Strengthening Entrepreneurship and Enterprise Development (SEED) Project. Several incubators were closed under SEED's incubator component after the project ended, and the fate of various Fab Lab investments (funded in part by USAID grants) is unknown.

LONG GAPS BETWEEN USAID PROJECTS SUPPORTING INSTITUTIONAL DEVELOPMENT CAN UNDERMINE THE SUSTAINABILITY OF USAID INITIATIVES

Long gaps between discrete USAID support for institutional development can hamper sustainability and lead to losing momentum because continuity of support was required. The Esna Packhouse is one example of managers reporting that USAID support ended too soon and abruptly, and assurances of follow-up project support were not realized. Following the closure of Premium at the end of February 2018, Esna Packhouse throughput and operations declined. The ERAS Project may be providing limited grant support, but the AT could not obtain details.

Another example is USAID's support of TIDO. After three successive USAID projects building TIDO's institutional capacity, USAID support lapsed. While the World Intellectual Property Organization (WIPO) partially filled this gap, TIDO KIs stated that WIPO support alone was insufficient. Even when

gaps between USAID projects are six months or less, momentum can be lost. This appears to have been the case with support to some BDS centers during the SEED to SSA transition, where BDS staff in some NGOs left their centers, and NGO enthusiasm waned. In addition, NGO-owned BDS centers were reluctant to charge their customers fees for BDS directly.

DONOR COORDINATION REMAINS A CHALLENGE

Generally, donor coordination has not been a challenge across the case studies. However, donor coordination of support to NFSA could be improved with a cross-donor and cross-GOE agency working group. NFSA has undertaken a very ambitious capacity-building and regulatory agenda in its first five years (2017 to 2022).

For the NFSA, coordination within the United States Government (USG) agencies has generally been very good, with the USDA/FAS Project taking the lead in providing TA and building institutional capacity. Several USAID-funded activities provided supplementary support—namely the interagency agreement with the Dept. of Commerce (CLDP III), the Farmer-to-Farmer program (implemented by TAIB prime contractor Land O Lakes), and USAID projects SEED and ERAS. NFSA had positive feedback on the last two projects, although NFSA managers felt food safety was a minor component of SEED and ERAS. These projects conducted short-term training courses (STTC) with minimal follow-up.

The TAIB Project prepared a presentation for USAID's OEG in October 2021, showing what different US agencies are doing regarding food safety. This is a positive sign that coordination within the USG is improving. However, coordinating across different donor agencies appears to have been weak in the case of NFSA. One reason for minimal coordination is that each donor may have a different vision of what the NFSA should focus on in the short- to medium-term. Additionally, different countries have different ideas about risk management and standards on maximum allowable pesticide residues, microbial contamination, presence of foreign matter, including heavy metals. Developing a strong food safety culture in Egypt on a tight timetable is very demanding. The AT believes forming a cross-donor and cross-GOE agency working group on food safety that meets periodically (perhaps quarterly) would be helpful. The group would present the work of each donor with NFSA, raise issues of coordination, and determine the best focus activities (in line with each donor's comparative advantage).

ENCC is another case where stronger donor coordination could have led to more continuous institutional strengthening. USAID served as the major donor from 2008 to 2014 through two institutional grants. Following USAID's support, ENCC received small grants to work for the International Labour Organization (ILO), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and UK Aid. However, these contracts did not strengthen the institution. It would be useful if USAID convened other donors to discuss how best to support ENCC in the future. The model since 2014 of providing modest grants to do special studies (of interest to different donors) has not built sustainable capacity. ENCC is an Egyptian NGO with a (former) high profile, so credibility in the competitiveness and enabling environment improvement space, and good entrée into policy-making circles. It would be a good platform for doing analytical work that is appropriately contextualized and locally relevant using Egyptian analysts and a management team committed to PPD.

LEADERSHIP MANAGEMENT STYLE OF COLLABORATING EGYPTIAN INSTITUTIONS AND TURF BATTLES OVER JURISDICTIONAL BOUNDARIES CAN AFFECT HOW EFFECTIVELY A PROJECT IS IMPLEMENTED

An apparent cultural characteristic is that forceful leaders of public, private, and NGO organizations in Egypt provide strong leadership, but they are often poor delegators and micro-manage staff. Sometimes private company and NGO founders are typically reluctant to give much control to subordinates who do most of the day-to-day operational management, even if the staff are well qualified and capable. Company or NGO boards of directors may also be chosen from a narrow pool of candidates, with no term limits imposed and no plan to diversify the board composition.

One possible adverse consequence of a strong top-down management style in public agencies is institutional rivalries that impede progress and undermine collaboration. Cross-agency coordination between the PPPCU and the newly established FSPU at the MPED has been less than ideal, in part due to institutional rivalries. The PPPCU has reservations about using the MPED to screen projects for their PPP suitability, primarily because of the newness of the FSPU, and fears that its staff cannot function effectively with minimal training and limited experience.

In addition, the NFSA may overlap with other government entities responsible for food security, leading to tensions over mandates. For example, this may be a factor with the PPP Units in the MOF and MPED, and between NFSA and GOE institutions (such as the General Organization for Export and Import Control - GOEIC) whose roles in food import regulations have been reduced as NFSA has increased its legal authority over food safety. Before the law that created NFSA, HEIA, and Agricultural Export Council (AEC), the Plant Quarantine Department of the Ministry of Agriculture responded to problems with fresh horticultural product exports to foreign markets. They developed a coding system and white list of horticultural shipments by packhouse. NFSA took over these functions after it was legally created.

STAFF TURNOVER IN PUBLIC AGENCIES REMAINS PROBLEMATIC

A recurrent theme, seen across USAID projects supporting public sector institutions, is that major regulatory reform and institutional strengthening projects need multiple project cycles to implement fully to ensure sustainability. Upgrading and sustaining human capital in counterpart institutions is key, as staff turnover at lower to mid-levels can negatively affect institutional performance. Institutions such as TIDO have experienced high senior management turnover, which has slowed USAID project implementation and affected the commitment of counterpart public institutions to recommended reforms, innovations, and expansions of functionality. ENCC experienced difficulties retaining talented senior researchers and mid-level to junior research associates, undercutting this NGO's ability to do strong technical work that can inform PPD and influence policy formulation.

A related issue affecting the retention of highly qualified staff in public institutions is the civil service pay scale, which is below comparable private-sector jobs. This may present a problem in hiring and retaining the most capable staff in higher-level management and technical positions. In the case of NGOs, such as those that have launched BDS centers, mid-level staff compensation (of BDS implementers) is reportedly low, which has led to staff departures to private sector BDS centers offering better pay and working conditions.

EXISTING EXOGENOUS FACTORS UNDERCUTTING OR OTHERWISE HINDERING IMPLEMENTATION AND SUSTAINABILITY

- **Political Turbulence:** The most noted factor has been political turbulence leading to regime change and political flux in 2011 and 2013. During this period, the GOE business as usual was suspended, senior managers left key positions (or were forced to leave), innovations or upgrades to IT systems were not fully implemented, USAID institutional strengthening functions and services were suspended, and the rank and file in government institutions did less work because of uncertainty and turnover in leadership.
- **NGO Law of 2017:** The NGO Law of 2017 imposed restrictions on Egyptian NGOs working with international NGOs and donor project implementers. Egyptian and foreign consultants must obtain security clearances to work with Egyptian NGOs and their beneficiaries, leading to implementation delays. Furthermore, training conditions, institutional support, and grants offered to NGOs in Egypt are more stringent and restrictive.
- **COVID-19:** The pandemic has also made it harder for USAID projects to offer farm-level extension services, hold in-person group trainings bringing people together from different governorates, conduct site visits, conduct one-on-one in-person consultations, and carry out study tours (domestic or international).
- **Climate Change:** A final, slow-moving yet notable exogenous factor becoming increasingly difficult to adjust for is climate change. One reason for the low utilization of the Luxor Packhouse, owned by HEIA, has been reduced using for packing table grapes for export. This has been driven by higher growing season temperatures in Upper Egypt, drought and heat stress, and partial discarding of the grape harvest due to heat-induced damage.

5. RECOMMENDATIONS

Based on the literature review, numerous interviews, and nine case studies, certain additional measures could be taken to increase the probability of sustaining USAID-facilitated improvements in institutional capacity, organizational structure, management, and operations of the supported institutions.

5.1 RECOMMENDATIONS FOR USAID PROGRAMMING IMPROVEMENTS

- USAID should support Egyptian public institutions in building capacity for multiple project cycles. However, USAID implementers need to plan an exit strategy that scales government institution functions and services to probable GOE budgetary support and revenue from service provision to users/beneficiaries.
- USAID should look for evidence that the MoF provides greater funding allocations over time to public agencies receiving donor grants or project support over time. This is a good proxy for the GOE's commitment to changes that may involve greater staff or resource outlays on an ongoing basis. (One tool for doing this is what the World Bank calls a Public Expenditure Review (PER), typically done for a Ministry or a group of government agencies serving an economic sector).
- USAID should be wary of providing IT solutions that require too many changes in the client institution, staff behavior, and standard operating procedures (SOPs).
- Big investments in IT upgrades in public agencies usually require post-project support of hardware maintenance and software debugging and upgrading. This typically needs to be provided by a specialized IT company. However, on-the-job training of an IT manager (or team) inside public agencies is advisable before project closure. Making a sizeable grant near the end of a project can also provide resources, at least in the medium term, to address IT issues.
- USAID and its partners need to improve grant-making efficiency and speed so that most (if not all) grants are disbursed or provided in-kind by the project midpoint. Grants typically come too late in USAID project implementation, offering inadequate time for grantees to benefit from new equipment or facilities (including IT hardware and customized software). If grants are not awarded and disbursed by the end of year three of a project cycle, remaining grant fund resources should be reprogrammed. In addition, better and faster use of grant funds is highly recommended. Special attention could be paid to allocation of grants to Egyptian institutions (public, private, NGO) and their effectiveness during any midterm evaluation.
- USAID should undertake midterm project evaluations focusing on implementation problem areas. Ideally, a midterm evaluation needs to be completed by the end of year three of project implementation. These can lead to corrective, mid-course changes, whereas the end of project

evaluations cannot. End-of-project evaluations can be a useful counterpoint to end-of-project reports written by contractors and awardees, which are often self-congratulatory and not entirely objective.

- Cross-GOE agency and cross-donor organization coordination and consultation could improve in some cases, such as support for NFSA and addressing food safety issues. The AT recommends a food safety working group that meets quarterly.
- USAID is advised to consider providing support to private sector BDS providers, rather than NGOs, as well as to well-run university or private sector incubators. The AT considers this as a better path to long-run sustainability.
- If repeat awards (1st and 2nd phases of projects) to the same contractor might be considered by some to be anti-competitive, one solution to longer-term institutional capacity building projects might be to extend the period of implementation beyond four to five years. Furthermore, performance-based contracts can justify repeat awards.
- To the extent resources are available, USAID should insist that contractors, holders of cooperative agreements, and other awardees provide M&E data on adoption, performance, and impact of TA and capacity-building support on ultimate beneficiaries (beyond GOE partners, industry/trade and FAs, NGOs, and other development intermediaries).
- Given the importance of workforce development in the USAID/OEG portfolio, vocational education projects, which have strengthened TVETs and ATS, have improved curricula and trained teachers in using new technology and presenting new educational content. Evaluation of the effectiveness of USAID support and institutions' adoption of improved practices would benefit from periodic tracer studies, ideally several years after the students graduate. Such studies could be done two to three years after a project is completed or in the second phase of what is, in essence, a ten-year program, namely the WISE/ Workforce Egypt projects (implemented by the same prime contractor).
- At a broader level, periodic political economy analyses, perhaps with sectoral foci, could shed light on important factors that USAID needs to take into account in its programming. This could go beyond CDCS narratives to provide insights on red flag issues, institutional traps or dead ends (where you don't want to put donor money due to mismanagement or opportunistic behavior), senior GOE or Ministry leadership strengths/weaknesses and their preferences as well as institutional or policy changes that they won't support, off-budget uses of funds, the legislative and regulatory reform processes, etc. These analyses would end up being restricted in distribution, given their sensitivity.

RECOMMENDATIONS FOR PROJECT IMPLEMENTATION IMPROVEMENTS

- USAID project implementers need to obtain client institutions' senior and middle leadership buy-in and support for proposed changes in management, operations, organizational scope, and financial management before committing significant resources. This suggests that a tool like OCAT (Organizational and Capacity Assessment Tool) may be suitable to use upfront in some cases before committing large sums of money or making TA commitments to a host institution. An OCAT would help to better identify the focus institution's strengths and weaknesses, its current sources and uses of funds, external factors that might constrain institutional development (policy, regulatory, budgetary allocations, other), and risks that USAID would face in working with that institution.
- Contractors who support key Egyptian institutions should collect and report data on the operations, costs, and beneficiaries of those institutions to the extent possible. Obtaining data on budget allocations to USAID-supported public institutions would also be instructive in observing trends support, one important factor contributing to the sustainability of USAID interventions.
- Project implementers also need to develop an exit strategy from day one of the project. The implementer should embed the idea of sustainability in the implementation phase and mentor all staff members to think about time-delimited, temporary activities that build sustainability, even in the choice of intervention. Project managers typically focus on their areas of interest and achieving quick results (often to meet ambitious USAID targets). Sustainability may initially be a secondary consideration.
- In addition, better and faster use of grant funds is highly recommended. Grants typically come too late in USAID project implementation, offering inadequate time for grantees to benefit from new equipment or facilities (including IT hardware and customized software). USAID projects should monitor progress, intervene to solve emerging problems and evaluate outcomes and (ideally) impacts.
- Training courses, typically very short term (one week or less), need to be reinforced with follow-up field visits, some means of evaluating outcomes, refresher courses, and in a few cases (of mid- to senior-level technicians or management) medium-term training and on-the-job mentoring.
- In consultation with stakeholders (institutions that receive donor support), project implementers need to think creatively about increasing revenues from services provided by public and NGO service-providing institutions (rather than product-selling Egyptian businesses). This process needs to begin early in project implementation.
- Project support should combine classroom-style STTCs with fieldwork and on-the-job mentoring, training, and shadowing opportunities. Without follow-up, most STTCs are not fully

effective and do not lead to significant changes in behavior and performance on the job. Refresher short courses may also be necessary.

- Study tours, if well planned, can be very valuable for private Egyptian businesses (such as horticulture crop processors and exporters) and technically oriented Egyptian institutions (such as NFSA).

5.3 RECOMMENDATIONS FOR EGYPTIAN INSTITUTIONAL PARTNERS

- Egyptian institutions that provide services should scale their activities and service provision to projected GOE and institutional budgets and funding sources, the limited ability of their beneficiaries to cover the full cost of services, and the initial use of subsidies that get phased out over time.
- One recommendation for minimizing staff turnover in public sector institutions is to include leadership training and TA directed to HR departments on ways to retain staff.
- Project implementation and institutional capacity building efforts will advance more quickly and smoothly if a Ministry (or other GOE agency) and the project implementer Identify the right technocrat to support and guide institutional capacity building.

5.4 RECOMMENDATIONS FOR FURTHER RESEARCH AND ANALYSIS

Some USAID projects commission major studies that feature survey research and primary data collection and analysis. WISE conducted an excellent labor market survey, with technical support from ENCC, that has been widely read and cited and provided very useful insights into the evolution of the Egyptian labor market.

But other studies might be of potential value, such as:

- An analysis of the performance and sustainability of farm associations and cooperatives that have received significant support over several horticulture development projects. The three associations that own the Esna packhouse would be an obvious first choice, but there are others such as El Shark and El Baiaho. Such an assessment would conclude what worked and what did not (and why), and what issues or areas deserve further USAID attention.
- A prioritization of key policy, legal, and regulatory issues that need to be addressed, by key sector (for one or more sectors of even subsectors). This could look back, as this LEAP III assessment has done, at past USAID policy analyses and reform efforts to determine their effectiveness and sustainability. Such an assessment could conclude with what remains to be done, particularly in cases where there is an unfinished agenda or any policies or regulations that block progress.

- A horticulture subsector study that focuses on several key horticulture value chains and documents how USAID projects strengthened those VCs and expanded exports. This could also note what further work needs to be done to bolster Egypt's already strong horticulture export performance.
- Labor market tracer studies of graduates of agricultural technical schools (ATS) and TVETs that identify where a structured sample of graduates have worked over a two-to-five-year period post-graduation. It could also probe graduates' opinions, looking back, of the training, internships, and career guidance they received at ATS and TVETs.

ANNEX I: PRIVATE SECTOR CASE STUDIES

I. ALEXANDRIA BUSINESS ASSOCIATION (ABA) CASE STUDY

HISTORY OF USAID ASSISTANCE

The ABA has received USAID support since 1993 for various activities such as microfinance and microenterprise, BDS for start-ups, micro-, small- and medium-sized enterprises (MSMEs), and vocational training, as summarized below.

Microfinance Support (1993–2005). Microenterprise lending and micro-finance were a major focus of USAID OEG programs from 1995 to 2005, as the Credit Guarantee Company (27.5 million EGP – 1.75 million USD, and 60 million EGP – 3.8 million USD) and the Microenterprise Guarantee Facility Financing (8.2 million EGP – 521 thousand USD) were directly financed by USAID/Egypt. TA was provided by NCBA/CLUSA (5.0 million EGP – 318 thousand USD). USAID also signed a 9.3 million EGP (592 thousand USD) cooperative agreement with the ABA. In total, 86 million EGP (5.47 million USD) was authorized for this set of activities under the Small & Emerging Business bilateral agreement.

- **1993–2000:** Through the Small and Micro Enterprise Project managed by NCBA/CLUSA, TA and training were conducted to establish nine non-governmental foundations providing small working capital loans to established businesses. One of these foundations was the ABA. The NCBA/EQI team (EQI was the Egyptian subcontractor) provided training and guidance to formalize them with the GOE, establish internal financial systems, hire staff, establish policy guidelines for lending, and explore viable options to provide non-financial services to small businesses. NCBA CLUSA also provided TA to establish a USAID-funded Credit Guarantee Corporation (CGC) that offers credit guarantees to commercial banks for small business loans through financial intermediaries specializing in micro-lending. The project aided the CGC in establishing an institutional mechanism to provide financial TA, training, and other services to SMEs.
- **2000–2005:** Support continued through the Small and Emerging Business Project (SEB) managed by NCBA/CLUSA. The project had a budget of 7,068,571 USD. SEB continued working with the ABA, established earlier. After a prolonged delay, a 9 million USD financing agreement with CGC was signed in 1999 to augment its guarantee funds. However, the intended out-sourcing of the management of new operational grants and collateral guarantees to CGC did not take place. NCBA/CLUSA and EQI helped build CGC's institutional capacity by providing TA and training to enhance staff capabilities, develop financial systems, and revise and enhance operating systems.

- **2001–2005:** In parallel, a separate cooperative agreement was signed with ABA. The Microenterprise Program had a budget of 9.3 million USD. The Cooperative Agreement expanded ABA's successful Small and Medium Enterprise (SME) development activities beyond Alexandria and Kafra El Sheikh governorates. It assisted ABA in establishing eight additional branches to implement SME activities in Beheira (four branches), Marsa Matrouh (one branch), and Alexandria (three branches). As of mid-2004, ABA had an outstanding EGP portfolio of 52,497,503 EGP (8,467,339 USD), with 39,917 EGP (2,540 USD) worth for loan recipients for an average loan size of 1,315 EGP (212 USD). ABA had received 24 million USD from USAID since 1989, the largest beneficiary of the suite of small- and micro-enterprise projects. ABA's clients are the moderately poor, not the most vulnerable groups. The Bashayer El Kheir subproject worked through NGOs (including ABA and ABSA) to provide micro-grants to women.

BDS and Vocational Training/Employment Support (2015–2020)

USAID support to ABA after 2005 has been modest compared to the previous phase. During this phase, support focused on TA and capacity-building to support ABA's BDS Center and Vocation Training and Employment Center (VTEC).

- **2015–2020, Present:** Under Strengthening Entrepreneurship and Enterprise Development (SEED), a 22.9 million USD project implemented by AECOM,¹⁸ the ABA's BDS Center received technical and capacity-building support. It provides demand-based support to clients selected from the business association's microfinance portfolio and SME program. They also target new clients from the eight governorates where ABA has been operating since 1988. This center received a CRM system, Information and Communications Technology (ICT) equipment, and related training. Currently, the BDS is receiving support from the Sustainable Service Activity, a follow-up two-year project (2020–2022).
- **2015–2020:** Under WISE, a 24.65 million USD project implemented by MTC, ABA built a VTEC in Alexandria to provide vocational training to job seekers and existing workers in selected sectors based on the market's needs. The center also provides employment services to link trained workers to private sector firms. The WISE Project also built the capacity of business associations to work with government agencies on reforms related to workforce development and labor market efficiency. ABA capitalized on its successful micro-finance program to encourage lenders to use part of the loan to upgrade their skills through the vocational center. Through the WISE project, USAID assisted ABA by conducting the market analysis and business plan for the VTEC and provided capacity-building and TA for the VTEC in the first two to three years of its operation to ensure its sustainability. USAID supported this activity with 2 million

¹⁸ AECOM sold its USAID practice to DT Global in August 2019. DT Global became the prime contractor during the final year of SEED.

USD, which was countered by 2.8 million USD from non-USG sources. USAID WISE also provided capacity-building and TA based on a business plan to support the ABA in building a VTEC management team capable of professionally running a center and ensuring its effectiveness in assisting youth in Alexandria to contribute to workforce growth. The VTEC established an Employment Services operation, organizing interviews, providing career preparedness training, and linking job seekers to the best job vacancies that match their profiles. The VTEC has provided employment services support to more than 3,000 youth. The Ebdaa Rehletak job seeker program was launched in five governorates, and WISE completed its capacity-building activity for the ABA's VTEC.

EFFECTIVENESS OF USAID INTERVENTIONS

Under the SEED Project, ABA's BDS center was supported through TA and building capacity by developing the infrastructure and through policies, procedures, and the services delivery mechanism to the clients.

One of the first areas of focus of SEED was to help the ABA BDS team understand the value of BDS services beyond a traditional tool to help repay loans. As a result, ABA's staff, equipped with their new skills, improved the quality of their services by improving pricing strategies and market competitiveness analysis.

Under WISE, VTEC received TA to support its operations and organizational structure. WISE supported its strategy and operational tools needed for the market, equipped the workshops, and built staff capacity. Marketing tools provided by WISE are still used and updated by ABA. Dashboards are used by staff and management to measure progress. Financial software is used for pricing courses. All of this support laid the foundation for its current operations. Due to this support, ABA attracted partnerships to build on the current efforts, drawing in embassies, GIZ, and the private sector.

ABA has an agreement with the Ministry of Education and Technical Education (MoETE) to support the dual system in two technical schools in Alexandria. They provide students with employment and internship opportunities at the companies of ABA members or others. As a result, VTEC has attracted interest from the government, and negotiations are underway to replicate and expand this model under the dual system in other technical schools. In addition, there is interest from donors to replicate VTEC elsewhere, and ABA may contribute as a technical partner/service provider.

IMPACT

Microfinance

Before USAID's initial activity, ABA was focused on advocacy efforts related to the enabling environment. USAID assisted ABA in opening seven new branches through staff capacity-building and equipping the branches. This allowed ABA to expand operations beyond Alexandria and reach more

clients, transforming it into one of the most successful MFIs institutions in Egypt and the region. ABA was financially self-sufficient and generating revenue within five years (last grant ended in 2007). The grant to support the loan portfolio was approximately 12 million USD.

ABA became the MFI with the largest number of beneficiaries in the MENA region, serving half a million clients (over one million since it began operations). ABA attributes its success to several factors:

- USAID's intervention was not limited to support through providing building and equipment. In parallel, TA support was provided by building the capacity of the management team and the BoD. This was done through trainings (such as at the Boulder Institute in Colorado, one of the best professional two-week courses on microfinance), study tours, conferences, and visits to MFIs in South America and Asia. ABA learned the best practices in microfinance and brought them into their organization, resulting in efficient and sustainable operations. Networking opportunities also allowed for growth and expansion.
- Trainings supported back-office and front-end functions in the institution, such as pricing, accounting, financial analysis, internal audits, and operational and organizational manuals. ABA's staff could transfer this knowledge internally and train other microfinance providers as service providers.
- ABA went through governance restructuring, based on recommendations five years ago of an external international audit. The board now has independent advisors specializing in technical matters such as finance, digital transformation, and government relations. Based on the audit recommendations, 50 percent of the advisors are from outside the elected BoD, and they are experts in their field. ABA has amended its bylaws to have a subcommittee solely responsible for supervising microfinance operations and reporting to the board.
- As a result of its financial sustainability, ABA recruited good caliber staff from the banking sector to manage their microfinance component. This pumped new blood into the association with a commercial and non-developmental background.
- It also helped that the same USAID contractor worked with ABA for ten years.

With the new area of ICT and Egypt's digital transformation, ABA is gradually shifting to innovative financial products and digital platforms.

BDS

Originally the BDS component was a department for non-financial services established in 2016 by ABA. Previously, they were services provided through the Middle East Development Center (MEDC), which received USAID support. Through SEED, the BDS unit was established in 2018 and restructured to operate in the SME project component.

Traditionally BDS services were offered as part of the non-financial services package where the client pays a small fee as part of the loan package. In return, they accessed ABA's exhibition/showroom and received financial literacy, vocational, and management training.

Under SEED, ABA's BDS Center was supported through TA and building capacity in developing the infrastructure through policies, procedures, and the delivery mechanism of services to the clients. This included developing job descriptions, an organizational structure of the BDS Unit, and a skills matrix to identify suitable roles for each staff member. SEED also evaluated the strengths and weaknesses of the current non-financial services package offered by ABA and helped the association develop the strategy of the new BDS Unit. As a result, ABA changed its outreach strategy to reach beyond its current microfinance clients as a marketing strategy to attract new BDS clients or borrowers.

Furthermore, the scope of provided services changed. Before SEED, ABA conducted initial feasibility studies to accept a borrower's loan request. Now, the BSE unit conducts ongoing studies to help identify potential areas for growth and revenue. In addition, a CRM system was provided to run the unit efficiently.

With SSA, the project has provided seven training sessions on google search skills, digital marketing, and online mentoring. However, incorporating practical aspects in online trainings due to COVID-19 was challenging.

SEED helped the BDS team understand the value of BDS beyond loan repayments. ABA's staff improved the quality of their services by improving pricing strategies and market competitiveness analysis. BDS staff used exhibitions events to help the clients evaluate their performance¹⁹ and identify ways to improve their offerings to increase sales.

One shortcoming of SEED was that initial trainings did not differentiate between private enterprises and NGOs, affecting efficiency. Despite the high quality, the trainings needed to be locally adapted to contextualize the local market needs and issues (e.g., backgrounds and educational levels of SMEs owners). Around 2018, these trainings became more effective through direct training and mentorship to ABA BDS staff.

Moreover, the CRM system has not been activated at ABA because it was handed over at the end of the project. ABA's interim management decided to put it on hold until the new management is in place. However, it is unclear how the new system will protect confidential client information as depicted by Financial Regulatory Authority regulations. An additional drawback faced during SEED, besides the impact of COVID-19 on operations, was the challenge of hiring foreign BDS advisors for assignments of any duration due to the required security clearances.

¹⁹ Performance at exhibitions was evaluated concerning sales booth/table design and layout, display of products and services, engagement with prospective clients, and the sales pitch of BDS services offered.

VTEC

The mission of the VTEC is to improve the perspective of vocational labor and establish bridges between employers and job seekers. They have the highest quality of technical and vocational employment services through:

- Employment Center - Creating job opportunities for the skilled labor according to the labor market needs;
- Industrial Workshops Center - Incubators for entrepreneurs and MSMEs;
- Training Center - Improving and developing skills according to the labor market demand; and
- Supporting dual education system technical schools - VTEC has an active unit linking technical education students to factories.

Until 2020, 5,827 trainings were conducted. The center provided 1,300 training sessions last year and the target for the current year 2,000 sessions. VTEC also provides internship opportunities for around 80 percent of the students attending the two dual system technical schools it supports in Alexandria. VTEC also provided nearly 3,000 placement opportunities for job seekers. GIZ is currently assisting the VTEC to do follow-up studies.

The center originally started an agreement between ABA and the military authority in 2014 to establish a vocational and technical center to serve an underserved area (Bashayer el Kheir). In 2016, the 20 years protocol was signed, where the military provided the land for free, and ABA was responsible for building and managing the center.

The initial vision was to have a technical school. However, based on ABA's knowledge of the current labor market needs, the center became more focused on vocational and technical training. This would make the center better able to bridge the market gaps and current needs. ABA also believed the center would be a more sustainable model to implement than a school.

ABA developed a business plan and built 12 workshops (including three incubators), pre-WISE. During that time, ABA realized it needed a partner to provide TA and capacity-building support and support the vision and organizational structure of the center.

Under WISE in 2017, VTEC received TA to support its operations and organizational structure. WISE supported its strategy and operational tools needed for the market, equipped the workshops, and built staff capacity. Marketing tools provided by WISE are still used and updated by ABA. Dashboards are used by staff and management to measure their progress. Financial software is used for pricing courses. In addition, WISE facilitated VTEC's ISO 9001 and OHSAS 18001 certifications by TUV SUD (Netherlands food safety certification board), which helped establish policies and procedures. WISE also worked on advocacy efforts to change the often-negative view of the community regarding vocational work. Finally,

WISE's labor market research was extremely helpful and used by VTEC. All of this support laid the foundation for its current operations. Because of this support, ABA could attract other partnerships to build on the current efforts with embassies, GIZ, and the private sector. GIZ is a strong supporter and is funding the development of training programs.

VTEC is also a member of the Labor Market Observatory (a GIZ project in Alexandria and other governorates). The Observatory's mission is to generate employment and labor market needs studies. It has representatives from the MoETE's Productivity & Vocational Training Department, VTEC, and other industry representatives. VTEC is a source for other external advocacy efforts by other institutions, and their staff plays an important contributing role in the observatory due to USAID's initial support.

However, according to the KIIs, WISE only spent 50 percent (or 1.2 million USD) of its allocated budget for ABA's VTEC. This is due to the lack of alignment on the vision and mission of VTEC between ABA and WISE, leading to an early closure of activities. According to the stakeholders interviewed, the WISE project team believed the center's priority was providing technical and academic training and upgrading the qualifications of the trainees through accredited education in their fields. While important, the ABA had different priorities and saw its role as providing training towards the end of employment and linking job seekers and employers. More importantly, practical training (including soft skills) is required to make trainees employable according to the employers in the private sector, and not merely academic qualification. Finally, stakeholders interviewed also added that WISE's suggested model was not sustainable as offering certified training in an underprivileged area that is not affordable to trainees. It also did not help that there was a high turnover of the center's managers (four left). In general, the VTEC managers need to have a mix of business and development experience. All of the above led to an early closure, despite laying a good foundation for the kick-off of VTEC's activities and its expansion.

After WISE, ABA revised VTEC's operational model by focusing on training for employment based on market demand competencies instead of certified academic training initially suggested by WISE.

A career guidance unit was developed, where applicants are initially assessed whether they are ready for the transition to employment or need further skills and competencies. Ninety percent of the time, it is the latter, and the applicant is led to the on-the-job training or apprenticeship program. The project invested in institutional experts to develop programs for vocational training in several fields. However, the content of these programs is not compatible with the VTEC's current model. ABA considered some of the programs basic, needing more specialized training for VTEC and BDS. ABA is currently attempting to partner with educational institutes to deliver these programs to meet current market needs.

SUSTAINABILITY OF USAID SUPPORT

Microfinance

The microfinance operations have been financially sustainable for 20 years and have generated enough revenue to support other projects such as the BDS and VTEC Centers. ABA microfinance generates 200 million EGP (12.7 million USD) of net profit annually. This allows the association to build staff capacity by sending them to conferences and training courses. In addition, ABA provided technical support and capacity-building to other MFIs. COVID-19 reduced its portfolio from 3 to 2.5 billion EGP (159–190 million USD). However, this has not affected their operational sustainability.

BDS

Currently, BDS fees cover 25 percent of the services offered, and microfinance operations cover 75 percent. The center is generating enough revenue to cover operating costs partially. ABA might have a surplus, but the BDS activities are not expanding due to a lack of interest from clients and loan officers lacking an incentive to persuade the clients to take courses/workshops. If BDS services increase in the future, ABA will need to increase fees.

Currently, with the new transition phase and interim ABA management, the direction of the BDS business model is not clear—whether it will continue to be subsidized with a social mission or become a commercial business service. According to one interview, ABA expects to start covering costs and generating a profit within five years by gradually decreasing subsidies.

As for operational sustainability, BDS services are still limited to Alexandria. The ABA plans to expand these services in 2022 to other governorates. However, the plans were delayed due to COVID-19 and ABA halting most of its BDS operations. In addition, ABA is planning to expand by providing BDS services to microfinance clients and as a stand-alone product to those who need non-financial BDS. The planned model is to have ABA as a BDS service provider.

Since the BDS Center resumed operations a couple of months ago, workshops are being conducted on vocational training, marketing, and pricing. ABA also started delivering online training using the tools they learned from the SSA activity. For example, in September 2020, ABA conducted a market survey on 900 SMEs, assessing their market needs post-COVID-19. New areas were identified, such as online marketing and e-commerce.

ABA intended to engage all BDS staff in the SEED training to ensure institutional knowledge retention. Some of the staff that attended the trainings are certified master trainers accredited by other institutions such as ILO, Planet Finance, or Cisco Academy. As a result, these staff provide refresher classes and training to newcomers throughout the year.

According to one interview, there was no buy-in from the board about the vision on BDS. Previous management and the board were not on the same page, and BDS was prioritized. At the same time, ABA complied with the new regulatory requirements imposed by the Financial Regulatory Authority, so the board prioritized this over the BDS and its vision.

Despite having technical advisors on the board, the top management was not included in the decision-making process, leading to counterproductive issues and a lack of alignment on the common vision from both sides. ABA's subcommittees handle a specific component (e.g., microfinance, BDS, and VTEC). WISE reports referred to the challenges of working with the VTEC executive committee due to the governance system. WISE recommended that its staff and consultants continue working with the VTEC governance body, making it more results-based and focused on its business plan through mentorship, training, and follow-up. A consultant was hired to help them draft their bylaws.

VTEC

With the land provided to ABA for free for 20 years, substantial costs were cut. However, ABA operations and the establishment of the center incurred substantial costs. The association estimates it needs three to five years to break even. Its strategy is based on three systems:

- **Memberships:** VTEC provides several services to its members, such as training, career placement, and usage of facilities with different tiers. This helps generate income through membership fees. An example of a member is the El Ola Steel group.
- **Sponsorship:** Sponsors from donors or business communities can have different forms, such as scholarships to train job seekers or grants to purchase equipment. Some sponsors include Exxon Mobil, Titan, Ameriyah Cement, GIZ, ILO, the Embassy of Japan, and USAID.
- **Partnerships:** ABA seeks to partner with organizations offering their facilities or resources as a platform or implementing partner. In addition to providing accredited vocational trainings, other benefits for VTEC from these partnerships include contributions to upgrading the workshops, rent payments, receiving commission fees (percentage of the fee charged by the partner for the training), and scholarships for students. Examples of partners: World Food Programme (WFP), Save the Children, Nat Gaz, Rotary Egypt, Logic Consulting.

In addition, VTEC's vocational workshops can provide commercial services to clients in the market, such as maintenance contracts for offices and houses. Currently, that service is providing extensive income to the center.

VTEC costs ABA 5 million EGP (318 thousand USD) annually, covered by the microfinance component. However, due to their social mission and focus on the less privileged, non-commercial beneficiaries, their financial sustainability is tougher to achieve. As a result, ABA depends on support from donors and sponsors to cover the training costs. Otherwise, these beneficiaries—who are the neediest—will be excluded. ABA is confident about this model as there is interest from donors and institutions. It is expected to reach financial self-sufficiency after a few years due to the diversity of its income sources, as mentioned above.

AREAS FOR FURTHER ASSISTANCE

- For Microfinance, USAID can assist in the digitization of ABA's operations and digital platforms.
- ABA staff still require continuous training and mentorship for BDS to keep up with the latest developments. This also includes support for trainers, including assisting them to get accredited. ABA staff suggested providing services such as licensing and tax IDs to help formalize businesses. SSA online trainings remain challenging due to the difficulty of incorporating the practical aspects.
- For VTEC, institutional support is needed to develop the capacity of the career guidance unit. For example, a comprehensive competency-based approach is needed for the career guidance cycle (from application to internship and skills development to job placement).
- Overall, the BDS Center and VTEC training programs are considered too basic and generic. More specialized training is needed in localized topics related to the needs of the industry.

LESSONS LEARNED

USAID has the advantage of unmatched large-scale support and long-term funding. This is evidenced by the 86 million USD funding of the microfinance sector for around 13 years to ABA, which enabled them to become one of the region's biggest players of MFIs. As a result, ABA expanded its operations and became self-sufficient. This funding also supported initiatives under the umbrella of ABA, such as BDS and VTEC, and becoming a technical and service provider to the government and other institutions. ABA's expanded variety of service offerings is extremely important given the recent changes in the microfinance sector in Egypt. Egypt's microfinance portfolio has changed since the introduction of the 2014 law regulating microfinance in Egypt—allowing for-profit companies to lend to individuals. Most of the share is going to companies and not NGOs (currently around 60 percent for a dozen companies versus 40 percent for 800 NGOs).

Implementing partners and USAID need to work on local solutions by engaging and partnering with local partners. This is important to have specific and customized TA and capacity-building initiatives that are effective and relevant. This will also result in a true partnership with stakeholders and much-needed buy-in to ensure the sustainability of the USAID's interventions beyond the life of the project. ABA's lack of buy-in on the BDS model and VTEC's early closure are instructive lessons learned. It is important to focus on adapted solutions with local partners who are empowered recipients.

In addition, equipment and software need to be provided at the early stage or no later than the project's midpoint. The CRM provided towards the end of SEED is an example of where the software system was delivered but not used by the BDS center.

2. ESNA PACKHOUSE CASE STUDY

THE HISTORY OF USAID INTERVENTIONS

The packhouse at Esna was initially a modest produce collection center with limited storage capacity, established by ACIDI-VOCA Heinz GDA Project of 2008–2013. The Heinz GDA provided a pre-cooling unit, a cold storage unit, and two refrigerated trucks to the packhouse run by El Mataana and two other FAs. The facilities were owned by three associations in Luxor Governorate that have a legally binding agreement to cooperatively manage the grants (Tafnees El Mataana, Asfoun, and El Negoa’a El Bahary associations). The El Mataana association also received a 25,000 USD grant from the World Bank to renovate and improve the tomato drying unit to increase its production capacity and output quality. The USAID Premium cooperative agreement (2011–2018) rehabilitated the produce handling units and expanded, renovated the cooling facility at the packhouse. It added machinery to slice tomatoes in preparation for drying and “food grade nets” on which sliced tomatoes are dried that are plastic, so they do not rust and can be reused. Premium also built a classroom adjacent to the packhouse, mainly for training small farmers in GlobalGAP requirements for exporting produce.

Premium was initially a grant to Blue Moon Ltd. from USAID’s APS in 2011 but later became a better-funded cooperative agreement focused on preparing farmers for GlobalGAP certification. Blue Moon is a GlobalGAP Farm Assurer, which requires intensive three-day training by GlobalGAP and passing a final exam. As Blue Moon is not a GlobalGAP approved certification body, third-party certifiers must certify farmers and farm associations every year. There are four GlobalGAP approved certification entities in Egypt, one of which is HEIACert (see HEIA case study for more information). There are three levels of GlobalGAP certification: foundation, intermediate, and full compliance with international standards. FAs of 20–100 growers can obtain intermediate level certification for 15,000–20,000 EGP per year (955–1,273 USD) for the entire group, which Blue Moon does not consider excessive. According to Esna packhouse managers, Premium covered this cost for a couple of years, but the packhouse did not continue to pay for GlobalGAP certification after Premium closed in 2018. However, the packhouse is BRC certified every other year, which is imperative for exporting fresh produce to the UK and EU countries. BRC standards apply to packhouses and food processing plants, but not farms.

Blue Moon provided private extension officers under Premium, who were trained to service 50 small farmers each. Most training was done on farms and not in a classroom. Egyptian university professors often served as consultant trainers. Occasionally, an EU expert would be brought in to advise on retailer standards and requirements in EU countries.

TABLE 4: NUMBER OF GROWERS TRAINED BY THE PREMIUM PROJECT, 2011–2017

Farm Association	Growers of Small Producer Organizations	# Female	Growers Registered with GlobalGAP	# Female
Asfoun	75	1	47	1
El Mataana	88	0	55	0
Negou Al Bahary	79	0	56	0

Source: [Presentation by Blue Moon to GlobalGAP](#), December 2017.

Premium also upgraded agricultural technical schools (ATSs), including one in Esna. Teachers received training, and Premium established an entrepreneurship program and career development centers for ATS students. Premium also collaborated with CropLife Egypt to train students in pesticide application services (531 spray service providers were trained in five governorates). Premium provided training to the packhouse managers and arranged study tours to visit other packhouses in Lower Egypt. According to one Esna packhouse KI, the packhouse requested other USAID projects include a component focusing on training in-house technicians from the associations to repair equipment and facilities in the packhouse, but these requests were not approved. The packhouse is currently training members of the association (mainly youth) on equipment operation, maintenance, and repair. They are also asking companies such as Carrier to train some staff on repairing cooling systems as part of a maintenance service agreement.

The Premium Project played a critical role in helping the Esna Packhouse (and its three farm associations) secure contracts with horticulture produce exporters. Premium also helped introduce new crops into the three farm associations' crop mix, such as pumpkins and mangos. It facilitated the export of dried tomatoes through the hardware investments noted above. (Fresh tomatoes grown in Upper Egypt are reportedly not exported to high-income markets because of their fragility and perishability). Last, Premium trained farmers in Fair Trade requirements and paid for Fair Trade certifications for a couple of years, which allowed growers to receive Premium prices for their exported produce.

The AMAL and FAS USAID horticulture projects in Upper Egypt did not work directly with the Esna Packhouse or its member associations, but ERAS provided some training to farmers. According to one Esna Packhouse KI, however, the packhouse reached an agreement with ERAS to finance 50 percent of the cost of the BRC renewal (required every other year), with the packhouse funding the remaining 50 percent.

According to another Esna Packhouse KI, an EU Project is paying for GlobalGAP and BRC annual re-certifications (but not for Fair Trade certification) at the cost of 30,000 EGP (approximately 1,900 USD).

EFFECTIVENESS OF USAID INTERVENTIONS

The Esna Packhouse managers who were interviewed all agreed that the packhouse would not be operating at the level it has been operating in recent years without USAID support. In addition, producers in Luxor Governorate FAs would not have been incentivized to change their crop mix and grow horticultural crops for export. The three associations that own the Esna Packhouse have been the most direct beneficiaries. There have been spillover benefits to other FAs that work with exporters who use the packhouse.

Packhouse managers reported that USAID support was effective but too limited in duration. They claimed that support was cut off too early for the packhouse for its member FAs to sustain the high utilization rates of the pre-COVID-19 period. They said the Premium Project assistance in attracting exporters to source from the three FAs and pay to use the Esna Packhouse was invaluable. The Premium training of producers in GlobalGAP requirements provided exporters with a high degree of confidence that producers complied with EU and Gulf country standards. Once Premium ended in early 2018, the packhouse struggled to identify exporter buyers and packhouse users.

SHORT-TERM IMPACT

The greatest short-term impact of USAID support came from the Premium Project, which all three Esna Packhouse KIs judged to be highly effective. Premium's investments in the packhouse, launching the training center, ongoing training and extension targeting member associations' small farmers, and linking associations and the packhouse to international markets greatly expanded export volume and the months of operation of the packhouse. At its peak in 2018/2019, the packhouse was operating eight months a year. However, currently, the packhouse operates no more than five months a year. The decline in packhouse operations and throughput is primarily due to fewer contracts with exporters and international buyers.

One KI claimed that "Under Premium, the packhouse had three to five export contracts during any given year for different products, including sweet potatoes (Swiss company), dried tomatoes, cantaloupe, and grapes. Over the six years that the Premium Project was involved with the packhouse, Premium assisted the packhouse in sourcing between 20–25 export contracts (sweet potatoes, peanuts, grapes, peppers, cantaloupe, and pumpkin)."

Fair Trade certifications, obtained through Premium support, brought an average of 12 percent higher prices per kilogram of produce exported,²⁰ which increased packhouse revenues, so greater profits were distributed to the three associations and their members. Over a year and a half, the Asfoun FAs generated

²⁰ According to EU Fair Trade data, <https://www.fairtrade.net/standard/minimum-price-info>, Fair Trade prices range from five percent to 16 percent higher per kilogram of produce, depending on the horticultural commodity and whether the produce is grown conventionally or organically, and whether it is destined for processing or drying.

200,000 EGP (12,700 USD) of additional income from Fair Trade contracts, while the El Mataana association raised 250,000 EGP in incremental income (15,900 USD). Fair Trade certification was extended for one year (2018/2019) beyond the Premium Project closure, but GlobalGAP certification was not extended. The packhouse could not renew Fair Trade certification because it allegedly cost about 4,000 Euros (4,500 USD) per year (according to one packhouse manager). According to the KIs, the impact of this was fewer contracts with exporters, lower offer prices, and lower overall revenues for the packhouse and its three partner associations.

In addition, Premium helped the packhouse management ensure that the packhouse and nearby farms had access to electricity and desalinated water. They are connected to electricity and water grids, but the packhouse had to invest in water tanks and a generator to ensure the supply was not regularly disrupted. Premium supported them financially to connect water pipelines and acquire the generator (sharing equal cost share of 50 percent/50 percent).

MEDIUM- TO LONG-TERM IMPACT

It has been nearly four years since the Premium Project ended on 28 February 2018. The three KIs managing the Esna Packhouse reported lower capacity utilization and produce throughput, lower revenues, and lower overall returns to their grower members.²¹ In 2020, the packhouse did not generate any profit (surplus revenue). In 2019, the packhouse generated minor profits, but these were re-invested to upgrade the packhouse and complete repairs required by their main client (a grape exporter).

While the packhouse mainly served farmers in the three Esna District associations of Luxor Governorate during peak operations (2017 to 2019), it is now rented to exporters who usually source produce from other growers and not from the Esna farms associated with the packhouse. Therefore, small farmers that work with the packhouse have not received production contracts and are no longer benefiting from past contractual arrangements.

The packhouse KIs and Blue Moon concur that USAID support under Premium or a similar contract should have been extended another two to three years to ensure that the maximum number of farm association growers fully complied with GlobalGAP standards, benefitted from Fair Trade certifications (paid by USAID projects), and continued to operate the packhouse at a high level, and pay for BRC certification.

Without in-depth farm surveys and an analysis of the Esna Packhouse throughput, revenue, expenses/costs, and profits over an extended period (e.g., 2016 to 2021), the AT team could not determine how much farm household and packhouse revenue declined once the Premium Project closed. Part of the decline can be attributed to the effect of the COVID-19 pandemic on the

²¹ Note that no data was provided on packhouse utilization (number of weeks of operation per horticulture crop), costs of operation, and any investments or revenues across years (in time series, disaggregated by crop). Such information would provide a more accurate picture of packhouse operations, but it is not readily available.

international horticulture trade, which lowered Egypt's exports. A decline in air freight capacity disrupted supply chains to the UK, the EU, and other buyers. Many commercial flights were canceled, and cargo freighters were used less frequently (operating from Cairo, as no produce hauling from Luxor Airport is permitted). This may help explain why the number of exporters contracting with the Esna Packhouse declined.

An alternative explanation to reduced packhouse operations is that USAID support to the packhouse and farmers of the three associations through Premium had provided buyers (exporters) assurance that GlobalGAP practices would be followed and BRC certification continued. Without an accompanying technical partner following the end of Premium, the packhouse and its associations may appear as a higher risk to an exporter who hoped to source produce from Upper Egypt.

SUSTAINABILITY

According to all three KIs involved in managing the Esna Packhouse, more time and support from USAID projects were needed to develop strong networks with buyers and further upgrade the management team's marketing skills. The management team was under the impression that the support for marketing efforts and certification would continue post-Premium, but that did not materialize under FAS. Support has been limited to minimal training under ERAS. The packhouse applied for a USAID grant (under ERAS) but did not receive one. This grant included requests for a forklift, an air-conditioned reception area for produce, conveyor belts to move the produce (while sorting, grading, and packing instead of handling produce on stainless steel tables, the current practice), and a storage facility for the packing equipment.

Esna Packhouse managers and their farm association partners wanted to ensure continued USAID funding for key re-certifications and marketing support until 1) they were able to build a pipeline of buyers that guaranteed continuous workflow, and 2) they developed the capacity to market the packhouse as a BRC certified facility and source new contracts with exporters on their own. Because the associations did not expect the lack of follow-up support, the KIs reported they were not prepared or equipped to build on the efforts gained from Premium to sustain the benefits (growth in export contracts and key certifications) in the following years.

According to the packhouse managers, the highest priority support is funding certifications (particularly Fair Trade) and making marketing linkages in sourcing new contracts. This support is a much higher priority than the farmer training, and other types of TA provided since the Premium ended. The very well-funded ERAS Project seems to favor continued training workshops over the types of grants and TA needed to move the Esna Packhouse to a longer-term, sustainable level of operation and profitability.

According to one Esna packhouse manager, the packhouse can become self-sufficient if it and member farm associations receive further funding for certifications and technical support in marketing and

negotiating export contracts for another three years. A second packhouse manager stated that further support from USAID would be welcome in providing equipment such as a conveyor belt for sorting and packaging and additional cold storage facilities capacity (beyond the current 24 metric tonne - MT) that would allow an increase in the number of contracted farmers.

AREAS FOR FURTHER ASSISTANCE

Despite the efforts of the Premium Project, the Esna Packhouse requires some upgrades to be fully BRC compliant. Member producers (in the three farm associations) need periodic refresher courses and follow-up from well-trained agronomists to ensure farmers apply GlobalGAP practices in their fields. The packhouse would appreciate it if USAID or another donor could subsidize the cost of key certifications, including BRC, GlobalGAP (or HEIACert), and Fair Trade. The three farm associations and their packhouse have requested an ERAS Project grant to upgrade the packhouse and work with member farmers to ensure that they can meet international buyers' standards.

LESSONS LEARNED

One important lesson learned from USAID support to institutions such as the Esna Packhouse and its affiliated farm associations is that the final year or two of major projects, such as Premium, need to focus on training, technical support, and any final infrastructure/equipment investments (by USAID) that will put the institution on a path to sustainability. The observations of the packhouse managers that Premium ended abruptly implies assurances of continued USAID support that did not materialize.

There was a brief collaboration between Blue Moon, as a subcontractor to FAS, and the prime contractor CNFA in 2018/2019 that ended in a dispute over expenses incurred by Blue Moon that took over a year to be resolved (for which Blue Moon incurred significant legal expenses). CNFA observed that Blue Moon's financial records and subcontract reimbursement submissions were not up to USAID standards, implying poor financial management. The AT did not probe this in greater depth or support either side's claims, but the termination of the FAS subcontract with Blue Moon hurt the Esna Packhouse and its farm association partners. The level of support to the Esna Packhouse provided by Premium was not continued, certifications have lapsed, the number of exporters approaching the packhouse to negotiate contracts has fallen, revenue has declined, and the farm association members' income from horticulture crops has dropped.²² Momentum built under Premium seems to have dissipated, and packhouse management now insists that they require donor support to return to earlier levels of

²² As noted in the main body of the report, USAID disagrees with this assessment based on information provided by the three Esna packhouse key informants. An OEG COR states that the packhouse misrepresented its current/recent situation in order to build a case for receiving additional grants and technical support from USAID. Without month-to-month data on packhouse operations, it is not possible to determine how fully operational the packhouse has been over the past four years (since the closure of the Premium Project). Useful data would include details on exporter leases, which horticulture crops were sorted, graded and packed during each month, and monthly processed throughput by crop. Whether this information is available in a usable format is not clear.

operation and financial performance. This case highlights how discontinuities in donor support and misunderstandings about whether USAID support would be continued can undercut years of progress.

Another lesson learned from USAID establishment of packhouses or horticulture processing facilities is that facilities established late in a project, such as El Shams, may not be sustained without adequate training of the management team and a maintenance and repair contract that continues for a couple of years after project closure. One of the three collection center/packhouse facilities established by El Shams (in Qena) is no longer operating. Another, El Baiaho of El Minya Governorate, was established far from the Nile River and did not have an adequate uplink to the electricity grid to power equipment supplied at the end of the FAS Project. FAS also provided a grant to a farm association to process herbs and spices late in the project, but there was no time to monitor the operation of new equipment during a start-up phase.

Finally, one of the packhouse KIs advised the following:

“Before establishing a packhouse, assessing the potential export crops that can be processed in that area is necessary. Furthermore, an assessment of the international market for these crops and the level of interest from potential importers should also be taken into consideration when deciding whether to proceed with establishing the packhouse in a specific location.”

This advice from a KI suggests that it was not fully followed in the Esna packhouse case.

3. HORTICULTURAL EXPORT IMPROVEMENT ASSOCIATION (HEIA) CASE STUDY

HISTORY OF USAID SUPPORT

HEIA began in 1996 with the Agricultural Technology Utilization and Transfer (ATUT) support and with about 25 horticulture producers in Lower Egypt who eventually became larger growers/exporters. There are currently 600 individual members who pay 1,800 EGP/year (115 USD). There are 17 small FA members whose membership is free. One hundred corporate members, including agricultural input and machinery suppliers, pay 10,000 EGP/year (about 640 USD). Therefore, annual membership income is slightly more than 2.0 million EGP (approximately 132,500 USD). Half of these member dues come from individual members and a half from corporate members. While the annual dues seem to be very low, the HEIA General Assembly sets the dues, which have been increased twice since the early 2000s. Neither the BoD nor the HEIA Executive Director can set member dues.

USAID support to HEIA through grants for TA and study tours to horticulture producing/exporting countries from 1999 to 2004 equaled 3,034,594 EGP (193 thousand USD), with another 68,170 EGP (4,338 USD) for computers and furniture. In total, this reached 3,102,764 EGP (197 thousand USD, 2021 conversion rate).²³ USAID provided no support for HEIA members to attend international trade shows such as Fruit Logistica or the Gulf Food Show. However, USAID did provide TA (through the ATUT Project) and funded visits to key universities in the United States (e.g., the University of Florida and the University of California Davis) for a wide range of horticultural crops (especially citrus). The university collaboration continued through 2002, and the Egyptian horticulture industry was exposed to state-of-the-art breeding and improved varieties (over what was available in Egypt at the time). Egypt is now the number one global exporter of citrus, as varieties and quality have improved greatly (in part due to USAID support via leading U.S. agriculture universities).

USAID provided TA (through the ATUT Project) and funded visits to key universities in the U.S., namely the University of Florida and the University of California Davis, which have horticultural research and extension programs for a wide range of horticultural products, including citrus crops and strawberries. The initial more intensive university collaboration continued through 2002, and there has been some continuing collaboration with the University of Florida through USAID's Farmer-to-Farmer program.

USAID Projects also supported creating the perishables terminal at Cairo International Airport through a pre-feasibility study (done in 1999 by a USAID Agricultural Policy Reform Program consultant). USAID also funded a full feasibility study by Parsons. This U.S. engineering firm provided a blueprint and technical specifications for the packhouse (this study was funded under a General Dynamics contract

²³ These figures are from HEIA's audited statements. According to a USAID project evaluation, the value of two grants to HEIA in the late 1990s and a major capacity-building grant awarded to HEIA from 1999 to 2004 reached \$4.6 million plus 1.3 million EGP, worth approximately \$210,000 using USD to EGP exchange rates prevailing in 2004. The reason for the difference between the USAID evaluation and HEIA figures is not known.

with USAID/Egypt), operational software, and some maneuvering equipment. However, finance for constructing the packhouse and cold storage units did not come from USAID. The Ministry of Foreign Trade facilitated a construction loan to HEIA for 8,000,000 EGP (509 thousand USD). HEIA repaid this loan in full.

Since 2004, HEIA has sustained itself effectively without a steady flow of foreign assistance. Under the AMAL Project, HEIA received 747,233 USD from USAID to purchase tools and equipment for the Luxor packhouse, furniture, IT hardware, refrigerated trucks, and maneuvering equipment. HEIA spent 46 million EGP to purchase the land, build the packhouse, and create the supporting infrastructure, equivalent to slightly more than 6.5 million USD in late 2015. This represented HEIA's GDA match to USAID funding under AMAL; the USAID project implementer, ACDI-VOCA, received 5.5 million USD. HEIA trained over 2,000 farmers at the Regional Center of Excellence (RCOE), adjacent to the packhouse under the AMAL Project.

One of HEIA's achievements in Upper Egypt has been to change the mentality of small farmers through training and site visits to the packhouse and farms. The initial success in Upper Egypt was with table grapes, but water/soil salinity and high heat have become a constraint on grape production. HEIA has been working to introduce dates, particularly Medjool varieties, as this type of date is highly appreciated in international markets. Furthermore, date palm trees are more tolerant of water/soil salinity than grapes. HEIA has also introduced improved mango varieties to Upper Egypt.

The high cost of domestic transport from Luxor to ports on the Mediterranean or the Cairo Airport is a problem for Upper Egypt. No horticulture products are air freighted out of Luxor Airport. Expanding production and export of horticulture products such as palm dates, pomegranates, oranges, potatoes, and sweet potatoes (less perishable but bulky/heavy produce) from Upper Egypt could use sea freight shipped from Red Sea ports such as El Qosair or Safaga. Using fast boats to cross the Mediterranean Sea is needed to export horticultural produce from Lower Egypt to the EU. This service was offered from Alexandria to Italy from 2008 to 2010, but it stopped during the Revolution.

EFFECTIVENESS OF USAID SUPPORT

HEIA judged the technical support (capacity-building), training, study tours to other leading horticulture exporting countries, and technology transfer from the U.S. to be very high quality. Technology transfer included improved varieties of horticulture crops, better and more timely agronomic practices and farming operations, effective pest control, and improved water management. Without effective support from USAID in the earlier days from the ATUT Project (1996 to 2002) and direct grants, HEIA would not have achieved the dramatic increases in exports witnessed over the past 25 years, particularly from the late 1990s to 2009/2010 (see the graph of selected vegetable and fruit exports from 1995 to 2020 in Figure I below). HEIA is grateful and highly appreciative of this USAID support.

SHORT-TERM IMPACT OF USAID SUPPORT

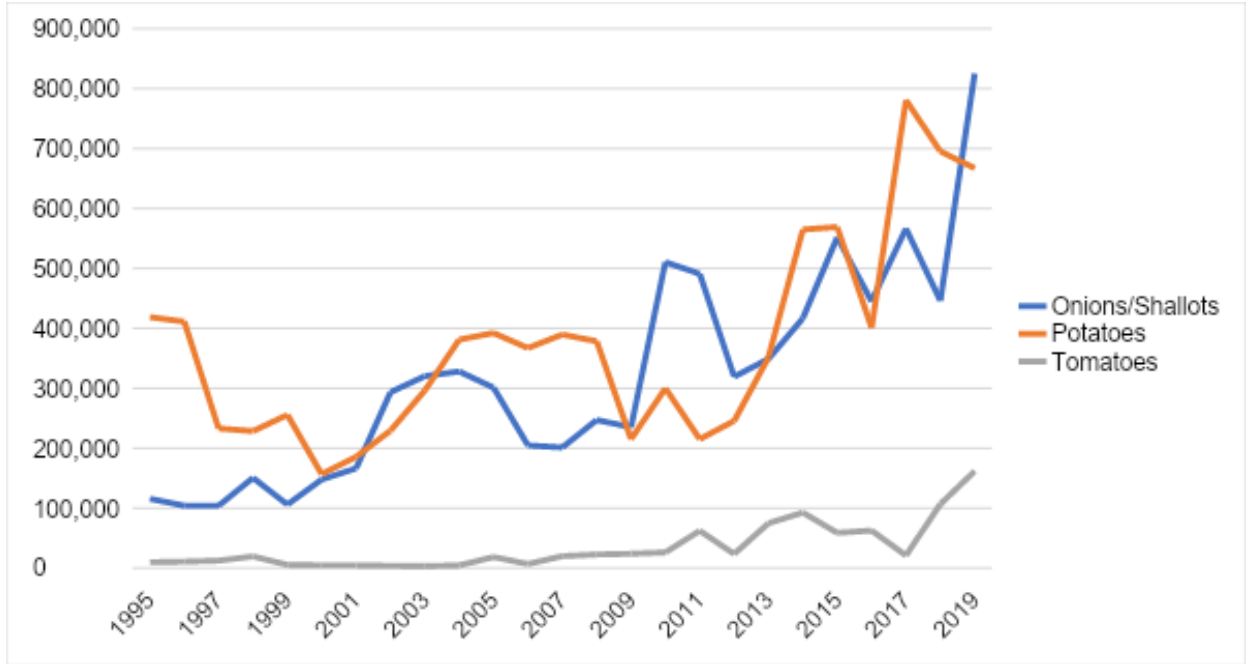
HEIA noted that big initial success in Upper Egypt was early season table grape production and exports, targeting the EU market before other competitors could harvest produce ready to ship, followed by increases in exports of green beans, cantaloupe, dried tomatoes, pumpkins, and herbs and spices. USAID technical support to larger producers in Lower Egypt in the 1996–2004 period led to dramatic increases in exports of strawberries and citrus crops (oranges, lemons), table grapes, potatoes, and onions/garlic. Improved mango varieties were also introduced, leading to expanded production. However, most mangos grown are sold in the domestic market, where demand is strong and prices are attractive.

Exports of two illustrative vegetable crops, onions/shallots and potatoes, rose steadily from the late 1990s to 2007/2008 but later hit 26-year highs in 2019 and 2017, respectively. Onions reached an earlier record high in 2010, not surpassed until 2015. As an exception to the trend for other vegetable crops, potato exports topped 410,000 in 1995 and 1996 but did not surpass that level until 2014.

Table grape export volumes increased steadily, albeit slowly, from the late 1990s to 2007 but then spiked in 2008 before settling into a lower and narrower range from 2009 to 2020. Strawberries rose slowly from the late 1990s to 2007, also hitting a high point in 2008, but dropped from 2009 to 2015, at which point volume increased again and hit a record high in 2016, and then receded without returning to the 2016 export volume.

From the data for major horticultural export crops, there were steady initial gains in export volume from the late 1990s to the end of the following decade, followed by uneven gains in the 2010s. Export revenue increases (for both nominal and real export values) followed this same pattern.

FIGURE I: EGYPT’S EXPORT OF SELECTED FRESH VEGETABLES, 1995–2020 (IN MT)



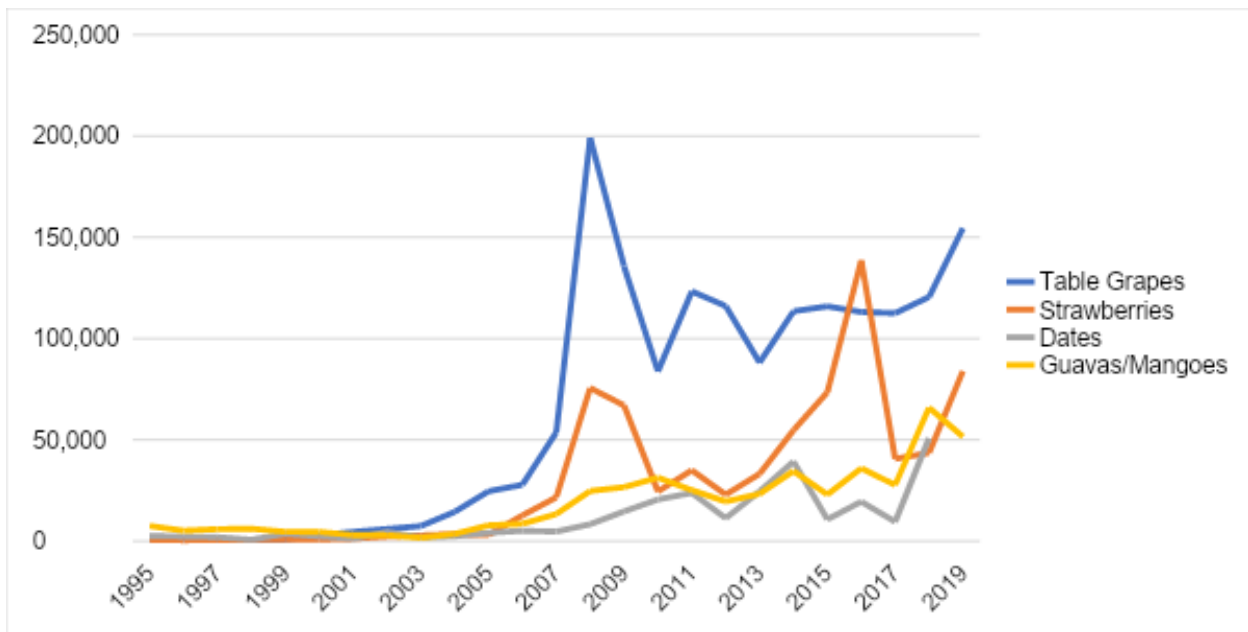
Source: Common Format for Transient Data Exchange (COMTRADE) data base

MEDIUM TO LONGER TERM IMPACT

USAID support to HEIA contributed to an impressive takeoff in fresh vegetable and fruit exports from Egypt, starting with gradual increases in the first five years of HEIA existence followed by substantial increases in the following decade. From generally low levels over from 1995 to 2000, vegetable exports expanded over fourfold for onions and shallots between two six-year periods—comparing the average annual export volume from 2015 to 2020 with the average yearly volume from 1995 to 2000. Export volumes for potatoes more than doubled while increasing sevenfold for fresh tomatoes.

The fruit export volume expansion was even more dramatic. Exports of table grapes rose from a six-year average of 1,302 MT/year from 1995–2000 to 120,077 MT from 2015–2020. Exports of fresh strawberries rose from a six-year average of 692 MT/year from 1995–2000 to 66,313 MT from 2015–2020. For date exports, the rise over the same period was from 2,203 MT to 20,044 MT, while guava and mango exports (combined)²⁴ expanded from 5,638 MT from 1995–2000 to 36,003 MT from 2015–2020.

FIGURE 2: EGYPT'S FRESH FRUIT EXPORTS, 1995 TO 2020 (IN MT)



Source: COMTRADE data base

In addition to expanded export volumes, vegetable export revenues in USD soared nominally. Average annual export revenues for onions and shallots rose from 13.6 million to 209.3 million USD from 1995–2000 to 2015–2020. Similarly, average yearly export revenues for fresh tomatoes rose from 1.5

²⁴ COMTRADE does not break out guava and mango exports in its trade data.

million to 50.2 million USD from 1995–2000 to 2015–2020. The expansion in fresh potato export earnings was not as pronounced as onions/shallots and tomatoes, with a nearly fourfold increase in USD revenue, from 56.5 to 216.4 million USD.

The increases in nominal export revenues were also impressive for fruit exports. Export earnings from all four fresh fruit products in the table were very low from 1995 to 2000—only averaging 0.28 million USD for fresh strawberries to 1.16 million USD for dates. From 2015 to 2020, the average annual revenue reached 230.3 million USD for table grapes, 84.2 million USD for strawberries, 42.6 million USD for guavas and mangos, and 40.2 million USD for dates. Orange exports also increased from an average of 46,623 MT per year from 1995–1997 to 1,370,987 MT per annum in 2018–2020. Export revenues rose from 14.8 to 657.3 million USD per annum (on average) over the same three-year period. Egypt is reportedly the largest orange exporter in the world. However, its average export prices per MT were low in 2018 (416 USD) and 2019 (361 USD) compared to other major exporters. Spain’s export revenue per MT of oranges was double that of Egypt’s in 2018 (866 USD) and 2019 (709 USD).

FIGURE 3: EGYPT'S EXPORT REVENUES FOR SELECTED VEGETABLES, 1995-2020 (IN MILLION USD, NOMINAL TERMS)

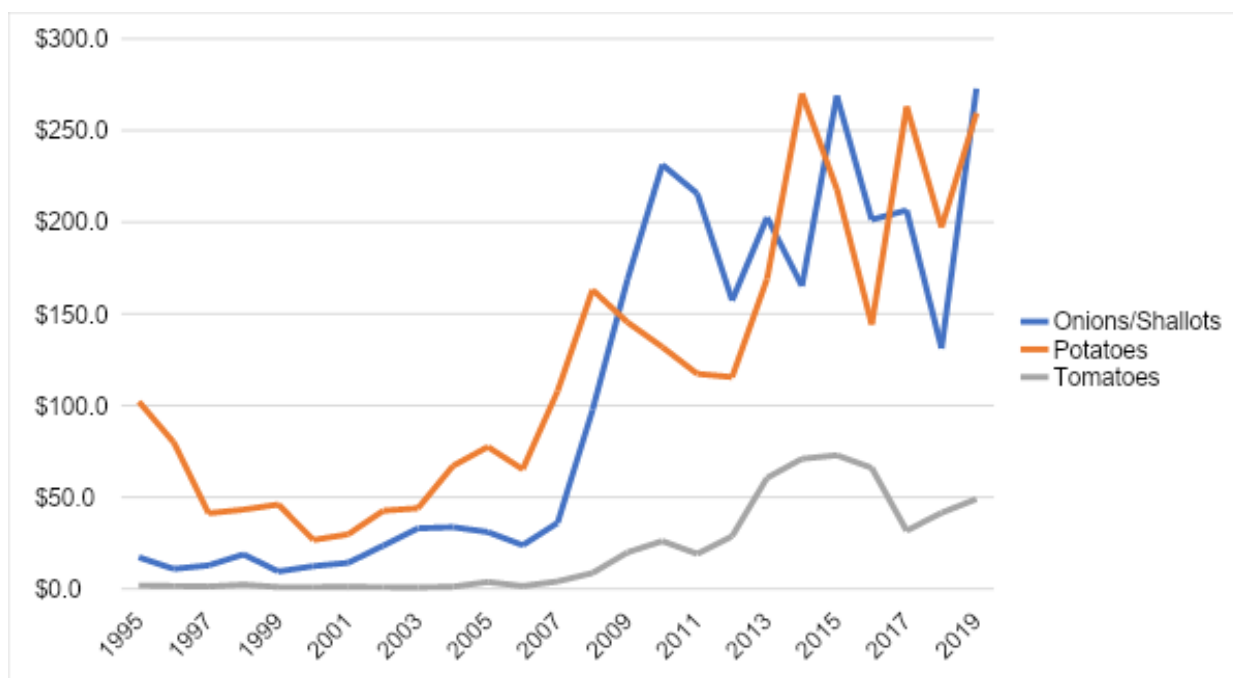
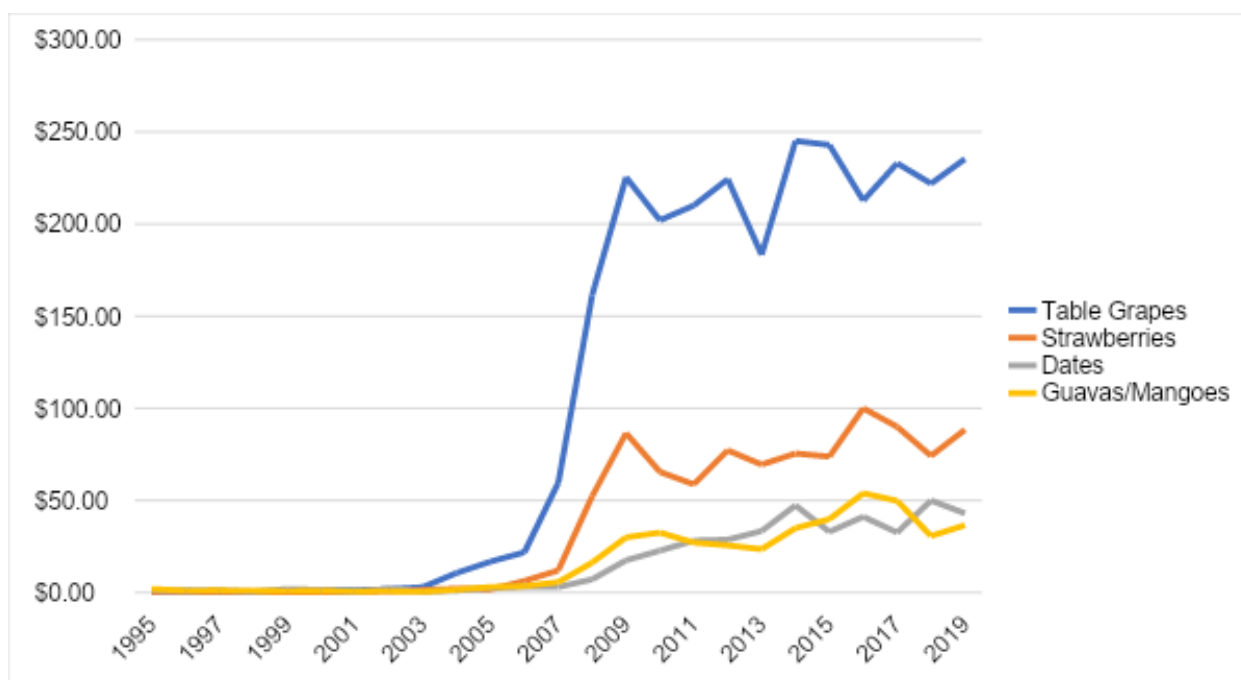


FIGURE 4: EGYPT'S REVENUE FROM FRUIT EXPORTS, 1995-2020 (IN MILL. USD, NOMINAL TERMS)



Although USAID support to HEIA was not the sole factor propelling large increases in export volume and revenue for these fruit and vegetable crops, it set the fresh produce industry on the right path with significant support in the early formative years of 1997 to 2004. Other factors included 1) expanding irrigated area cultivated to fresh fruits and vegetables, made in large part possible through land reclamation along the outer edges of the Nile River Valley and the Delta improved variety introduction (where USAID projects played an important role for some horticultural crops), 2) increased use of fertilizers, 3) better pest control, and 4) more efficient irrigation and agronomic practices (brought about in the early years with support from USAID projects such as ATUT). Overall productivity per feddan and labor unit also increased, and technological enhancements, including laser land leveling, gypsum application²⁵ to crop fields, and drip irrigation, contributed to higher yields and more efficient water use.

SUSTAINABILITY OF USAID SUPPORT

An example of how HEIA has sustained and upgraded itself as a trade association is the creation of HEIACert, a subsidiary of HEIA, in November 2018. GlobalGAP International granted HEIACert the authority to certify exporters, large farms, and FAs as GlobalGAP compliant. HEIACert service has a five-star (excellent) rating on the GlobalGAP website as a certifier. GCL, the new name for Acerta of Spain, and ICERT for Development of Agriculture Systems in Egypt have pending ratings. HEIACert competes effectively with existing international certifiers with offices in Egypt, such as TUV SUD and SGS. This provides HEIA with an additional revenue stream.

²⁵ According to Crop Life, gypsum improves soil structure, reduces nutrient runoff, adds calcium and sulfur for plant nutrition, improves acid soils and treats aluminum toxicity, and improves water infiltration. (<https://www.croplife.com/crop-inputs/micronutrients/the-role-of-gypsum-in-agriculture-5-key-benefits-you-should-know/>)

HEIA has made great strides in certifying farmers and exporters with HEIACert. Egypt's reputation as a reliable, trusted supplier of safe horticultural products to high-income markets and demanding private sector buyers has been elevated after incidents of EU and Gulf countries rejecting produce shipments in the past due to pesticide residues exceeding maximum pesticide residue limits (MRLs). HEIACert also provides training in several critical compliance topics with quality standards and achieving certification,

HEIACert Launch

In November 2018, HEIACert was accepted as a competent Product Certification Body and was accredited for the first time by the International Accreditation Service (IAS), which is an American Accreditation Body according to the accreditation standard requirements ISO/IEC 17065 against the GLOBALG.A.P. Certification for Option 1 without QMS. In May 2020, HEIACert successfully expanded its accreditation scope after the IAS assessment to cover the GLOBALG.A.P. Certification for Option 2 Producer Group. As of May 2021, HEIACert became accepted as a competent Management Systems Certification Body and has been accredited for the first time by the Egyptian Accreditation Council, according to the accreditation standards requirements ISO/IEC 17021-1, ISO/IEC 17021-3, and ISO/TS 22003 against the Management System Certification for ISO 9001 QMS and ISO 22000 FSMS.

HEIACert provides internationally recognized food quality certificates in compliance with accepted accreditation standards. In addition to fresh produce certification, HEIACert expanded its services to include auditing and inspection for GLOBALGAP, GRASP (GLOBALG.A.P Risk Assessment on Social Practice), BRC, and LEAF (Linking Environment and Farming), in addition to other private quality requirements for global food importers.

Source: HEIA

such as food safety, sanitation, and hygiene.

A key factor in HEIA's sustainability has been the perishables terminal, which generates significant revenue for the association. The annual air-freighted produce volume reached 70,000 to 75,000 MT before COVID-19 (in 2018 and 2019) from Cairo International Airport. However, it will end in 2021 at around 50,000 MT. During COVID-19, the number of commercial flights to Egypt dropped precipitously, as did export volumes. Throughput of 70,000 to 75,000 MT strains the current perishables terminal; if air freighted exports increased to 100,000 MT, the terminal manager thinks greater capacity development, especially cold storage, would be needed. HEIA would consider such an investment at that time, using return on investment criteria.

While more USAID support to HEIA would be appreciated, HEIA has been in discussions with ERAS to provide TA under a service provider agreement to six FAs producing strawberries and citrus (three producing strawberries and three producing citruses). HEIA noted that US horticulture experts, especially from major universities with strong horticulture breeding and agronomy programs (such as the Universities of Florida and California Davis), have provided state-of-the-art advice, training, and post-harvest handling techniques for horticultural crops (including citrus, strawberries, vegetables, table grapes, and many more crops) that Egyptian university professors generally cannot match. This support has been through the Farmer-to-Farmer Program and visits to Egypt by volunteer specialists. HEIA is

cooperating with the University of Florida through their new varieties of strawberries and the Eklund Marketing Company (EMCO CAL, see <https://www.emcocal.com/>), which collaborates with the University of Florida (and other US universities) breeding, agronomy, pest control, and extension programs and disseminating the best strawberry and citrus technology worldwide. HEIA has benefitted from several visits of U.S. breeders to train Egyptian growers on the best practices for growing new varieties and the optimum post-harvest technology. This has been a collective effort between Eklund/Florida University and HEIA/AEC.

AREAS FOR FURTHER ASSISTANCE

HEIA has sustained itself through multiple revenue streams, unlike many private sector-oriented business and trade associations. Although annual dues charged to members seem rather low, the revenue from the perishables terminal at Cairo Airport is significant, generating a substantial percentage of HEIA's annual budget.²⁶ As HEIACert expands in Egypt (and perhaps other countries), it will also increase HEIA's revenue. If HEIA can expand its service offerings, other revenue streams will add to its budget.

HEIA has requested more support from key U.S. universities with strong horticulture crop breeding programs and complementary agronomic and irrigation expertise. HEIA acknowledges Farmer to Farmer assistance in recent years but prefers a more consistent and regular engagement with USAID support.

HEIA also plans to remain engaged in Upper Egypt's horticulture subsector, increase utilization of its Luxor Packhouse, and expand exports from FAs that work with exporters based in Lower Egypt. As a result, HEIA is trying to consummate a subcontract or GUC²⁷ with the ERAS Project. In this way, HEIA field staff can work with FAs in Upper and Lower Egypt.

LESSONS LEARNED

An important lesson of USAID support to HEIA is that early strategic support to a fledgling industry, business, or trade association can accelerate industry segment or commodity subsector development. HEIA "caught the wave" of strongly increasing demand for year-round, high-quality horticultural produce in high-income countries at the right time, which propelled increasing exports from Egypt to the EU countries, the UK, Gulf countries, Russia, and other buyers. At the same time, an immature, nascent association needs to consider alternative sources of revenue. In the HEIA case, this was provided by the perishables terminal at the Cairo International Airport. USAID provided technical and engineering resources for a pre-feasibility study and a full-blown feasibility study with detailed design specifications. However, HEIA obtained financing to build the perishables terminal, which attests to the organization's strong management and determination to increase horticultural exports.

²⁶ The AT could not estimate the revenue from the perishables terminal at the Cairo Airport, but it may have been over half of HEIA's revenue from 2005 through 2020. This may change with the establishment of HEIACert.

²⁷ The exact contractual arrangement was not clear to the AT.

ANNEX II: PUBLIC SECTOR CASE STUDIES

4. NATIONAL FOOD SAFETY AUTHORITY (NFSA) CASE STUDY

HISTORY OF USAID ASSISTANCE

Dr. Hussein Mansour claims to have had the idea to create an FSA in Egypt during 2003–2004. He then served as the Egyptian Embassy Agricultural Attaché to the United States and returned to Egypt in 2008 (when TAPR II was already underway, beginning in 2005). TAPR II undertook a laboratory capacity assessment, followed by an updated second assessment. There were also workshops on raising consumer awareness about food safety and a consumer perception survey done with a sample of 3,000 households in eight governorates. International consultants (including Vincent Hegarty and Robert Lake) provided information on technical regulatory issues. Local consultants focused on “Rules of internal (food) supply” and inspection procedures. This included Dr. Abdel Aziz, head of the Food Control Department of the Ministry of Health. In 2009, Dr. Mansour visited agencies in and around Washington D.C. (the FDA, USDA, and the University of Maryland) with Ahmed Aish and Ahmed Yusuf. The U.S. FDA’s Robert Lake organized and led the tour.

The Food Safety Management Unit of the MoTI was never a formal entity. Instead, Dr. Hussein called it a small group of technicians working on food safety issues in a separate “management unit” created with TAPR II support. There was no officially constituted FSA until NFSA was created in 2017. NFSA could not fully implement its program of reform and upgrading until Executive Regulations were issued in February 2019.

Under Component A of the project (Trade Environment), TAPR II provided the following assistance to the food safety management unit:

- Established an inter-ministerial food steering committee, including the private sector and working groups, to establish an FSA in Egypt.
- Helped draft a proposed law establishing the FSA.
- Recruited FSA management unit staff through a steering committee process.
- Secured office space for the FSA management unit and procured and installed IT equipment and software to connect to different sources of information in Egypt, such as CAPMAS.
- Built a food safety “library” for the unit.

- Assisted the unit in drafting general rules and procedures for inspecting different food establishments.
- Worked with FSA Management Unit to create a database of existing food labs in Egypt, including the capability of each lab to conduct various tests and their accreditations.

Following TAPR II, Dr. Mansour's group created a database of Egyptian legislation comprised of some 2,000 separate pieces/documents. Many were contradictory or outdated. It is unclear if they produced a document in Arabic that sifts through the laws, regulations, standards, and decrees from at least six GOE Ministries, applying a regulatory "guillotine" to remove or annul those that were outdated, no longer relevant. A non-NFSA KI noted that writing and approving a new law, decree, or regulation in Egypt essentially annul earlier ones. Therefore, there is no formal process to remove outdated or superseded laws (required in the U.S. legal system).

TAPR II provided high-value TA that accelerated work on food safety in Egypt. Once TAPR II closed out, the TFP provided much less support, developing a website on food safety by 2014 and organizing a conference led by NEHA (National Environmental Health Association of the US). TFP also provided some hardware.

Dr. Hussein et al. continued to push for creating an NFSA following TAPR II's closure. The regulatory study referenced above-provided information that could improve the food safety system with appropriate inspection and controls. By the time NFSA was created in 2017, Dr. Mansour's team had come out with a couple of technical regulations, including a comprehensive pesticide use review, whose focus was MRLs and regulations on microbial and veterinary drug residues in food products. The team also reviewed food additive and chemical contamination regulations. To fill gaps where regulations did not exist, the NFSA drew heavily from Codex Alimentarius (of the UN) and the EU, the U.S., and Canada's food safety systems. These regulations did not exist before 2017 in Egypt. Dr. Mansour suggested that "Contradictory standards" be removed, while technical product standards for imported and locally manufactured food commodities are the purview of the Egyptian Organization of Standards (EOS). EOS has the authority to identify manufacturer/supplier violations and impose penalties to control fraud.²⁸ Also noted was that the food safety group's objective was to develop a strong food safety culture, including raising awareness among consumers and the retail operations that serve them.

In 2018, USDA/FAS launched a Food for Progress project called TAIB, Transforming the Assessment and Inspection of Food Businesses in Egypt, implemented by USG contractor Land O Lakes, providing significant assistance to NFSA. According to Land O Lakes, "The three main objectives of TAIB are to enhance the organizational capacity of NFSA, develop workforce training for NFSA, and promote

²⁸ EOS is also the contact point for Codex Alimentarius and the WTO SPS Agreement, though it has been suggested that NFSA would be the more appropriate contact point.

improved policy and regulatory frameworks. The program will leverage the expertise of the International Food Protection Training Institute, the U.S. FDA, and USDA's Food Safety and Inspection Service.”

From 2019 through 2021, USAID's ERAS Project provided some support to help build NFSA capacity to do food safety inspections of fresh produce collection centers and packhouses. USDA/FAS's TAIB Project initially focused more on constraints to food imports, particularly the archaic, inefficient, and time-consuming GOE practice of inspecting every container offloaded at Egyptian ports and not allowing a “temporary release” of cargoes until samples are tested. This was replaced by a risk-based food import inspection system, where containers are sampled for inspections based on perceived risks of food safety problems in shipments coming from different international suppliers. Ultimately, NFSA plans to build a database of violations and violators.

EFFECTIVENESS OF USAID INTERVENTIONS

The SEED Project provided a training and capacity-building program called 100 Days to Food Safety in 2018. SEED focused on five value chains and provided training to participants. The emphasis was on fresh food exports (e.g., pomegranates), and the target audience was food inspectors and small farmers producing pomegranates and onions. In July 2019, the USAID-funded Department of Commerce implemented CLDP III led a workshop that presented new/additional information beyond the TA provided under earlier USAID projects. NFSA acknowledged CLDP training (through the July 2019 workshop) as focused mainly on the World Trade Organization (WTO) commitments and agreements (such as those on SPS and TBT), inspection and enforcement, and ethical principles of a Code of Conduct. The workshop was considered high quality and useful, though slanted somewhat toward the US Department of Commerce interests.²⁹

In collaboration with USDA's TAIB, a formal Code of Conduct was subsequently drafted by Department of Commerce ethics lawyers. This was directed toward NFSA inspectors and other NFSA officials and laid out rules of professional conduct with clients, paying particular attention to potential conflicts of interest and improprieties. CLDP and TAIB developed a two-hour video of the training in the Code of Conduct (with Arabic voiceover), where case studies were developed, and a test was administered at the end of the training. NFSA considers these inputs very useful, but it is unclear how widely the training was done within NFSA.

In 2019/2020, the ERAS Project provided short-term training courses to 185 NFSA inspectors. ERAS trainers made site visits to Assiut during the pomegranate harvest to follow up and observe trained

²⁹ A key objective of the Dept. of Commerce and USDA has been to have Egypt recognize formally that US food safety standards are comparable to (or better than) those of Egypt. Under this recognition, the GOE (NFSA) has provided blanket approval for entry of US food products into Egypt without bans or conditional entry. This provides a smooth path for US exports, deemed safe given high US food safety standards, to enter the Egyptian market without restriction.

inspectors' performance. ERAS also has done farmer and farmer group training in Assiut and Minya in Upper Egypt and Gharbia in Lower Egypt.

Targeting the suppliers of food represents a new concept for Egypt. NFSA started the process of regulating suppliers of certain food commodities for certification. NFSA's mandate does not cover pre-harvest farm practices, though NFSA management recognizes the importance of working with farmers to ensure high quality and safe food supply.

Dr. Mansour sent a laudatory email to the ERAS Food Safety and Nutrition Component leader, Mahmoud Emara, in October 2020, thanking the project for helping operationalize decrees on 1) food safety requirements of food service establishments and 2) SOPs and guidelines for issuing export health certificates for food products. He asked for further ERAS support in building the capacity of NFSA inspectors in regional offices, ports, and airports. He also asked ERAS to initiate a training of trainers (ToT) program, help match local food safety protocols to global standards, strengthen NFSA's communication policy through awareness training programs and building capacity to brand and publish, devise fruit and vegetable technical regulations, and train workers at horticulture collection centers and packhouses in NFSA handling and food safety requirements. There is, therefore, continuing NFSA demand for ERAS Project services.

SHORT-TERM IMPACT

USAID is one of several donors to support NFSA capacity development. The USDA/FAS TAIB Project (Transforming the Assessment and Inspection of Food Businesses in Egypt), implemented by USG contractor Land O Lakes, is the leading donor, providing significant assistance to NFSA. Other donors are also working with NFSA, such as the United Nations Industrial Development Organization (UNIDO) through its "Safer Food for Sustainable and Resilient Businesses—Enhancing the Food Safety Regulatory Environment of Egypt" Project, implemented from 2014 to 2018. According to UNIDO, this project provided policy advice, institutional capacity and governance building, awareness-raising and advocacy, global forum and exposure to international best practices, and training and human resource development. Although implemented by the Country Support Program, this project was not well funded

Pre NFSA-Collaboration in Assuring Exports of Fresh Produce Comply with International Standards and Food Safety Norms

Before the launch of NFSA, HEIA, AEC (Ministry of Trade), and the Ministry of Agriculture Quarantine Department were assigned by a ministerial decree (Joint Ministerial decree no. 670/2017 concerning the production and export system of the important vegetable and fruits crops) to form a consortium to inspect and code five horticultural export crops in compliance with international standards (in addition to enhancing awareness of food safety at the farm level). HEIA was responsible for verifying agricultural production practices in line with international standards (GlobalGAP), AEC was responsible for logistics and issuing the codes, and the Quarantine Dept. responsible for phytosanitary inspections. The consortium stopped performing these activities after NSFA was created. NFSA has the mandate to regulate, inspect and approve all food imports and exports, according to the February 2019 Executive Regulations that govern NFSA. HEIA shared its technical experience with NSFA at that time.

Article 15 of the Executive Regulations of the Food Law states: "NFSA shall solely control and conduct visual inspection and documentation checks on the imported and exported food and shall take food samples in order to be examined and analyzed in accredited laboratories. The Egyptian Customs Authority shall approve the

(325,000 USD). Therefore, not all costs (staff time) were likely included. Its objectives overlap with USAID and USDA/FAS support.

The WFP and NFSA signed a five-year agreement in June 2018 to raise public awareness on food safety and hygiene and build the government's capacity to ensure access to safe and nutritious food. The WFP planned to develop an online training platform for food safety inspectors on key food safety issues such as good practices for food manufacturing, food handling, and efficient supply chains. In addition, WFP and NFSA agreed to launch several public awareness campaigns in hypermarkets, public parks, and public transportation. WFP also pledged to develop the current NFSA website for use as a platform for sharing public awareness messages on food safety measures (the WFP/NFSA collaboration information is taken from the WFP website ([“WFP and the Egyptian Government Join Efforts to Enhance Food Safety”](#))). Although it is not the objective of this assessment to evaluate what other donors are doing, NFSA has received much attention and support since 2017. Some of this support overlaps with USAID (and USDA/FAS) support. In addition to the WFP and UNIDO support, the EU has focused on pesticide residues and microbial and heavy metal contamination in Egyptian produce exports, which led to rejections of some shipments of fresh produce in the past, and less in recent years. The hope is that all donor support is cumulative rather than duplicative. USAID or USDA could suggest that NFSA create a food safety working group that periodically convenes key GOE agencies and donors working on food safety issues and capacity-building.

USAID support since 2019 on food safety included a one-time collaborative effort by the SEED Project and NFSA called the 100 Days to Food Safety Program.³⁰ The request for this training came from the Chamber of Food Industries (CFI) and MSMEDA. USDA's TAIB Project also participated. The training focused on the following topics:

- Raising awareness among dairy and fisheries MSMEs on basic food safety requirements and improving handling practices to maintain quality and reduce losses in production.
- Introducing national legislation related to food safety; NFSA regulations and the registration process; and food safety requirements that MSMEs need to comply with to pass the NFSA audit and become white-listed to export to regional markets, such as Saudi Arabia
- Introducing MSMEDA's financial services that MSMEs can benefit from to improve their food safety practices at the factory level.

NFSA capacity is being strengthened under ERAS through training of staff hired as NFSA's workforce has expanded, but there has been limited monitoring of the results of inspector training (except for some field visits to Assiut to monitor inspector performance). The COVID-19 pandemic and the reliance on

³⁰ It's important to note that according to the CORs, food safety was not a component of SEED's scope of work. SEED's involvement in this area was limited to supporting the Chamber of Food Commerce, NFSA, and MSMEDA in delivering the 100-Day Food Safety program/training.

virtual trainings (using remote platforms) have made it difficult for ERAS to follow up. ERAS managers point out that as NFSA is a government agency, ERAS does not have the authority to monitor and evaluate the results and impacts of their training programs. NFSA has appreciated this support but perceives that food safety has been a component of the secondary importance of ERAS.

While the Code of Conduct and Job Ethics prepared with CLDP III support to NFSA is a concise and well-conceived document, and supporting training materials have been developed (manual, video), it is not clear the extent to which the Code has been presented to NFSA staff and implemented in practice.

MEDIUM- TO LONG-TERM IMPACT

USAID's biggest achievement has been providing support before the NFSA was created in 2017. Through TAPR II and TFP TA from 2006 to 2014, USAID planted the seed for the eventual creation of a food safety authority (unlike other donors), so USAID takes much of the credit for raising awareness on food safety in Egypt.

Continuity in GOE leadership on food safety, dating back to TAPR II, is also a key factor in NFSA's creation and its determined efforts to improve food safety in Egypt. Dr. Hussein Mansour, Dr. Ehab Mourad, and Dr. Eman Helmy have worked diligently on food safety for nearly 15 years. This continuity is unusual in the Egyptian institutions where USAID/Egypt has worked. Some GOE institutional partners have experienced significant leadership turnover, which can slow down implementation and lead to certain USAID capacity enhancements and upgrades not being sustained, or knowledge from training and capacity-building not being institutionalized.

It is too early to tell the impact of the USAID project support provided during the past three years (2019 through 2021) on the food system. Food safety awareness and its importance have been raised, but the impact on farms, collection centers and packhouses, food processing facilities, and exports cannot be determined. A cross-donor evaluation of support to NFSA might be a useful exercise. Outcomes and impacts, continued gaps in NFSA staffing, training and staff performance, and priorities for capacity-building, training, inspection services, and import and export controls/procedures on food products could be examined. Such an evaluation should focus on the support provided by USAID and USDA/FAS (through TAIB) and be conducted in mid to late 2023 when both ERAS and TAIB have been completed.

TAIB has undertaken an internal midterm evaluation in 2021, for which NORC has developed a trade model and conducted qualitative interviews. The results of this evaluation may be made available in 2022.

SUSTAINABILITY OF USAID INTERVENTIONS

It is difficult to talk about the longer-run sustainability of USAID training, capacity-building, and awareness creation on NFSA. The organization has grown from two dozen employees in late 2017 to

over 1,000 by September 2021. This rapid growth, mainly through obtaining staff from other agencies such as GOEIC, has required much training, new legislation, development of institutional SOPs and roles, and creating a food safety culture in Egypt that did not exist a decade ago.

USAID support from 2008 on under TAPR II led to preparing all necessary documents, regulations, laws that help establish a food safety agency. These all were based on international best practices and were used by Dr. Hussein in his decade-long journey to establish the agency. The importance of this initial strong USAID push cannot be underestimated. One hiring experiment will be important to monitor over time. NFSA hired 400 recent graduates of pharmacology programs in Egyptian universities. The GOE guarantees those graduates public sector employment, which is not the case for the graduates of agricultural, livestock, irrigation/water management, agricultural engineering, and other technical university departments. While those pharmacology graduates have training in biology, chemistry, and the uses and effects of drugs and medications on people, they lack a background in agriculture, agro-processing, and agricultural marketing and trade useful for working on food safety. Therefore, a short-term expedient to hiring young, energetic, junior staff at NFSA may turn out very well or lead to resignations and turnover. ERAS or another USAID or USDA project could provide selective training in those agriculture-related fields (noted above) for the new pharmacology hires so they can get up to speed on food safety issues and necessary food system background concepts more quickly.

AREAS FOR FURTHER ASSISTANCE

NFSA appears to have been positively opportunistic in obtaining assistance from multiple donors and the GOE (e.g., funding Central Lab and port city laboratory upgrades). It is difficult to say how well this assistance has been coordinated across USG and other donor projects without a deeper analysis. However, the AT recommends that a cross-government and cross-donor coordination body (or working group) be established and meet periodically (perhaps quarterly) to share progress, plans for addressing key constraints, and building NFSA capacity. This can help NFSA identify key priorities and next steps and avoid unnecessary duplication or donor-funded work on tangential issues.

The NFSA initiatives on the food safety of exports are welcome. NFSA has mandates to perform tests to screen for microbial contamination (such as aflatoxin, salmonella), pesticide residues, viruses (e.g., hepatitis), and chemical/environmental contaminants. The Quarantine Department of the Ministry of Agriculture and Land Reclamation (MALR) is only authorized to test export samples for pest contamination. NFSA's current capacity to do visual inspections, take and test samples, and detect problems with exports that could lead to produce rejections is not entirely clear. USDA's TAIB has been working with NFSA on "Horizontal regulations," which cut across all subsectors, such as pesticide residues, microbial and viral contamination, chemical and environmental contaminants, and regulations on labeling and food contact materials. "Vertical regulations," which are sub-sectoral by agricultural

product group, have received less attention and require more donor support. As a sub-sectoral project focused on fruits and vegetables, ERAS could assist in this area.

Given the heavy emphasis on training HQ staff and inspectors, it would be useful to assess how well information and best practices in training courses have been imparted. This is especially important for field inspectors. Projects such as ERAS should evaluate how effective ERAS-led STTCs have been, whether knowledge and practices taught in STTCs are being applied in the field, and whether refresher courses or more extensive follow-up in the field is needed. It has been difficult to do the latter during the COVID-19 pandemic. Field visits and in-field monitoring of inspector's work are needed but difficult.

Jurisdictional boundaries among agencies with some role in food safety in Egypt are being better defined. However, some overlap needs to be worked through and roles clarified. The AT recommends that the WTO SPS and Codex Alimentarius contact points in Egypt be moved from the EOS to NFSA. Possible overlap in NFSA and MALR Quarantine Dept. roles in approving horticultural crop exports should be considered and addressed.

Finally, it would be useful for NFSA to ask private exporters of horticultural products and foreign importers about their perceptions of the utility and necessity of white-lists and coding. For example, do they consider these necessary and sufficient? Is traceability to the level of the packhouse adequate? Or does traceability need to go down to the FAs or farm level? Do exporters and foreign importers prefer or require international certifications, such as BRC (for packhouses) and GlobalGAP (for producer groups)?

LESSONS LEARNED

It is too early to identify clear lessons learned on the sustainability and effectiveness of the NFSA as an institution. The merits of USAID persistence and the tenacity of a small group of dedicated GOE professionals in creating a new FSA are worth highlighting. Continuity in institutional leadership has been an important sustainability factor.

From NFSA's standpoint, USAID assistance was timely and generally high quality. USAID was ahead of other donors and the GOE (other than the food safety leaders noted above in the Ministry of Trade and Industry), encouraging creating a food safety authority. Once NFSA was officially launched, USAID projects provided useful training and capacity-building support that complemented and supplemented USDA/FAS's broader program of support to NFSA, including drafting relevant regulations and decrees and efforts to shift Egypt's control of food imports to a risk-based assessment concept and strategy. However, USDA's TAIB has provided more support to NFSA than SEED, ERAS, and CLDP III. The USAID TRADE Project plans to support NFSA, but the details are unavailable.

5. CENTRAL PUBLIC PRIVATE PARTNERSHIP UNIT (PPPCU) CASE STUDY

HISTORY OF USAID SUPPORT

The Central PPP Unit (PPPCU) was launched in June 2006 under the MoF and mandated to coordinate the PPP national program within all ministries and other public entities. At a formative state, it was minimally staffed with a director and a public relations manager. TAPR II led numerous capacity-building initiatives to enable the PPPCU to develop its organizational and institutional capacity. The interventions aimed to equip the Unit with the tools and resources required to perform its role in developing, structuring, tendering, and awarding PPP pilot projects. The project assisted in setting up the Unit and providing a staff training program (including overseas) about alternative PPP models. Other interventions under TAPR II included providing legal support through a local law firm to support the Unit in drafting the PPP law in 2010 and developing an extensive toolkit to standardize PPP practice across government and enable line ministries to develop PPP proposals to be screened and approved by the PPPCU.

The MESR project currently supports the PPPCU and the newly established FSPU at the MPED to help make PPPs a more viable mechanism for financing investment projects.

The capacity-building efforts directed to the PPPCU so far have included 1) support for the enhancement of the PPP projects selection process, 2) recommendations for the new PPPCU organizational structure and staffing plan, 3) courses on financial risk management, financial modeling and feasibility studies, and an advanced workshop on structuring and implementing desalination PPP projects, 4) supporting the PPPCU in its efforts to develop its capacity to regulate and process unsolicited proposals, 5) providing comments on the latest PPP law amendments, and 6) committing resources to develop a new website for the PPPCU.

MESR's interventions with the MPED to date include 1) training on financial feasibility and modeling in addition to workshops on PPPs and cost-benefit analysis, 2) an assessment of the organizational structure of the new Unit, which has been placed on hold, and 3) the developing an automated system for the MPED to review and approve new project proposals and their funding components submitted by the line ministries.

EFFECTIVENESS OF USAID INTERVENTIONS

USAID's interventions under TAPR II had a strong impact in the short run through equipping the PPPCU with the tools, knowledge, and capacity required for launching the PPP program. Long-term, these interventions provided a base for other development partners. However, several challenges have limited the potential growth of the PPP program in Egypt. These obstacles include the lack of incentives across line ministries and technical capacity to identify, assess, and implement PPP projects and other institutional and regulatory challenges.

Under the ongoing MESR project, the most effective interventions so far include the support provided for the organizational restructuring process of the PPPCU, some of the capacity-building trainings (e.g.,

advanced training on desalination PPP projects for the PPPCU and financial modeling training for the MPED staff), and the new automated system for line ministries to submit their projects and funding requests to the MPED. Areas with limited impact include the link between the PPPCU and the new PPP Unit at the MPED, which has been relatively inactive since its establishment in 2019. Moreover, the effectiveness of some of the workshops was limited by a lack of localization of content and language or cultural barriers.

SHORT-TERM IMPACT

TAPR II

According to the KIIs, the support received under the TAPR II had a significant impact on developing the capacity of the PPPCU. At the time, the Unit had just been established, and the level of knowledge about PPPs and practical experience in the field was minimal amongst the staff. The institutional experts who worked with the PPPCU were highly competent and efficient. They developed the team's capacity through a well-developed program of workshops, on-the-job training, and exposure to international standards and best practices in the PPP field. One of the most critical sustainability factors was the presence of resident experts who could work closely with the staff over an extended period.

The PPP law, which they began drafting in 2007/2008, was primarily influenced by the theoretical and practical knowledge gained through the capacity-building support provided under TAPR II. According to the KIIs, the support received equipped the team to deal with the challenges they faced when developing a new law in Egypt's nascent field/sector. Moreover, the impact of the support provided under TAPR II was reflected in the quality of the law, which was passed in 2010.

USAID was the first to support the PPP unit and was soon followed by the World Bank and other donors (as described in more detail below). They also provided significant support to develop the unit's capacity. The PPPCU was able to coordinate the support received from the two institutions effectively. The institutional experts in the unit mentored a core team in drafting the contracts and structuring projects. The team applied the knowledge gained from these experts in the first few PPP projects and complemented this knowledge with the practical experience gained from their attempts to structure these projects.

MESR

According to one of the stakeholders interviewed, the MESR project team started with an assessment of the needs of the PPPCU and identified four areas needing support, including 1) capacity-building for a small group of junior staff that lack the knowledge and expertise enjoyed by the director and more senior staff, 2) institutional support to develop the organizational structure of the unit (ground up organizational development—including job descriptions, roles, and procedures—to ensure the sustainability of the unit, 3) amending the PPP law, and 4) developing the link between the MPED and

MoF by developing criteria for identifying public investment projects submitted to the MPED by the different line ministries that could be considered for alternative financing (including the PPP mechanism).

The remainder of this section addresses the AT findings on the short-term impacts and effectiveness of the MESR project interventions with the PPPCU and the PPP-related activities at the MPED, respectively.

PPPCU

Based on the findings from the KIIs conducted by the AT, the most effective interventions targeting the PPPCU were the organizational restructuring support, TA to develop the Unit's capacity in processing and managing water desalination projects, and the current work being done to develop a website for the Unit.

At the start of the MESR Project, one of the primary deficiencies facing the PPP program was inadequate organizational and legislative frameworks.³¹ An initial review of the PPP Central Unit's organizational structure was conducted in the project's first year. It resulted in recommendations on how the PPP Central Unit could enhance its organizational structure and staffing plan.³² According to one of the stakeholders interviewed, this activity has been one of the most effective interventions under the MESR project. MESR, in cooperation with the UK Embassy and their local contractor, supported the Unit in developing a new organizational chart to help it develop an optimal structure and staffing plan. The restructuring process is part of the PPPCU's expansion into a department with more autonomy through access to its own technical and financial resources allocated directly from the state budget (instead of relying on the MoF to approve and grant funding to the Unit). The stakeholder interviewed confirmed that this expansion will provide the Unit with the resources and tools necessary to deal with a larger pipeline of potential projects (around 10–12).

Another effective intervention, according to the KIIs, was the workshop on water desalination PPP projects. This is an area in which the Unit had limited expertise and knowledge. The training course was attended by members of the PPPCU and the Ministry of Housing, Utilities and Urban Communities (MOHUUC), responsible for structuring, developing, and implementing planned PPP water desalination projects. The course was delivered by an international consultant with extensive experience in this field. The attendees also received case studies, exercises, and sample documentation to reference when developing new projects.

According to one of the stakeholders interviewed, USAID has also responded well to the Unit's request to develop its website by providing technical experts to work on it. The website will enable the PPPCU to increase its visibility to the international investment community and disseminate information regarding Egypt's existing and future PPP projects. It is being designed based on the models developed by

³¹ USAID MESR Project. Year Two Annual Report. May 2020.

³² Ibid.

internationally prominent PPP units and is expected to be functional by the end of 2021. MESR plans to continue providing technical support for the website for six months after that.

Other interventions that were useful but were not considered as effective as the activities above were the basic/introductory PPP trainings and the support for the PPP law amendments and unsolicited proposals. According to the KIIs, while some of the trainings had the desired impact, others were less effective. This was particularly the case for the more introductory courses on PPPs, referred to as the “PPP master class.” The traditional PPP Masterclass training is critical for the junior staff and newcomers at the central and satellite units, which are expanding.³³ However, according to one of the stakeholders interviewed, the effectiveness of these trainings was limited by language and cultural barriers between the foreign instructors and the junior staff at times and the lack of knowledge of the local context and how certain concepts are applied within the Egyptian legal framework in other cases. To ensure the participants could fully benefit from the course, a senior management team member had to attend to translate, provide anecdotes, and ensure the concepts were accurately applied to the Egyptian context.

Because the senior leadership and management at the PPPCU are quite experienced and knowledgeable, the interviewee further argued that it would be more efficient to have this type of training conducted inhouse by the senior management and approach foreign experts for trainings in more specialized areas in which the Unit lacks expertise (as was the case for the desalination workshop). He elaborated that it would be a more practical approach for USAID to sponsor the training providing support to cover the logistics costs and perhaps an up-to-date syllabus but let the senior PPP staff conduct the training themselves. This would eliminate the language and cultural barriers and ensure that the training is customized based on the Egyptian context, legal framework, and the experience of the PPP unit to date. Furthermore, delivering these trainings will also provide the core team of the PPPCU with an opportunity to develop and train new master trainers who would eventually take over the training delivery to ensure the sustainability of these interventions and free up the senior team to focus on the more strategic areas.

At the Unit's request, MESR provided short-term consultants to help the PPPCU regulate unsolicited bids and direct orders. MESR's short-term PPP Advisor and project staff frequently met with the PPPCU officials to support the PPPCU in developing executive regulations on unsolicited PPP proposals and direct contracting and providing guidance for new provisions in proposed amendments to the PPP Law. Based on input obtained during these meetings, MESR submitted a report to the PPPCU that describes the international practices in this area and offers proposed executive regulations. According to the KIIs, the consultants did not help in drafting the executive regulations. Instead, their role was to inform the team of the practices in this field worldwide. While the senior management at the Unit gained a better

³³ There are satellite units at the Ministry of Water, Ministry of Housing, Ministry of Transport, Ministry of Education, Ministry of Electricity. There was one in the Ministry of Health but was deactivated. They are currently establishing a unit in the Ministry of Environment.

understanding of the regulations adopted by different countries in managing unsolicited bids, the support lacked the practical component that would help the team in their efforts to draft the procedures/executive regulations that would apply to the Egyptian legislative framework.³⁴ In addition to the support received from USAID, the PPPCU received more consultations on the topic from the UK government. The Unit is currently drafting the executive regulations themselves. They will share the drafts with external consultants for review, as it is an area where they do not have much expertise.

Finally, according to the stakeholders interviewed, MESR provided comments on the proposed amendments to the PPP law, which were described as minimal support. The amended Act, which has been recently approved by the Parliament and is pending the President's ratification, will include the following changes, including 1) streamlining PPP contracts in fields including transport, energy, communications, and healthcare, 2) reducing the time required to issue tenders, and 3) enabling private-sector players to submit unsolicited proposals.

MPED

In 2019 the MPED established the Feasibility Studies and PPP Unit to enhance the Ministry's capacity in capital investment evaluation and strengthen alternative financing mechanisms, particularly PPPs. One of the main objectives of the PPP component of the Unit is to develop a more substantial pipeline of potential PPP projects for the PPPCU by screening the proposals received from the different line ministries based on criteria that include³⁵ submission completion,³⁶ adequacy of viability analysis,³⁷ and project alignment with national investment priorities.³⁸ Based on the FSPU's assessment results, the Unit would provide its recommendation to the PPPCU regarding the acceptance or rejection of the project and the basis for the decision.

MESR engaged the MPED to build the newly established Unit's overall capacity by developing a comprehensive plan of support outlining potential intervention areas.³⁹ According to the KII, two experts from the MESR team started working on the FSPU's organizational structure and developing a

³⁴ The practical component was missing from the KII because the consultant advising the PPPCU was an academic and not a practitioner.

³⁵ USAID MESR Project. PPP Project Selection Process and Screening Criteria. March 2019.

³⁶ The project is well defined and has clear output specifications.

³⁷ This includes an assessment of whether: 1) the technical and financial pre-feasibility studies are comprehensive, reasonable and achievable and adequate to evaluate the viability of the project; and 2) whether the project is initially suitable for procurement through PPP based on potential market appetite, marketability and potential for increased efficiency and financing of the private sector.

³⁸ The priorities considered include: 1) the project is a strategic priority and is aligned with SDS 2030 and/or the investment plan established for the line ministry or for the local community where the project is planned, 2) the project investment cost is sufficiently high or at least exceeds the minimum project size. (100 million EGP – 6.4 million USD) set by the PPP Law, 3) the project has strong stakeholder support and is not expected to have an adverse social impact based on a preliminary public sounding exercise, and 4) securing GoE commitment and willingness to support project preparation is secured.

³⁹ USAID MESR Project. Year Two Annual Report. May 2020.

manual for the policies and procedures. However, despite the Ministry's interest and need for this intervention, they decided to put implementation on hold. The main reasons behind the decision were the expected changes to the Unit's mandate that might take place once the new PPP law is ratified and the fact that it is currently understaffed. In addition, one of the stakeholders interviewed concluded that it wouldn't be an effective use of resources to invest in developing an organizational structure until the vision for the Unit is clear and there is enough staff to define the different roles and procedures.

Instead, MESR's support to develop the capacity of MPED's staff came through providing hands-on training on basic feasibility studies and financial modeling for over 20 staff members from the FSPU and other units within the MPED. The course provided best practices in preparing feasibility studies and financial models for evaluating investments. The eight-day training took place over three weeks and was conducted in the National Planning Institute, using its computer laboratory to let participants practice developing financial models.⁴⁰ According to the KIIs, the course's delivery was effective and addressed critical skills needed by the FSPU and MPED staff in general. A recording of the training will be used to train recruits. In addition, there are discussions between MESR and the MPED to provide more advanced project finance and evaluation training once the unit is further developed. Other trainings delivered by MESR included workshops on best practices in the PPP field and a brief introduction to cost and benefit analysis provided by international experts.

Despite the efforts described above, stakeholders interviewed from both the MoF and the MPED have both agreed that the new PPP Unit at the MPED is not yet performing the role it was conceived to play. To date, the FSPU has not been able to help the Central Unit develop a pipeline with a more significant number of well-vetted projects, and the link between the two units has been weak. As mentioned above, the FSPU remains understaffed, and according to one of the stakeholders interviewed, there has been a high turnover rate in the leadership position at the Unit. However, the KIIs revealed that the main reason the new Unit has been relatively inactive is the limited number of proposals they receive for potential PPP projects from the line ministries.

Based on the findings from the KIIs, one of the main factors behind the limited proposals from the line ministries is the lack of incentives they have to focus on PPPs or alternative financing mechanisms in general. It is easier for line ministries to resort to the traditional financing options (e.g., allocations from the public budget and funding from International Financial Institutions) as alternative financing mechanisms will require additional assessments and evaluations. Accordingly, any efforts in helping to develop a pipeline of potential PPP projects must start with ensuring the different line ministries are incentivized to seriously consider the PPP mechanism as an option to finance their projects. Another factor identified by the stakeholders interviewed is the lack of staff capacity to conduct basic project evaluation studies at line ministries. In addition to a project concept note, the line ministries are also

⁴⁰ Ibid.

expected to present a market assessment, technical and financial pre-feasibility studies and legal, social, and environmental assessments to the MPED for any potential PPP project.⁴¹ However, most of the staff at these ministries are not trained to conduct such assessments adequately. Hence, another essential pre-requisite that needs to be addressed before the staff at line ministries are asked to consider PPPs or other alternative financing mechanisms is to ensure they have a basic understanding of how to evaluate the social and economic impacts of projects and be able to conduct a cost-benefit analysis.

While the MPED has launched an initiative to provide basic training to staff at the different line ministries on project evaluation methods, more work needs to be done before staff across various ministries are equipped to provide the required inputs to develop solid proposals for potential PPP projects.

Finally, one of the most effective interventions by the MESR project at the MPED, which is not yet directly linked to PPPs, is the development of an automated system for line ministries to submit all their project proposals (along with their funding components) for the MPED to review and decide whether or not to include in the annual development plan. According to the KIIs, the Integrated System of Investment Plan Preparation and Monitoring (ISIPPM) skeleton already existed at the MPED before the MESR project started. However, it was a highly complex system, and no one was using it. As part of its work to enhance transparency and accountability of public investment management, the MESR project played an influential role in developing this system by providing technical experts to work on the system's coding process and funding the training on how to use the software. MESR worked closely with the MPED to simplify and streamline the system and trained the staff at MEDP and the line ministries on how to manage and operate the new system. The ISIPPM consists of three main modules: Social and Development Plan Preparation, Investment Funds Reallocation,⁴² and M&E.⁴³ MESR is developing a parliamentary oversight module and is also planning to work with MPED and PPPCU to integrate criteria for identifying potential PPP projects on the system.

According to one of the stakeholders interviewed, this system is considered a significant breakthrough in a more transparent process of tracing how funds are being allocated and spent by the different line ministries.

MEDIUM- AND LONG-TERM IMPACTS

USAID's early support under TAPR II played a critical role in enabling the PPPCU to launch the PPP program in Egypt. As acknowledged in the KIIs conducted, these efforts played an integral role in

⁴¹ USAID MESR. PPP Project Selection Process and Screening Criteria. March 2019.

⁴² This ensures the MPED approves any funding reallocations between different projects under each ministry on the automated system. This was previously done on paper and was difficult to track. Therefore, digitizing this process has allowed more transparency and accountability. The MEDP can trace how each line ministry is using allocated funds.

⁴³ This module allows for tracking project progress. It also includes field evaluation capacity, as staff from the National Investment Bank can review project progress using tablets.

supporting the government in issuing the first PPP Law in 2010 and launching the first PPP project shortly afterward. The political and economic unrest between 2011–2014 had a detrimental impact on the development of the PPP program and the interest from international investors. Yet, three projects were approved and closed (one wastewater treatment plant and two hospitals) during that period. However, since then, very few PPP transactions have been completed (e.g., another wastewater treatment plant in 2015), and few projects have been initiated or identified.

Since USAID first engaged the PPPCU under TAPR II, which started in 2006/2007, several development partners have collaborated with the PPPCU to enhance its capacity and address the obstacles preventing the broader use of PPPs as an alternative to developing and financing public infrastructure and utility projects. Some of the key partners highlighted by the stakeholders interviewed included 1) the International Bank for Reconstruction and Development (World Bank), which in addition to providing capacity-building support, sponsored PPPCU leadership personnel attending the annual meetings for the PPP units receiving support from the World Bank in Washington, providing an opportunity for networking and learning from the experiences of other countries,⁴⁴ 2) the International Finance Corporation (IFC), which provided training workshops to the central and satellite units and transaction advisory services for the PPPCU in the first few projects, and 3) the UK Embassy has funded several study tours for the core team to get exposed to international best practices at institutions like Partnerships UK. They also provided consultants who spent a few weeks advising the PPPCU team.

During political and economic instability (2011–2014), there was limited interaction between the PPPCU and development partners. However, since 2014, the most active partner has been the European Bank for Reconstruction and Development, which provided support through developing feasibility studies, quick financing for pre-feasibility studies, and transaction advisory.⁴⁵ The PPPCU is currently also receiving transaction advisory from the Public-Private Infrastructure Advisory Facility (PPIAF) for infrastructure projects.⁴⁶

Nevertheless, despite the support received, several key constraints limit the implementation of PPP projects in Egypt, mainly due to institutional deficiencies, lack of cross-sectoral capacity, and regulatory hurdles.⁴⁷ In line with the findings of the KIIs discussed above, a recent IFC private sector diagnostic

⁴⁴ The last time the PPPCU leadership attended these meetings was in 2010.

⁴⁵ According to the KIIs, EBRD's main comparative advantage over other IFIs is that they are dynamic, flexible, and the procurement process is more efficient (less time-consuming).

⁴⁶ The PPIAF, supported by a wide range of donors (including USAID) and administered by the World Bank, helps developing-country governments strengthen policies, regulations, and institutions that enable sustainable infrastructure with private-sector participation. As part of these efforts, PPIAF promotes knowledge transfer by sharing best practices, funding research and tools, building capacity to scale infrastructure delivery, and assisting sub-national entities in accessing financing without sovereign guarantees.

⁴⁷ IFC. Creating Markets in Egypt: Country Private Sector Diagnostic. December 2020.

https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/cpsd-egypt

study in Egypt cited the lack of incentives for line ministries to consider PPP models seriously as part of their capital planning. The report also cited the absence of highly skilled, well-staffed, and dedicated PPP staff embedded in cross-sectoral ministries to coordinate PPP development as a second key factor that inhibits the growth of the pipeline of PPP projects.⁴⁸ A third factor is the absence of a clear and transparent regulatory framework to undertake PPPs.⁴⁹ The recent amendments to the PPP law addressed above have partially addressed the regulatory obstacles, but further reform is certainly required.

SUSTAINABILITY

USAID was the first development institution engaged with the PPPCU when it was first established. As illustrated above, USAID's earlier support enabled the PPPCU to develop the legal and regulatory framework for PPPs and hence provided the foundation on which the Unit and other development partners have continued to build.

External and internal factors have hampered the development of the institution and the growth of the PPP program to date. Shortly after the launch of the PPP program, political and economic instability inhibited the institution's development in the short to medium run (2011–2014). In the long run, several challenges have restricted the growth of the PPP program in Egypt. These obstacles include the lack of incentives across line ministries, inadequate technical capacity to identify, assess, and implement PPP projects, and other institutional and regulatory challenges.

However, in recent years, the GOE has engaged with its development partners, including USAID (through the MESR project), on several reform initiatives to address the PPP program's structural deficiencies. These initiatives have included restructuring and expanding the scope of the PPPCU while providing it with increased autonomy and access to its financial resources, establishing a new PPP Unit at the MPED to strengthen the pipeline of the PPP projects, amending the PPP law, and developing new satellite PPP units.

Of the core team mentored under TAPR II, only two remain today. These two, however, are the director and his deputy, who are currently leading the restructuring, reform, and expansion of the PPP framework and scope of activities. While some progress has been achieved, the reform process is still a work in progress, and there is significant work to be done to overcome the sector's chronic challenges.

AREAS FOR FURTHER ASSISTANCE

PPPCU AND SATELLITE UNITS

⁴⁸ Ibid. PP. 115–116.

⁴⁹ Ibid. P. 47.

Capacity-building and Multi-level Training

- Given the expansion of the PPPCU from seven to ten to 20–25 members and the growth of the satellite units, newcomers and junior staff in the central and satellite units will need regular PPP masterclass training (and refreshers every three to four months).⁵⁰ The long-term plan is for the PPPCU to be focused on strategy, policy, and regulatory roles. The satellite units should be independently and actively leading new projects.
- The Unit needs more specialized and advanced training to develop expertise or work on projects in new sectors (e.g., similar to the support received to embark on desalination projects).⁵¹
- Study tours for senior management in areas where the Unit needs exposure to successful models.
- Resident Advisors (like those provided in TAPR II) to develop the growing team capacity in three areas, including 1) project management, 2) financial modeling, and 3) legal training. They would work with the Unit over an extended period (one or two years) to provide on-the-job training.⁵²
- Strengthening the capacity of the line ministries. First, second-and third-line staff at the different line ministries need awareness workshops about PPPs, their structure, and potential benefits. This will help ensure PPPs are considered an option at an earlier stage. Second, staff at satellite PPP units need training in financial modeling and technical, economic, legal, and socioeconomic assessments to address a root cause of an underdeveloped PPP project pipeline.

Other Identified Areas

- Green economy. The PPPCU is seeking consultants to help build its capacity in identifying and processing green projects. They need support in developing criteria for green projects, identifying the incentives required to attract investors for green projects, and training on how to structure these projects. The Unit is engaged in discussions with the World Bank in this area.
- Electronic bidding system. The PPPCU needs support in developing the electronic infrastructure for electronic bidding and introducing new regulations and amendments to the law to facilitate the adoption of the automated system.

⁵⁰ A PPP master class is an introductory training for new recruits on planning, developing, and executing PPP projects. Elements covered in training could include a comprehensive overview of the PPP process, best practices in the design and planning of PPP projects, project/infrastructure finance concepts, examining different sources of finance, and learning global trends of successful PPP projects.

⁵¹ Successful experiences cited included a PPP course attended by a senior official at Harvard which IFC funded and several visits for the core PPP unit team to Partnerships UK (the UK's equivalent of the PPP unit), where they were exposed to how PPP projects were structured in the UK.

⁵² Stakeholders interviewed did not specify the sectors, as they are still developing their plan for new sectors. However, green infrastructure projects were mentioned as an area they would like to penetrate.

MEPD

- Once the mandate and vision of the FSPU are finalized, the Unit will support developing its organizational structure as initially planned under the MESR Project. Moreover, when the pipeline of PPP projects grows, and the Unit is well-staffed, it will need more advanced training for project finance, cost, and benefits analysis focusing on PPPs.
- The MPED also needs support developing incentives for line ministries to consider the PPP funding mechanism as a potential option. In addition, they would benefit from exposure to experiences of countries that have been successful in this regard.

LESSONS LEARNED

- The needs assessment conducted by MESR at the beginning of the project helped the project team develop a plan based on a strategy to address some of the main constraints facing the development of the PPP program rather than responding to targets of opportunity.
- Strong personalities and institutional rivalries between the PPPCU and the MPED represent an obstacle to ensuring the effectiveness of USAID's interventions and have required concerted efforts by the MESR project team to ensure everyone is on board before proceeding with activities linking the two institutions.
- Efforts to address the deficiencies of the current PPP program need to include significant capacity-building at the line ministries level. Considering the ambitious nature of this sizable task, it could be done over several phases by supporting a few select line ministries in each phase. For example, the housing and transport ministries could be chosen for the first phase, given the increasing number of potential PPP projects emerging from both sectors—dry ports (transport) and desalination plants (housing).
- There needs to be more coordination between USAID and authorities (PPPCU or FSPU) to increase the effectiveness of the trainings delivered. The trainers selected should address issues like language barriers and content localization. This is particularly important for the introductory PPP courses that target junior staff and newcomers. Furthermore, the feedback received in the KII included the need for trainers also to be practitioners and not just academics.
- Coordination between USAID and other development partners needs to be improved in existing efforts to support the development of the PPP program. The absence of clarity over the different interventions and the poor synergy between the partners limits the potential impact of the support received by the PPPCU.
- The new processes and systems introduced or supported by the MESR project (e.g., ISIPPM, the new PPPCU organizational structure, and the PPP selection criteria process) must be fully

institutionalized to ensure they are sustainable with potential senior staff turnover and political changes.

6. TRADEMARK AND INDUSTRIAL DESIGN OFFICES (TIDO) CASE STUDY

HISTORY OF USAID SUPPORT

TIDO received significant support from five USAID projects to equip them with the tools and skills necessary to embark on a digital transformation process. Between 1996–2015, USAID interventions supported TIDO on two main fronts, including 1) investing in developing the physical and technological infrastructure of the TIDO and 2) capacity-building through on-the-job training, TA (organizational and legal structure), and overseas study tours to gain exposure to international best practices.

Over a decade (1996–2006), USAID invested heavily in developing the infrastructure of TIDO and equipping it with the necessary technological resources to provide a platform to initiate the digitization of the operations and services provided. Three projects played a critical role in procuring the equipment and software, training the staff to operate them, relocating to new offices, and furnishing them to ensure they had the physical infrastructure to accommodate these changes (e.g., connectivity to the internet). These projects were SIPRE active between 1996–2001, the TA for Intellectual Property Rights in Egypt Project (TIPRE), active between 2001–2003, and the IPRA, active between 2004–2006.

On the capacity-building front, the CLDP I, active between 1998–2004, trained staff from the Trademark Office at the U.S. Patent and Trademark Office (USPTO) on computer automation methods for application, search, handling, and storage of patent and trademark documentation. In addition, CLDP I also sponsored officials from the Trademark Office to attend the 2002 and 2003 USPTO Visiting Scholars Program in Washington, D.C. This two-week program exposed the officials to the U.S. and international models for administering and enforcing patents, trademarks, and copyrights in a Trade-Related Aspects of Intellectual Property Rights compliant manner. The Industrial Designs Office also received support from an advisor from the USPTO to support them on office procedures, staffing, and the industrial designs law. Other capacity-building interventions came from the Technical Assistance for Policy Reform II (TAPR II) project between 2005–2010, which provided organizational and legal assistance to the Trademark Office. They facilitated the adoption of a procedure manual. The final intervention was delivered through the TFP between 2011–2015, which provided the Trademark Office with an IPR advisor to train its employees and assist the Office in implementing the protocol requirements relating to the Madrid Agreement (the Madrid Protocol).

Despite significant investments by USAID projects, the literature review conducted in Phase I revealed that progress in upgrading and digitizing TIDO's operations and services was significantly hampered by senior management's lack of commitment to embrace and implement the reforms. Three USAID projects persisted, despite the lack of progress, continuing to commit financial and technical resources to address the obstacles. Nevertheless, verified commitment from leadership for the reforms (particularly

the digital transformation process) was lacking. By the time new leadership that shared the same vision was in place, the projects supporting TIDO's digitization had ended.

The first intervention through the SIPRE project worked closely with the Trademark Office to develop highly sophisticated trademark search software and create a database of all active trademark registrations to replace a deteriorating, incomplete and inefficient paper-based system. However, shortly after the project ended, the TIPRE project started and re-engaged with the Trademark Office and realized it did not maintain the system installed under SIPRE. The managers did not require the employees to continue to input new applications and update the database.⁵³ Nevertheless, the TIPRE project continued to build on the efforts of the previous project by updating the automated system and the database and providing additional computers and a server to enable all examiners to have access to the automated system. The staff also received training on using the system under both projects.

However, the continued support and investment provided under TIPRE did not ensure the adoption of the new system and secure the senior management's buy-in to implement the reforms. The Office staff neglected the automated system between the TIPRE project, which ended in 2003, and the IPRA project, which began in 2004. During that year, new applications were not entered. Although staff members were proficient in using the automated system and preferred it to the paper-based system, they were reportedly discouraged by the Director-General for Industrial Property from using the new system in place.⁵⁴ The decision not to use the USAID-supplied automated system adversely affected the productivity of the Trademark Office. Files went missing, and guidelines and manuals prepared by the previous projects were not used. There was a lack of transparency and consistency in application requirements and decisions. This had a detrimental impact on the trademark system as a whole. The quality of the technical decisions TIDO provided to the courts on trademark infringement issues was poor, increasing the probability of poor judicial decisions on registered marks protections.⁵⁵ While the Industrial Designs Office faced similar issues, the magnitude of the problems was less severe. There were several reasons, including a smaller workload and, more importantly, a director who was on board and actively engaged in improving staff and performance levels.⁵⁶

Despite the substantial support provided to TIDO under the SIPRE and TIPRE projects, progress in improving operations, practices, and procedures was slow and poor. According to the project evaluation report, this was due to several factors, including non-supportive top management of the Commercial Registry, neglected files and no or little use of computers and relevant software (both of which had been

⁵³ Nathan Associates. "Report on the Status of USAID Assistance to the Trademark and Industrial Designs Office at the Commercial Registry Administration." (January 2006). p. 6.

⁵⁴ Ibid p. 7.

⁵⁵ Ibid.

⁵⁶ Ibid.

provided by SIPRE and TIPRE), and unsuitable office space in a location remote from transportation for employees and relatively easy access by the public and agents/attorneys.⁵⁷

The IPRA worked very closely with the chairman of the Commercial Registry Administration to tackle the issues above, providing TA and procurement services in institutional re-engineering, automation, and efforts to decrease the backlog for both TIDOs.

Finally, it was not until 2006 and towards the end of the IPRA project that the Minister of Supply and Internal Trade decided to address these issues by replacing the management team at the Commercial Registry. As a result, there was renewed optimism of reaping the fruits of the considerable investment made in TIDO over the years.

In Phase II, the AT sought to trace these interventions' short- and long-term impacts post 2006 and assess their sustainability. Data collected for this case study was primarily based on the findings of three KIIs conducted with different heads of TIDO (existing and previous) and secondary documents available from the literature review completed in Phase I.

EFFECTIVENESS OF USAID INTERVENTIONS

USAID played an essential role in providing the foundations for the digital transformation process at TIDO. While there have been several challenges facing the institution in building on the support provided 15 years ago, the training, equipment, and guidelines provided are the main base they have continued to build on since then. Some of the equipment provided more than a decade ago is still being used. Senior staff members who attended the overseas study tours praised its impact on them. The guidelines developed for examiners were used until recently (currently being updated). Furthermore, USAID's support provided relocating and furnishing a new office, crucial to improving the work environment. It provided a more conducive digitalization infrastructure and became more accessible to clients.

However, the effectiveness of these interventions was limited due to the initial lack of commitment from the senior leadership to embrace and implement the automation process.⁵⁸ Furthermore, there was inadequate follow-up investment and support received from the relevant authorities/ministry and other donor institutions to build on the base developed by USAID,⁵⁹ resulting in the incomplete digitization of the operations at TIDO and an underdeveloped workforce. TIDO has been functioning for over a decade using an inefficient blended system to process applications, combining the automated system with

⁵⁷ IPRA Final Evaluation Report, p. 14.

⁵⁸ Before the recent revival in 2019, the only period in which senior leadership prioritized these reforms was between 2006–2008.

⁵⁹ According to the KIIs, WIPO was the main source of support for TIDO in updating and maintaining the automated system after the end of the USAID projects.

manual examination and search of paper files in archives. This approach has had a detrimental impact on the quality of the examinations and decisions and TIDO's productivity.

In recent years, there seems to be a revival in the reform efforts at TIDO as the new senior management and the leadership at the International Trade Development Authority have undergone initiatives to revamp and address the chronic obstacles hampering development. These initiatives have included upgrading the infrastructure and garnering support from development partners like the EU to develop workforce capacity and support automation, similar to what USAID projects did at the beginning of the millennium.

SHORT-TERM IMPACT

Although USAID projects delivered all the tools and resources necessary to digitize operations and use the automated system, the KIIs confirmed the literature review findings. There was a lack of enforcement of the new system by the leadership and senior management, which adversely affected the productivity of TIDO. According to the KIIs, there was a cultural resistance towards replacing paperwork with a digital process. Consequently, despite investments made over a decade of USAID's support, the automated system was still not in use. At the beginning of the IPRA project, over 50,000 files needed to be uploaded into the database.⁶⁰ Examiners were not using the USAID-supplied computers to examine applications because files were missing from the system. Most of the computers had been disconnected from the system and were either not functioning or placed in storage. The Trademark examiners were processing between seven to ten applications per day, although they received about 150 new applications per day. There was a backlog of approximately 35,000 unprocessed files, and applications took from four to five years on average to be processed.⁶¹

IPRA worked closely with the Commercial Registry Authority to get TIDO back on track in their automation efforts and reduce the backlog of applications by addressing some of the bottlenecks. In this Project, IPRA worked closely with the WIPO to provide the Offices with new servers, software, data entry, and data migration to the new system. However, the employees still needed to be taught how to use the automated system. In addition, the employees required additional training in operating and maintaining the new system.⁶²

It was not until the senior management of the Commercial Registry Authority changed in May 2006 that the reforms USAID had been advancing were finally embraced. The new chairman of the authority (Dr. Mostafa Abou El Enien) had previously served as a Deputy COP of the IPRA Project, and the new operations manager (Amr Hegazy) was heavily involved in the digital transformation planning for TIDO

⁶⁰ Nathan Associates. "Report on the Status of USAID Assistance to the Trademark and Industrial Designs Office at the Commercial Registry Administration." (January 2006).

⁶¹ Ibid.

⁶² Ibid.

in his previous capacity as an IT and IPR advisor on the IPRA and TIPRE projects. Accordingly, the new leadership was invested in ensuring TIDO started reaping the benefits of the significant investments and efforts made by USAID projects to upgrade its operations and finally use the automated system.

Under this new leadership, the automated system was updated with a new WIPO intellectual property management system. The Trademark Office customized the software by integrating an Arabic search engine. The staff was trained to use the new program and all the digital equipment. There was also an emphasis on digitizing old files, updating the database, and migrating all the data to the new system. According to the KIIs, it would have made a big difference if this new leadership had been in place while the USAID projects were still active. They needed significant resource support to help them update the incomplete and outdated database inherited from the previous administration. They tried to update the database and process applications in parallel. However, limited resources meant that updating the database and transferring the data to the new system would be a long-term task. Accordingly, they could not rely on the automated system to process applications and had to resort to the manual examination of paper files and search archives to look for missing files and ensure the trademarks did not exist.

The KIIs confirm that 2006–2008 was the most promising phase since USAID engaged TIDO. The leadership prioritized and supported the digitizing process. In two years under this leadership, the benefits of USAID's interventions were gradually starting to materialize. This was illustrated in a presentation by the chairman of the Commercial Registry Authority in 2008, which revealed that the processing period of trademark applications from filing to registration was reduced from four to five years to one to one and a half years. Industrial design applications went from over a year to nine months.⁶³

MEDIUM- AND LONG-TERM IMPACTS

After the breakthrough between 2006–2008, the momentum was disrupted by a series of events between 2008–2014. Between 2008 and 2010, the Trademark and Industrial Offices were transferred from the Ministry of Supply and Internal Trade to the MoTI before being reinstated at the Ministry of Supply and Internal Trade and under a newly established ITDA. According to the KIIs, these changes were accompanied by a high turnover rate in leadership positions. The new senior management was not aligned with the reform plan adopted by the previous administration, and they did not have a clear vision for the institution. The revolutions that followed in 2011 and 2013 led to further disruptions in TIDO operations.

Consequently, by the time there was more stability and TIDO was fully functioning again in 2013/2014, there was a significant application backlog and files that needed to be updated and uploaded into the database. According to the KIIs, the leadership priorities during this time were day-to-day operations

⁶³ Egypt Trademark and Industrial Designs Office (2008). Inter-Regional Forum on Development and Service-Oriented IP Administration. https://www.wipo.int/edocs/mdocs/mdocs/en/wipo_ipa_ge_08/wipo_ipa_ge_08_theme07_2.pdf

and expediting pending applications processing. There was little to no emphasis on reviving the digital transformation.

The KIIs revealed that TIDO continued to process applications using the blended approach. An estimated 70 percent of the process was done digitally, and the remaining 30 percent was manual. To maintain and update the automated system, TIDO received support from WIPO. Two staff members were responsible for supervising the technical operations and training the staff on using the system. These two individuals had received training under USAID projects and continued to receive training from WIPO. The training provided was sufficient to maintain the workflow. However, the staff was not receiving training to enhance their examination and research skills. Furthermore, they were not gaining exposure to the best practices in the field like they were previously under USAID projects.

Since 2019, there has been a revival in TIDO under new leadership. The ITDA has committed resources to advance the reform agenda, and development partners like the EU have also come on board. For the first time in over a decade, there have been concerted efforts dedicated to reviving the project started by USAID. So far, there have been several initiatives to develop the capacity of the staff, advance the digitization agenda, and upgrade the office infrastructure.

One of the main initiatives taken on by the new leadership is engaging with the EU to strengthen the institution's capacity. According to a KII, since February 2020, TIDO has received substantive support from an EU project⁶⁴ in three areas, including 1) staff capacity-building through more than 20 workshops for examiners and legal consultants in the opposition and appeals committees, 2) support digitization through staff on-the-job training on technical support and applications. The automated system was also upgraded to ensure staff can easily access and share files on a shared network. Clients can also follow the progress of their applications electronically, and 3) improve Intellectual Property Rights (IPR) awareness (on the importance and benefits) by conducting workshops for SMEs and entrepreneurs in several governorates.

Historically, TIDO sent a small delegation of staff members to attend WIPO training during the annual general assembly meetings every few years. However, these trainings were randomly selected and did not necessarily address the TIDO's needs. Under the new leadership, a more strategic approach to identifying which WIPO trainings were attended has been adopted, ensuring the areas of significant weakness were prioritized.

In 2019, the US Embassy approached TIDO to assess its capacity-building needs. As a result, two areas were identified as priorities, including technical training for examiners and updating the examiner's manual, initially developed by USAID. A fruitful workshop for inspectors led by experts from the USPTO

⁶⁴ Egyptian Trademark and Industrial Designs Office Project. <https://www.egypt-ipr.com/>

was conducted later that year. However, the pandemic halted work on the manual update and has not been picked up again.

On the digitization front, TIDO senior management is currently working on an e-filing and e-payment project with WIPO and potential banks, which should be completed by January 2022. The only pending issue to ensure any new application is processed 100 percent digitally is uploading the old files in the archive to the database (data entry), for which they require further support.

Finally, TIDO offices have recently been refurbished and upgraded to improve the working environment and client experience.

SUSTAINABILITY

Technical Assistance (Equipment and Software)

The digital transformation status of TIDO is still incomplete. Currently, 70 percent of trademark application processing is done digitally and 30 percent manually (relying on paperwork). The application submission, processing, and certificate issuing are all made digitally. Only the examination component is done on paper. The databases established by the USAID projects have been maintained through staff members who were initially trained by USAID projects and have since received training from WIPO periodically. WIPO's support also enabled TIDO to upgrade the automated system over the years. They developed new software (intellectual property management system) that replaced the earlier version installed by USAID.

TIDO has not fully uploaded the paper files in its archives on electronic databases. Several initiatives to expedite the data entry process were taken with limited sustainability. The latest of these efforts was a project with a Japanese contractor in 2018, which stopped after the first phase (uploaded 150,000 files).

The IT equipment procured by USAID projects received minimal maintenance over the years. Hence, most of it has been replaced by the ministry. The lack of maintenance and upgrades was one factor that negatively affected TIDO operations efficiency.

Technical Assistance (Training and Capacity-Building)

Since 2008, TIDO mainly relied on two staff members, trained under the USAID projects, and continued to receive training from WIPO regularly. They trained the rest of the staff to manage the database, use the software, and provide technical support. Otherwise, TIDO received minimal training over the years. The capacity-building efforts were far less comprehensive than what was previously offered by USAID projects. Therefore, the training was insufficient to ensure the staff was qualified to enhance operations' quality, efficiency, and productivity. It was only recently that a more systematic approach to training was adopted. Accordingly, more extensive support has been received from WIPO, the EU, and USPTO. The current administration also ensured that a new team had been trained to replace the two senior staff members. They were responsible for supervising the technical operations and training the rest of the

staff before they both left TIDO. Other tools and resources, such as examination procedures manuals provided by USAID projects, were still being used until very recently. They are currently seeking support to update them.

Finally, despite the significant positive impact of USAID's efforts to relocate and refurbish the office, it deteriorated significantly over the years due to a lack of maintenance. However, it was refurbished again in 2019 by the ITDA.

AREAS FOR FURTHER ASSISTANCE

1. **Technical support for the digital archiving process.** One of TIDO's chronic challenges in the digital transformation process—dating back to USAID's interventions in the late 1990s and early 2000s—has been the data entry from paper files in the archives into the electronic database. Several initiatives did not complete this task. TIDO does not have the staff or resources to conduct this sizeable task and needs financial support to outsource this activity.
2. **Training.** An influx of new and young staff is coming through as many of the existing team are retiring. As the EU project ends, TIDO needs to develop a new training program by experts to train the newcomers and continue building the capacity of existing staff. The required trainings include 1) workshops for examiners with a solid practical component (e.g., working on actual cases). There is a need to ensure consistency in the quality of the inspection process to avoid contradicting decisions by different inspectors, 2) Training for the appeals and opposition committee members and legal consultants. It would be useful to have joint training or workshops for examiners and the legal and technical staff on the different committees to ensure a strong understanding of the roles and consistency in accepting or rejecting applications, and 3) A ToT component is needed to ensure refresher training can be provided within TIDO, and updated versions of the trainings can be offered in the future.
3. **Geographical indicators.** TIDO wants to develop a geographic indicator department and needs comprehensive support. This includes developing guidelines and specialized training to build the capacity of their staff in this field and raise awareness about its importance.
4. **Equipment.** The ITDA provides TIDO with IT equipment. However, they are short on heavy-duty scanners, essential for the e-filing process to complete the digital transformation process.

LESSONS LEARNED

USAID's challenge of securing the commitment of top management at the Commercial Registry of Egypt led to the implementation of unsustainable reforms in the TIDO.

In addition to securing leadership buy-in, other critical components of any new intervention should include 1) developing clear milestones and a timeline for completing, 2) continuous implementation

activity monitoring throughout the life of the project to ensure significant challenges are not discovered late, and 3) a clear plan to ensure the benefits of the interventions are sustained (e.g., a plan to ensure the staff continue to be trained regularly and retain the skills and knowledge gained, and that equipment and software are regularly maintained and updated).

TIDO's experience also revealed that an essential prerequisite to the sustainability of any digital transformation project in public offices that have been operating for an extended time is hiring an external contractor to expedite the digitization of the paper files in the archives. Only once this process is completed should any project proceed with investing in developing the automated system and procuring the equipment.

The contractor or USAID staff should spend time at TIDO assessing the institution's needs, existing conditions, the challenges/obstacles it faces (internal and external), and the level of support required before designing new interventions. Previous experiences in which non-USAID donors have adopted a more top-down approach to designing interventions have led to poor results. In some cases, the project was abandoned due to the irrelevant support provided.

Annex III: NGOs and Service Providers

7. BUSINESS DEVELOPMENT SERVICES (BDS) CENTERS CASE STUDY

This case study looks at USAID interventions with BDS centers. It will spotlight two specific BDS centers as examples (Alashanek Ya Balady Association for Sustainable Development (AYB-SD) and Ibn Souq). USAID/Egypt chose these two as examples of a BDS Center doing well and another that is facing challenges .

BDS centers have different business models. From day one of their operations, private sector centers such as Ibn Souq were accustomed to charging for services. Ibn Souq became a service provider through SSA to other BDS centers. On the other hand, NGOs like AYB have a social mission and do not charge directly for their services, as BDSs are typically subsidized as part of the loan repayment scheme. In general, they consider the BDS services free.

HISTORY OF USAID INTERVENTIONS

USAID's support to BDS Centers started from 2015 to 2020, through the Strengthening Entrepreneurship and Enterprise Development (SEED), a 22.9 million USD project implemented by DT Global/AECOM.⁶⁵ From 2015–2020, SEED supported expanding and strengthening these newly established BDS centers (around 16 centers in 2018/2019) through TA and capacity-building. Six centers received small commodity grants (desks, bookshelves/cupboards, laptops). In addition, nine of these 15 BDS providers received the CRM system, ICT equipment, and related training under SEED.

After the end of SEED, the SSA project launched in 2020 as a two-year follow-on project to SEED. The SSA project supports these BDS centers with additional TA and capacity-building but focuses more on financial and operational sustainability. SSA clustered the 15 BDS centers into three tiers, varying the depth of the project support based on the BDS potential for growth and commitment. Different organizations run these centers. Some are NGOs, the private sector, or business associations. SSA divided the BDS into tiers to efficiently use project resources.

- Tier 1 centers have the highest potential or are “ready to fly,” including the Federation of Egyptian Industries (FEI), an agriculture-oriented BDS center, and Ibn Souq. SSA support is focused, in-depth, and customized (one-on-one mentorship). Most BDS centers in this tier are private sector operating for a profit.
- Tier 2 centers have high potential and have been responsive to SEED interventions but require much support. SSA support is not customized but is still provided based on tier 2 client

⁶⁵ AECOM sold its USAID practice to DT Global in August 2019, so DT Global became the prime contractor during the final year of SEED.

requests. Most BDS centers are NGOs that often have microfinance programs. Their clients receive a BDS service embedded in their loan and is not seen or understood as a separate service by the client. This is a market distortion because clients often consider BDS a free service. There are a few full-time BDS advisers, and the unit is annexed to the microfinance program.

- Tier 3 centers are mostly created at the end of SEED and still require much more support and need to focus efforts. SSA invites them to events and workshops but otherwise does not support Tier 3 centers.

Further USAID funding is expected to support the ecosystem through BE a five-year 34 million USD project awarded in November 2021.

EFFECTIVENESS OF USAID INTERVENTIONS

SEED initially looked at potential strategic partners: the National Women's Council, Nilepreneur, FEI, and Micro, Small and Medium Enterprises Development Agency (MSMEDA). However, only FEI was responsive. So instead of seeking prospective partners and giving them incentives, SEED changed its strategy and worked directly with the BDS centers on TA and enhancing capacity. USAID's main metric was establishing, not sustaining, BDS centers. As the BDS projects were created late in SEED implementation, sustainability was unrealistic, given the immaturity/early stage of nearly all the BDS centers by the end of the project. Therefore, working with them continued through SSA.

As for resource allocation to the BDS component, despite not providing exact figures, KIs told us that the component under SEED was less well funded than the OSS and incubator components. SEED's strategy was to get buy-in, provide minimal commodities (only six centers), and mobilize recipient BDS center staff and resources. Besides SEED project staff time, most of the BDS budget was spent on staff travel to their locations in the governorates to provide on-site, on-the-job training and capacity-building support to the centers. On the other hand, SSA investments in capacity-building include networking events among different players in the ecosystem and capacity-building.

BDS SPOTLIGHT: AYB-SD

OVERVIEW

AYB's BDS was established by donors (Swiss Academy for Development and the Sawiris Development Foundation) in 2014. Before that, AYB provided scattered services such as entrepreneurship training to other programs and support to microfinance operations. They were not consolidated under one unit. Despite being based in Cairo, they offer services in several governorates (including Kafr El-Sheikh, Behira, and Minya) through co-working spaces and NGOs.

AYB has a range of diverse service modalities to target different segments and cater to their clients' needs and loan sizes. For example, there is a minimum requirement for any borrower. AYB conducts two

mentoring sessions that focus on the business plan and feasibility studies. This is usually sufficient for clients with a loan range of 10,000-20,000 EGP (636–1,275 USD), as their needs are limited to supporting their business plan, financial evaluation, and liquidity issues. However, for higher loans of 100,000–150,000 EGP (6,365–9,550 USD), they receive specialized training over two to three months. These clients are sometimes at the ideation level and need training in several areas, including business model development and value proposition, and marketing and entrepreneurship.

Most of AYB's BDS services are not fee-based. AYB does not charge additional administrative fees for the loans to increase their income. That would make their loans too costly for their target clients (grassroots entrepreneurs). Therefore, they subsidize their BDS' cost through funds received from grants and income generated from their microfinance operations.

AYB previously tried to charge fees for their services but realized it did not work. There was no buy-in from the borrowers who did not see value in such services. They later conducted a market research survey to determine for which services their existing and potential clients would be willing to pay. The findings indicated that 90 percent of the sample surveyed were only willing to pay fees for services related to helping them market and sell their products (e.g., at exhibitions), and fees related to funding services (loans). One reason they are not willing to pay for other BDS services such as marketing, training, mentoring, and coaching is because other centers/institutes are offering them for free.

EFFECTIVENESS AND IMPACT OF USAID INTERVENTIONS

Successes of the SEED and SSA Projects

SEED: SEED provided in-kind support and training in 2017. Previously, donor support was focused on the microfinance program. Before SEED's involvement, the BDS staff at AYB perceived the activities offered as scattered services provided under the name of BDS. SEED provided significant support to help streamline the unit by grouping the team and the services under the same unit. Previously, the team was divided, working separately on different projects. They rarely met to share experiences. Under SEED, the projects from different donors requiring BDS services were grouped under the unit to share experiences and knowledge. They also unified borrowers' service processes, databases, impact indicators, and the evaluation and selection processes. The unified process, systems, and tools developed under SEED are still being used for new projects. Depending on their needs, they may need tailoring a bit for the clients, but the base remains the same.

Before SEED, they were operating in isolation of the ecosystem. SEED helped them to better network and provided access to previously unavailable platforms. Through SEED and later SSA, they were exposed to services and practices not previously adopted by the BDS unit. By attending the networking events and meetings under SEED, they were exposed to specialized services, customized by sector and later incorporated into their unit. For example, they previously lumped the mentoring services into one package (finance, legal, and administrative) and were provided by one expert. However, they have since

recognized the need to separate the sub-functions and bring in experts to provide the services in each area. For example, a legal counselor helps start-ups register and talk about social insurance. They also started customizing their services based on their needs and acceleration level. For example, services delivered are different from those delivered to projects scaling up.

Therefore, this exposure has helped SEED change its approach by supplementing the generic BDSs offered to startups and MSMEs with more specialized services by sector, industry, and function. This is why the impact of exposure to new services and practices is likely to be evident over the long run as they continue to deliver these services to clients.

SSA: AYB has been invited to trainings and key events under SSA. However, they have not been very active. Despite their initial commitment under SEED, the AYB management team has been overloaded (working on a TVET program) and was unable to allocate resources to the BDS center. SSA dropped AYB from Tier 2 (in the initial categorization of BDS centers) to Tier 3.

According to the management, AYB's clients are primarily grassroots and not high-profile entrepreneurs. Therefore, their priorities were focused on financial support and not developing a business strategy to mitigate risks and increase resilience. This is one of the main reasons they did not respond to the BDS Business Rescue and Resilience Assignment by SSA and did not see it as a priority for their clients.

During the early days of the COVID-19 outbreak, AYB assessed their clients' needs to identify their priorities and needs. They were expecting to get support requests for developing risk mitigation strategies and increasing resilience through diversification of services and targeted clients, but these issues were not considered by their clients. Instead, the responses revealed that they were only interested in addressing liquidity issues through increased funding, rescheduling, restructuring their existing loans, or partial loan repayment relief.

Based on the survey, AYB developed several programs to respond to their clients' needs in response to the COVID-19 crisis. One provided grants to support salary payment for certain sectors (e.g., the services industry) to help them cope during the pandemic. Another relieved loan repayment in certain cases. Finally, restructured or rescheduled loans with a grace period at the same interest rate.

The demand for these programs was very high. AYB received more than 150 requests a day from clients for these programs. During that period, attendance rates of BDS trainings were only 20–25 percent due to COVID-19 restrictions.

From April to July 2020, the focus was predominantly on funding through the three programs. AYB disbursed 3.5 million EGP (223 thousand USD) through these programs. However, BDS operations were quite limited, serving 18 clients during the same period.

Shortcomings and Challenges

AYB lost several staff members with accumulated experience and knowledge (especially mentors that could not be replaced by training existing staff members) due to more lucrative packages offered by NGOs, incubators, and accelerators. AYB has since revised its salary structure and incentives scheme to be more competitive. However, they are still struggling to compete in the market and risk losing more of their experienced staff.

The CRM system provided towards the end of SEED is not used. Instead, AYB relies on Excel. AYB had initially planned to upgrade the efficiency of the BDS unit and develop a sustainability plan. However, they could not because they lost several SEED-trained staff members with valuable experience and knowledge in the BDS field. Moreover, the remaining staff was preoccupied with two large EU projects. Accordingly, the team working on the CRM (trained by SEED) had left, and the unit became understaffed.

AYB has not maximized the benefit of the TA received under SEED. While staff capacity was developed, the tools and services provided have not been institutionalized across AYB. AYB still needed support from an expert to help institutionalize the BDS services developed under SEED by integrating the BDS tools and services in other areas (e.g., the microfinance operations), which have been operational since 2005. Furthermore, the board and established units (like the microfinance department) resist change management and institutionalizing and integrating the new tools and services developed under the BDS unit. This area still needs support.

One challenge with SEED was that the different activities under the project were delivered sporadically, depending on whether the consultants were available or approvals were finalized, and not necessarily in the order required to address the institution's needs at each stage. For example, SEED immediately started working on the components related to the sustainability of the microfinance operations and the capacity of the BDS teams because the consultants/experts were available. On the other hand, there was a delay in the institutional support for the BDS unit component and the in-kind grant. The different timelines and the delay in providing institutional support (approximately one year) meant that they could not focus on institutionalizing the BDS services by integrating them into the organization's activities.

SUSTAINABILITY

AYB has received support for their BDS services from several donors, including the Swiss Academy for Development, the Sawiris Foundation for Development, the Canadian Embassy, and the Sharkawy and Sarhan law firm. These donors mainly offer grants. TA mainly comes from SEED, SSA, Souq (now Amazon Egypt), and Sharkawy and Sarhan law firm (who provide legal assistance). What differentiates the support received from USAID projects (SSA and SEED) is that they offered institutional support for the whole unit. In contrast, the other donors supported only specific areas (e.g., women-run businesses, microcredit, or startups).

While SEED and SSA pushed for a fee for services model, AYB preferred to include the cost of any BDS in the loan repayment schedule, arguing borrowers would not go for a separate, entirely transparent set of fees for BDS.

According to the latest feasibility study and business plan, AYB needed to increase its portfolio size of active loans from 12 million EGP to 32 million EGP (764 thousand – 2.0 million USD) to break even. Over the 18 months (March 2020–Oct 2021), they increased their loan portfolio to 20 million EGP (1.3 million USD). However, the active loans are worth only 16 million EGP (1.0 million USD), with four million EGP (255 thousand) in loans that have not yet been disbursed. Over that period, 60 percent of the grants they received came from individual donors and 40 percent from institutions.

Despite the original staff turnover, they trained the second line of staff on the tools and modules received under SEED during handover. The staff continues to use the BDS tools provided by SEED on one of the EU projects. However, they could not continue at the same level as before for the mentorship services because two of their most experienced and skilled mentors left. While they could outsource trainers and orient them with their manuals and training programs, finding replacements for the mentors was much more challenging. These mentors received training under SEED and job shadowing courses with experts for over a year and a half. That experience and accumulated knowledge are hard to replace quickly. AYB needed lucrative packages to headhunt them from other incubators or accelerators to attract replacements of the same caliber.

Other factors affecting AYB's sustainability:

- BDS staff are headhunted by incubators, accelerators, and other BDS centers. For example, a coordinator (with two to three years of experience) in the BDS unit was offered a position at the American University in Cairo venture lab for double his salary. The retention rate at the BDS unit is around 60 percent. This rate could be reduced further if the ecosystem continues to boom.
- Donor-dependent organizations offering microfinance no longer attract the same amount of funding and are shrinking. Moreover, with emerging companies operating in this sector, much of the funding opportunities available for microfinancing are loans with interest rates between seven and nine percent (by banks or MSMEDA). This is an unaffordable option for AYB, which cannot charge higher interest rates to their clients. Therefore, AYB depends more on equity funding that comes through individual donor grants. Raising funds from individual donors is more challenging than from Egyptian financial institutions. The funds raised from one institution (e.g., 1.5–2 million EGP, 95–127 thousand USD) would require 40–50 individual donors.
- Entrepreneurship grants are mainly provided by investors and usually target “high profile” entrepreneurs and so are not inclusive. The emergence of angel investors and venture capitalists has shifted the focus to highly educated, technology and innovation-based entrepreneurs, leaving

behind entrepreneurs in the more traditional agricultural and manufacturing fields. AYB's clients include MSMEs in agriculture, livestock, fishing, agriculture, and other vocations. Furthermore, funding to agricultural and manufacturing sector projects targets established companies with export potential rather than start-ups and SMEs. AYB referred to ERAS targeting established companies rather than start-ups or small farmers.

AREAS FOR FURTHER ASSISTANCE

AYB needs support from an expert to help institutionalize the BDS services developed under SEED by integrating the BDS tools and services across other AYB operations, such as microfinance. Support is also needed to convince the board and other units to sell the value-add provided by the new tools and services.

AYB also needs assistance to reach operational and financial sustainability. They need an operating model with a good cost recovery rate to enable operational sustainability. They also need an institutional grant or investment to provide the opportunity to develop their services further and start generating enough revenue from their main activities (microfinance operations) to fund the BDS services without depending on grant funding.

BDS SPOTLIGHT: IBN SOUQ

OVERVIEW

Ibn Souq started as a co-working space, supporting startups based in El Menoufia Governorate and the Delta region to begin operations. After USAID approached them, they extended their services to SMEs by working on product development and providing BDS to companies and projects based in El Menoufia. Afterward, Ibn Souq registered as a company based in El Menoufia. The Ibn Souq company currently has 18 employees and three founders. Before establishing the company, they had no employees. Since being established in November 2018, the Center has served over 38 clients. Sixty-four percent are female enterprise owners, and 33 percent are under 29 years old. Ibn Souq runs a fashion design program for women.

Ibn Souq is a private for-profit company providing services to companies at full cost, mainly feasibility studies, consultation services, or training. The only time they worked with a donor institution was when SSA contracted them as a service provider to provide TA in marketing solutions to other BDS centers. Otherwise, all of their dealings have been with companies.

Before the COVID-19 outbreak, Ibn Souq mainly worked with MSMEs and start-ups. However, since then, they have expanded their outreach to medical companies and real estate companies. They now have departments focusing on providing services to companies in the healthcare and real estate sectors.

Other initiatives (Nageeba and Beyt El Khebra) were established based on market needs, and their growth is not directly linked to SEED support.⁶⁶

EFFECTIVENESS AND IMPACT OF USAID INTERVENTIONS

Successes and Challenges of the SEED and SSA Projects

USAID was the first collaboration with a donor institution for Ibn Souq. The most effective interventions under SEED were the one-to-one consultation and mentoring sessions provided by experts on developing services and the furnishing offices to host their workforce. SEED partially furnished their office with equipment, including laptops, computers, printers, and a data show. The SEED team was very competent and provided effective mentoring. SEED staff was instrumental in financial management, mentoring, and directing them towards relevant conferences, events, and courses. In addition, SEED staff helped them access new clients by encouraging them to develop a value proposition and pitch their services. As a result, SEED staff facilitated their first major contract.

Some trainings were more valuable than others. For example, the training on financial management was very beneficial. However, the training on BDS concepts was too lengthy and wasn't worth spending so much time on, as it was quite basic. Furthermore, CRM was provided at the end of the project, and Ibn Souq was not trained on using it. The SEED team did not have the chance to test the software for bugs, and there was no discussion or plan for how it would be operated or maintained. Furthermore, Ibn Souq was not planning to use it, as they are using better tools. In addition, they didn't hear about Infomatch, the online match-making tool offered by SEED.

SSA: Networking under SSA has been effective for Ibn Souq. Connecting with other BDS centers, angel investors, and other players in the ecosystem has opened up opportunities for collaborations and value-added services. These potential opportunities include partnering with BDS centers to provide new services (or packages) to prospective clients and connecting their client startups with angel investors.

Regarding the impact of support received from SEED, Ibn Souq would not have become the successful company it is today without its new and expanded business model. Without SEED, they would not have

⁶⁶ The three co-founders of Ibn Souq have two other companies: 1) Beyt El Kheyata ('Sewing House'), established in 2018, was initially a program provided by the co-founders in the co-working space. This company offers vocational training for women opening small businesses for tailoring, sewing, and fashion design. The company has six branches (Tanta, Shebin, Sharqiyah, Banha, Mansoura, Cairo) and employs more than 50 people. In addition to training, the company offers sewing machines, consulting services, and other tools. Their client base is mainly home-based women entrepreneurs, and only five percent of the client base are companies/factories that want to train new tailors or other workers in the field. As a private company, Ibn Souq charges market rates. The company is profitable and financially independent. The women they trained make a profit of 3,000–5,000 EGP (191 USD) per month and 2) Nageeba is an educational platform providing online courses targeting women and girls who can study from home. The courses provided include microenterprise development, sewing, arts, career guidance, handcrafts, parenting, and homecare. The platform is subscription-based. They have 15 employees. This company is not profitable yet and is subsidized by the two other companies.

established the company. Through SEED's mentorship and support, they were convinced they could upscale their business and provide more developed services to companies. The capacity-building support (particularly mentoring) under SEED enabled them to develop their services to meet the needs of companies at market rates. Effective pricing ensured they generated higher revenue for their services through larger commissions.

SUSTAINABILITY

Before SEED, Ibn Souq had ten clients. They have since expanded to 120 clients (40 are permanent clients). Their client base is mainly in El Menoufia and the Delta Region. However, they also serve clients in other governorates. Their revenues over the past three years have increased six-fold. Ibn Souq does not have any funding sources (e.g., grants). They are financially self-sufficient and rely on service-generated revenues.

Post SEED, Ibn Souq has allocated part of their budget to invest in trainings, online courses, and one-on-one mentoring and consulting (by hiring external experts continuously). Before SEED, they also funded training, but on a much smaller scale and limited scope. SEED trainings were technical and focused on organizational structure and developing operations and a value proposition. The experts that Ibn Souq approached were more focused on the services provided to client companies and how to develop them further.

The founders were the primary recipients of the mentoring sessions, and the team members attended other trainings. All the tool kits and manuals received have been documented online. Furthermore, Ibn Souq has used the tool kits and manuals received from SEED and other experts to customize their own training program, which they use to train new staff. In addition, they receive continuous trainings from mentors and experts from the field (paid), as mentioned earlier.

Other external factors affecting sustainability:

- Due to COVID-19, the co-working space and some programs shut down. However, their financial sustainability was not affected. Ibn Souq opened up new opportunities, such as clients from the medical sector, which has become one of their primary sources of business and online training. This led to establishing a company for online education (e.g., Nageeba).
- Access to data is challenging in Egypt, and the lack of some information can be disruptive to businesses. For example, in the entrepreneurship ecosystem, newcomers do not know who is who, and they cannot benefit from the experience of more established players. Then also cannot learn from unsuccessful experiences because there are no resources to document this information to make it available and accessible to the whole ecosystem.

AREAS FOR FURTHER ASSISTANCE

With all its success, Ibn Souq still needs more support in mentorships and further networking opportunities to keep up with the best practices in the field and changes in the ever-growing ecosystem. By networking, there should not only be workshops or conferences, but a platform (body or association) that has an event to network for the ecosystem's stakeholders (BDS centers, incubators, VCs, angel investors, and donors). This event would not offer networking on the side but focus on "purposeful" networking. The main benefit of networking is that it compensates for the lack of information available on the ecosystem and allows players like Ibn Souq to exchange experiences, learn about the latest developments and practices, develop their services, and explore opportunities for collaboration.

LESSONS LEARNED ON USAID SUPPORT FOR BDS CENTERS

- Due to the young age of the Egyptian ecosystem, it still requires much support to reach operational and financial sustainability. USAID should continue supporting BDS through SSA and BE to institutionalize this process.
- BDS centers are not a homogenous group. Accordingly, interventions should be customized and adapted to fit their needs and clients. One of USAID's strengths is mobilizing experts in multiple, relevant fields. At the same time, BDS centers' buy-in for ongoing support is required to keep engaging with them.
- One success factor for TA is the one-on-one mentoring and coaching sessions conducted by the IP staff and consultants. This is a much-needed activity that is still required due to the quick changes and new trends. However, to be more results-based, there needs to be a follow-up from the expert or project staff. For example, following capacity-building or mentorship activity, the BDS center staff should take what they have learned and apply it in real life. The expert or staff should follow up later and see how well they implemented and solved any challenges they faced.
- One of the challenges of BDS centers in Egypt is that there are few well-trained advisors, and those who are competent are headhunted by other organizations. NGOs often have trouble retaining staff because they do not have a clear career path and cannot compete with private-sector salaries.
- As capacity-building is demand-based, so should be any software and delivered equipment to ensure sustainability.
- Another much-needed intervention for BDS centers and the stakeholders in the ecosystem is networking to capture previous experiences and expose participants to new opportunities. Networking events need to feature intentional networking and not assume successful networking will happen by chance. USAID projects provided networking events, but there is no follow-up mechanism to ensure useful networking continues. Infomatch was a missed opportunity to provide

this service. SEED /SSA staff talked about how they tried to work with some strategic/public sector partners for the BDS. However, it was not successful, and they quickly had to change strategy and work with other entities that were more interested in it. As noted by SEED in their midterm evaluation: “SEED should nurture and strengthen its new knowledge platform for use by all components stakeholders with special emphasis and resourcing to widely promote its use via social media and other means for networking, cross-selling between component activities and to sustain knowledge transfer and lessons learned between stakeholders and beneficiaries.”

- While BDS centers owned by the private sector have a better potential for sustainability, that does not necessarily translate into being inclusive of all marginalized groups. NGO-based BDS centers are more inclusive due to their social mission. However, their sustainability is threatened because their business model is heavily subsidized through grants and donors. This is something USAID should take into consideration when designing future interventions.
- Cross-programmatic collaboration ensures effectiveness and sustainability. For example, agriculture BDS centers can apply to grants offered by another USAID activity.
- There is a current need for more BDS professionals who are competent and have the necessary skills to diagnose the current needs of businesses and refer them to the needed track. They should be certified by a nationally accredited body in Egypt. These can help widen the base of professional and competent BDS staff in the field that are highly needed. This is also a possible collaboration with other USAID technical offices involved in education.

8. EGYPT NATIONAL COMPETITIVENESS COUNCIL (ENCC) CASE STUDY

HISTORY OF USAID INTERVENTIONS

The ENCC was founded in 2004 by a group of prominent Egyptian business leaders and academics, becoming the first non-profit NGO working on competitiveness in Egypt and one of the first competitiveness councils established in the Middle East. It was established to become an instrument of influence on government policies, business climate, and public attitudes by raising awareness and advocating for policies to enhance the competitiveness of the Egyptian economy. Since being established, it has combined research and national policy advocacy to promote reforms to improve the business climate and increase productivity across sectors. It has also served as a forum for public-private policy dialogue on addressing challenges to Egypt's long-term productivity and inclusive growth, exchanging knowledge and good practices, and formulating policy recommendations in partnership with the concerned stakeholders.

ENCC received significant capacity-building support from the TAPR II and ECP projects through grants (approximately 2.3 million USD provided by both projects) and TA to develop the ENCC's organizational structure and equip it with the tools and resources necessary to become an influential player in policymaking. When TAPR II first launched in 2006, the ENCC was understaffed and lacked resources, scope, and scale. Most of its staff worked voluntarily, and technical services were provided ad-hoc. TAPR II helped transform the council into a key platform for PPD on policy reforms and a fully functioning advocacy group through grant funding and TA. The project supported ENCC's institutional and organizational development, including developing its vision and mission statements, recruiting a full-time professional executive director and staff, and developing internal policies and procedures. To build its capacity to conduct research and advocacy efforts, TAPR II supported establishing ENCC's Sectoral Competitiveness Councils for human resources, tourism, and agriculture in 2008 to develop competitiveness strategies for these sectors. The project also funded several Egyptian National Competitiveness Reports, which developed into an important resource cited by policymakers, researchers, and civil society organizations. ENCC's efforts to conduct PPD events were also supported. The project facilitated collaborative exchanges with international competitive councils to ensure ENCC gained knowledge on best practices. To mark the progress made by the end of the project, ENCC was commissioned to present a national competitiveness strategy to the Prime Minister in 2010.

The ECP built on the support provided by TAPR II by providing another institutional grant worth c. 1.2 million USD to continue strengthening ENCC's capacity and expand its scope to advocate for policy reform to the GOE. Under the ECP, ENCC developed sub-councils for tourism, food safety, entrepreneurship, and higher education and developed recommendations for a national competitiveness strategy to improve Egypt's international competitiveness ranking in tourism, agro-industry, and higher education.

Since the end of the ECP project, USAID's engagements with ENCC no longer included institutional grants to strengthen the organization's capacity. Instead, the following three interventions witnessed a shift in ENCC's relationship with USAID from being a recipient of capacity-building support to becoming a partner for the mission's advocacy efforts in different fields. This shift started under the TFP project (2011–2015). In addition to providing minor financial and human resources to contribute to drafting the ENCC Annual Report in 2015 and its dissemination, the project also partnered with ENCC to hold a workshop with the private sector to discuss approaches to ensuring food security and food safety in Egypt. The workshop aimed to achieve a consensus on ensuring food safety and raising awareness on the value of establishing a unified FSA and law.

This partnership was further strengthened under both the SEED (2015–2020) and WISE (2015–2019) projects as ENCC received GUCs to support USAID's advocacy efforts to improve the Business Enabling Environment (BEE) through labor market reforms and developing tax policies for MSMEs. The SEED project commissioned the ENCC to conduct a study to identify MSMEs' challenges with the taxation system. The new MSME Law, ratified in 2020 and provided a legal framework to regulate MSMEs and integrate them into the formal sector, adopted the SEED/ENCC study's taxation strategies by creating progressive tax rates for MSMEs based on their revenues. ENCC also participated in the PPD sessions organized by SEED to discuss the new law by presenting the study and its recommendations. Furthermore, in partnership with the ENCC, the WISE project commissioned a comprehensive survey of Egypt's labor market to assess the economic context, the supply and demand of skills, and the role that gender plays in securing and maintaining employment. USAID is adopting several recommendations from the report drafted by the ENCC, including helping students gain market-relevant skills by improving technical secondary education to meet the market's needs and offering training on soft skills necessary to help them succeed in the workplace. The WISE project also collaborated with ENCC to 1) establish an Enabling Environment Unit (EEU), which the ENCC hosted, and 2) create an Enabling Environment Advisory Group (EEAG)—comprised of key individuals from the private sector, community organizations, and governmental institutions.

ENCC's evolution from an underdeveloped and under-resourced initiative to an established and effective advocacy institution highly regarded by the private and public sectors represented a potentially successful case study for effective intervention by USAID. However, despite expanding its scope and scale on the operational level, concerns over ENCC's ability to sustain itself financially were raised early on. These concerns first appeared in the TAPR II evaluation report, which concluded that although ENCC had evolved as an institution, it was still highly dependent on USAID funding and had not developed diversified financing sources that would enable it to achieve economic sustainability. Almost a decade later, these concerns were echoed in the AT's interview with a COR (in Phase I of this assessment), who confirmed that after initially relying on USAID grants and private sector contributions, ENCC had

struggled with funding issues and relied on payments received under the WISE and SEED projects to sustain its operations.

In addition, there were operational sustainability concerns that were also raised in the project evaluation reports regarding ENCC's governance structure and technical capacity (both in terms of the quality of staff and resources available). As a result, ENCC was advised to adopt a governance structure that would enable the institution to constantly expand its membership and influence without diluting its focus on competitiveness and its ability to control its agenda. Furthermore, the project evaluation reports also cited the need for greater emphasis on technical staff training and the institutionalization of capabilities that will eventually enable them to independently expand their portfolio of projects and replace the reliance on externally funded TA.⁶⁷

In Phase II of this assessment, the AT conducted five KIIs with key senior management stakeholders (former and existing) as well as a former project team member that was engaged with ENCC to assess the extent to which ENCC has been able to fulfill its potential by sustaining the benefits gained from USAID's interventions and overcoming the obstacles identified in the literature review.

EFFECTIVENESS OF USAID INTERVENTIONS

In line with the literature review findings, the KIIs revealed that the institutional grants provided to ENCC by USAID projects helped the institution evolve into a critical player in the policy advocacy field. However, their inability to transform into a financially self-sufficient institution resulted in their ongoing challenges to sustain the benefits of USAID's interventions in the long run. The lack of an effective fundraising strategy and the reluctance of the board to approve several initiatives to diversify revenue sources inhibited their expansion and ability to fulfill their potential. In addition, corporate sponsorships and grants from other donor institutions were insufficient to maintain the level of operations they had reached under the earlier USAID projects. They could not afford to retain most of the high-caliber staff they initially recruited (senior management and junior economists/researchers). Eventually, ENCC had to significantly downscale their activities, release most of their technical staff, and rely on GUCs to provide their services.

Despite its struggles to become operationally and financially sustainable, the ENCC still has a crucial role in raising awareness of critical competitiveness issues and conducting policy, regulatory, and public investment advocacy. Over the years, it has built a solid reputation through its high-quality publications and advocacy work with the government. It has retained its credibility as the primary independent entity working on competitiveness in Egypt. However, in light of its recurring difficulty to develop sustainable revenue-generating sources, ENCC's existence is hinging on a continuous stream of grants from donor institutions.

⁶⁷ TAPR II Final Report.

SHORT-TERM IMPACT

According to the KIIs, ENCC used the institutional grants received from TAPR II and ECP to effectively grow the institution and deliver outputs that had a significant impact. In a few years, the institution was able to gain the credibility and reputational capital to lobby the government to develop a national competitiveness strategy and develop sectoral strategies through their different sector councils. Moreover, the ENCC competitiveness reports became a key reference on competitiveness indicators for stakeholders in the private, public, and academic sectors. Overall, in the short run, USAID's financial and technical support fueled ENCC's evolution from a nascent entity managed by volunteers with limited scope into an influential resource in economic policymaking and advocacy in Egypt.

Nevertheless, during the period in which TAPR II was operational, both the project team and the senior managers at ENCC were aware of the potential risks of not developing a plan for financial sustainability. According to the KIIs, the ENCC senior management was convinced that they could not rely on grants to become a sustainable organization. However, they could not persuade the board to accept their proposals to identify more sustainable sources of income.

The senior management engaged with TAPR II experts (e.g., Larry Milner). It approached local experts in the fundraising field (e.g., a former executive director of the Egypt Junior Business Association) for advice on developing a fundraising strategy for ENCC. As a result of these consultations, they identified several options to diversify their sources of income and funding. The first was to expand their membership base to generate more revenue through membership fees, ensuring a minimum level of funds to cover their operating costs. However, the board did not approve this proposal due to the threat it posed to ENCC's independence and ability to control its agenda. Other recommendations included raising the membership fees and attaching a monetary value to the organization's most prized output (the competitiveness report) to sell it to users. Both were not approved for different reasons. Instead, the organization would continue to rely on donor funds in addition to the membership fees and corporate sponsorships for events and the competitiveness reports.

The consequences of these decisions were realized shortly after the end of the TAPR II project when ENCC first started to face financial difficulties. Under TAPR II, ENCC received an institutional grant worth c. 1.2 million USD in 2008, which funded salaries for newly hired staff (executive director, researchers, and finance manager), annual reports, events, and conferences.⁶⁸ The grant was fully disbursed by the end of the project in 2010. Despite the interventions being highly effective in building the institution's capacity, ENCC started facing financial difficulties shortly after the project ended and until they received the second institutional grant under ECP. Between 2010 and 2012, ENCC struggled to raise enough funds to expand its activities, let alone maintain its operations. Its ability to raise funds from donors during the 2011 revolution was limited. Therefore, ENCC had to rely on membership fees,

⁶⁸ According to KIIs, 40 percent of the grant was spent on salaries and the rest on the report and different activities.

corporate sponsorships, and interest-free loans from board members to fund their operations.⁶⁹ According to the KIIs, these funds were insufficient to retain most of their staff members. As a result, almost all junior researchers and economists left the institution. In addition, while they could keep the core administration team, the executive director and one of the two main senior executives also left in 2011. Consequently, ENCC's operations and activities were scaled down during that period.

The ECP grant was signed on January 24, 2011. However, due to the revolution that started shortly after, it took a year for that grant to be finally approved by the MoSS. The institutional grant further strengthened ENCC's capacity by developing new sub councils for different sectors, working on the national competitive strategy, competitiveness reports, advocacy events, and other organizational support.⁷⁰ The ECP project also provided an additional line of funding to help refurbish the ENCC office, which was damaged during events that occurred in 2011.⁷¹ Indeed, ENCC experienced a revival under the ECP project between 2012–2014. A new executive director took over, and the institution was actively engaged on different fronts. Furthermore, the interventions under ECP had a positive impact on ENCC's ability to attract corporate sponsorships for their reports and events through funding the salary of a new fundraising manager. According to the KIIs, between 2012–2014, ENCC raised over 1.2 million EGP (76 thousand USD) through corporate sponsorships. This was the most successful fundraising period in their history.⁷² Nevertheless, the manager left shortly after the ECP project ended as ENCC could not afford her salary. ENCC has not been able to replace this manager since, and according to the KIIs, attempts to improve fundraising through corporate sponsorships have been ineffective.

MEDIUM-AND LONG-TERM IMPACTS

The interventions under ECP had long-lasting effects. They increased ENCC's visibility in the market. The institution gained recognition from the government and raised its private sector profile, as demonstrated through the rise in corporate sponsorships. However, shortly after the end of ECP, ENCC found itself facing another financial crisis. In the absence of further institutional grants from USAID and any sustainable sources of income, ENCC was forced to diversify its donor funding sources, which allowed it to operate at a lower level with reduced funding for several years. Other donors provided grants for specific studies/purposes, but the size of the funds offered was substantially smaller than those

⁶⁹ The breakdown of the income generated from these sources based on the data collected from the KIIs was: 1) membership fees (Annual fee was 10,000 EGP (636 USD), and the number of active members was 12, e.g., 120,000 EGP (7,637 USD) annually), 2) corporate sponsorships from two to three companies which amounted to approximately another 100,000 EGP (6,364 USD), and 3) Interest-free loan from two board members (Chairman and another member) worth approximately 100,000 EGP (6,364 USD).

⁷⁰ According to the KIIs, around 35 percent of the grant was spent on salaries and 65 percent on the different activities mentioned above.

⁷¹ According to the KIIs, the size of this additional funding was around 350–450 K EGP (22–28 K USD).

⁷² According to the KIIs, the main sponsors included: Bank of Alexandria, Banque De Caire, Housing and Development Bank, Juhayna Company, and Consukorra.

provided by USAID projects (TAPR II and ECP).⁷³ Furthermore, corporate sponsorships and grants significantly dropped between 2014–2017 for several reasons, including 1) a stigmatizing environment that developed around foreign funding for civil society organizations culminating in the notorious NGO law in 2017, 2) a shift in the prioritization of private corporations who were directing their budgeted sponsorship funds more towards national projects (e.g., Tahya Masr “Long Live Egypt”) Fund and other corporate social responsibility projects, and 3) growing competition with other advocacy and policy-based councils and think tanks.

In light of the limited funding opportunities during that period, ENCC relied on membership fees which had not increased since they were founded, in addition to the funds raised from corporate sponsorships and commission (overhead payments) fees paid by one of the donor institutions with whom they worked.⁷⁴ The lack of funds meant that ENCC had to downscale its operations again as it remained understaffed significantly.

Reflecting on the period following the end of the ECP project, one interviewed stakeholder argued that ENCC should have downsized and narrowed its focus on the areas with the most impact. ENCC had gained its reputation as a policy advocacy institution through the quality of its competitiveness reports and studies, which should have been prioritized instead of allocating funds and effort towards organizing events (e.g., conferences and workshops). However, ENCC focused on organizing events for publicity at the expense of producing more analytical outputs. Consequently, ENCC has only published two editions of its landmark competitiveness reports since 2012.

Since 2016/2017, ENCC has relied on grants under the contract provided by the SEED and WISE projects to conduct new activities. These projects helped revive the ENCC temporarily but did not offer any institutional support.⁷⁵ Due to the difficulties faced by NGOs receiving foreign funding, the SEED and WISE projects took over a year to obtain the necessary approvals from the MoSS.

Under SEED, ENCC was awarded a grant worth c. 1.2 million EGP (100,000 USD), most of which was spent conducting a taxation study for MSMEs. The study was completed and well received by the government as the findings were incorporated in the new MSMEs law. However, ENCC's engagement

⁷³ Examples of other donors that worked with ENCC and the projects they worked on, which were provided in the KIIs conducted include:

- GIZ/ILO-Youth Employment Project, 41,000 Euros (2014–2015).
- EU Training Foundation - human capital development and economic competitiveness – 5,000 Euros (2009–2010).
- UK Aid - Public Finance Management Project 450,000 GBP/500,000 Euros (2014–2016).
- Dutch donors - Agricultural project - 45,000 Euros (2014–2015).

⁷⁴ According to one of the stakeholders interviewed, ENCC received approximately 70 K GBP in commission from the UK AID project.

⁷⁵ Although these grants did not position ENCC for growth, they did allow ENCC to hire back some key senior technical experts, deliver high-quality studies, and participate in high-profile events to present study findings.

with SEED was not entirely smooth as the COP of the project was changed a few times, and delays in receiving approvals from the MoF meant that ENCC was not able to receive the entire sum they were awarded only 1.0 million EGP (nearly 64 thousand USD) being disbursed. Hence, they could not publish the report themselves nor organize events to disseminate it. SEED published the report instead and allocated a session in one of the PPD events it organized for ENCC to present the study's findings.

According to one of the stakeholders interviewed, SEED had planned to do more activities with ENCC (e.g., partner with the institution in providing advocacy training for public and private sector institutions). However, ENCC's inability to contribute by co-funding activities or providing TA at their own expense resulted in halting these initiatives. Moreover, SEED also engaged with ENCC to develop a five-year strategy, including some proposals for diversifying their funding sources and introducing more fee-based services (similar to those offered by institutions like the Egyptian Center for Economic Studies (ECES)). However, according to the KII, the feedback received from the team working with ENCC on this activity was that the board was reluctant to introduce more commercial activities for the same reasons they were in the past.⁷⁶

Based on the responses received from the KIIs, the WISE project was considered a very effective intervention. The WISE team was impressed with the work plan developed by ENCC for the labor market activities under the project. As a result, WISE commissioned further work from ENCC, which included a quantitative analysis of the labor market and surveys in several governorates (in coordination with Baseera Institute), all of which were incorporated in the labor market report. ENCC contributed to three other studies conducted under the WISE project (the studies were on female participation and the informal sector (she couldn't remember the third one)). Finally, the grant received also funded the salaries of a senior and junior economist for the BEE Unit. However, the unit was not sustained after the end of the WISE project, and the economists were released due to ENCC's inability to finance it.⁷⁷

The KIIs also revealed that the WISE project had a more substantial impact on ENCC as an institution compared to SEED as the labor market study was considered a “success story” for ENCC and WISE. ENCC's role has been widely acknowledged, which helped it regain its visibility in the market as an advocacy player and reposition itself for consultancies by the donor and multilateral organizations. Nevertheless, ENCC is currently back in a position with limited funds and inactive since the end of the WISE project and the beginning of the COVID-19 pandemic. In addition to what remains from the

⁷⁶ According to the KII, the rationale for their refusal is likely to do with their fear of losing the mandate of ENCC by allowing potential investors or funders from the private sector to transform ENCC from an institution focused on advocacy to one that is providing commercial services for the private sector.

⁷⁷ According to the KIIs, the grants received under WISE amounted to c. 3.75 million EGP. In addition, ENCC raised some funds, albeit a small amount in commission fees (overhead payment) which amounted to 10 percent of the value of the grant, e.g., c. 375,000 USD.

income generated from WISE, the institution relies on membership fees which have not changed for the past decade. Loans from board members keep the organization afloat.

A new managing director with extensive experience working for an international business advisory firm and consulting governments on economic policies has been hired. However, the management and board face an uphill task of revamping the organization to reach the heights of 2010. Furthermore, while they are the only entity exclusively focusing on competitiveness, they still face competition from established players like the FEI and ECES in what is now considered as a crowded space for non-profits doing applied research and policy/regulatory advocacy.

In the short term, ENCC plans to continue working on new projects through the GUC model adopted under the SEED and WISE projects. In addition, however, they will attempt to negotiate the allocation of additional funds for institutional support from the donor institutions funding these projects to support their rebuilding efforts. In the long run, their plan to revive the organization encompasses three different routes, including 1) expanding on the work they are doing with different ministries (e.g., the Ministry of Planning and Ministry of International Cooperation) in areas such as the competitiveness index, 2) continue pursuing corporate sponsorships for their events and reports from the business community, and 3) continue submitting proposals to donors for project-based funding and larger consulting projects with international organizations to support/expand the work they are doing with the government.

SUSTAINABILITY

ENCC has struggled to become operationally and financially sustainable due to its inability to develop sustainable sources of income to replace its dependency on donor funds. The board's reluctance to expand the membership and introduce more revenue-generating activities has been a critical factor leading to this outcome. Because this risk was identified at an early phase of USAID's engagement with ENCC, illustrated by concerns documented in the TAPR II final and evaluation reports, it should have been addressed before disbursing the second institutional grant under the ECP project. Securing the commitment of the board to identify and implement revenue-generating services could have been a condition of disbursement to ensure the institution was taking concrete measures to secure its long-term future.

Other factors that have impacted the institution's ability to maintain its outreach include the shift in ENCC's focus to organizing workshops and conferences to increase ENCC's publicity in recent years. This came at the expense of conducting more research and producing analytical outputs, representing the institution's main tools to market its services. As revealed in the KIIs, this shift was mainly due to ENCC's inability to retain the technical team of junior economists and senior researchers responsible for working on these outputs under the different sub councils.

Despite its financial and sustainability issues, ENCC has built up its reputational capital and credibility in policy circles through its interventions and high-quality work over the years, as illustrated above. This

could serve as a base to revive the organization; however, it will require a significant transformation in the vision and management of the institution to secure its long-term future. Currently, ENCC is struggling to survive without large and continuous infusions of donor resources.

AREAS FOR FURTHER ASSISTANCE

The existing ENCC management did not identify areas they need further support but expressed interest in getting more grants or projects. The AT recommends bringing in a consultant with experience in a similar type of institution on the management/budget side to do a thorough review of ENCC's current structure (with special attention to the BoD and Managing director), its budget/resources, and advise ENCC on needed structural changes and ways to increase revenue.

LESSONS LEARNED

Additional institutional support for ENCC should be conditioned on a commitment from the board to introduce measures that will enable the institution to become a financially independent institution. These measures could include:

- Broadening its membership base and raising the fees to increase revenues generated from the members and inject new ideas to rejuvenate the institution. ENCC currently has 21 members, of which only 12 are active. According to one of the stakeholders interviewed, a more reasonable size of the membership body would be 50. This membership size would still be a lot less than the 300+ members of other institutions like ECES. However, it will allow the ENCC to grow its membership base gradually while maintaining its independence to the extent possible. In addition, there is a need for creating more committees to work on different sectors and developing new business opportunities for the institution. The governance of ENCC's board also requires a close examination as it lacks diversity in the absence of women and younger private sector members (e.g., tech-savvy entrepreneurs).
- Hiring a full-time business development and fundraising manager to increase corporate sponsorships and develop new fee-based services catered to the private sector. These could include charging fees for their flagship competitiveness reports (similar to the American Chamber of Commerce's policy of pricing their publications) and providing more customized services, e.g., consultations and market studies for different sectors. However, a critical component of this new strategy should ensure adequate regulatory mechanisms govern the relationship between the institution and the corporate sponsors. These measures would address the board's legitimate concerns regarding the risk of being captured by large firms that would influence ENCC's policy and regulatory reform agenda.

According to the KIs, ENCC would also have benefited from more M&E from USAID and follow-up support to ensure the institution was taking concrete steps towards becoming more operationally and

financially sustainable. As previously suggested, the disbursement of the second institutional grant could have been conditioned on measures taken by the board to confirm their commitment to transforming the institution into a financially independent entity by introducing some of the measures suggested above.

Several stakeholders interviewed argued that a significant advantage an institution like the ECES has over ENCC is the endowment set up by USAID. The endowment granted ECES financial independence, allowing it to stick to its mandate and use corporate sponsorships and fee-based events as secondary funding sources that help expand activities. However, the income generated from the endowment continued to fund salaries and administrative costs to date. ENCC had approached USAID about the possibility of setting up an endowment but was told that this was no longer an option offered by USAID.

9. INCUBATORS CASE STUDY

This case study looks at USAID interventions with incubators and will spotlight two specific incubators as examples: Rowaq Incubator of Qena University Heliopolis University (HU) Estedama Incubator. USAID/Egypt chose these as examples of an incubator doing well and another facing challenges.

HISTORY OF USAID INTERVENTIONS

SEED (2015–2020): SEED supported the development of entrepreneurship among youth and promoted the growth and competitiveness of MSMEs by improving access to high-quality public and private services. SEED provided grants, TA, and capacity-building support to a mix of private and quasi-public service providers, namely 14 incubators. Besides capacity-building, some incubators received furniture and equipment such as the CRM and Fab Labs.

SSA (2020–2022): SSA is considered a bridging project that will continue SEED activities while BEE gets underway in FY 2022. SSA works with a subset of seven of the original incubators (eight incubators: five university-based and three private/NGOs) that responded well to TA training and capacity-building efforts under SEED. This subset has been judged by the SSA project team as likely to be sustainable with a couple of different levels of continuing SSA support. SSA is working with incubators on three components, which are focused on financial sustainability:

- **Equity Mechanism:** All incubators were previously relying on grants. After researching best practices and conducting an assessment, SSA found that incubators can invest in equity stakes (minor) in startups that will generate returns in the future. The impact of the equity model component is 1) incubators are starting to refine their selection process by including additional criteria to target startups that they can potentially invest in, and 2) incubators are developing the incubation services they provide as well as the post incubator services to make these startups investment-ready. Accordingly, the startups that graduate will benefit from these improved services and become more attractive for investors and venture capitalists. Also, incubators are working on establishing companies through the universities to be able to acquire stakes in the startups and benefit from the returns in the long term. These companies will also receive revenue generated from the services developed under the service design account below.
- **Service Design:** SSA is working with incubators to develop existing services or services targeting new segments. This support includes helping the incubators price services and assessing their potential profit margins to ensure sustainability. The desired impact for the service design component is for incubators to expand their services' outreach and generate income from them. For example, they could price their mentoring services (through university professors) and provide them to companies or factories in industrial zones located in the vicinity of these incubators.

- **Rescue program:** SSA is developing a virtual incubation platform that will enable incubators to serve their clients and incubated startups remotely. The platform will include features that will allow incubators to fulfill the startups' needs throughout the entire incubation cycle, expanding the geographic reach of the incubators in the process. This component resulted from the COVID-19 pandemic for incubators to adapt and assist businesses.

EFFECTIVENESS OF USAID INTERVENTIONS

SUCSESSES OF SEED AND SSA PROJECTS

SEED: SEED engaged with the government and other institutions to encourage designing new programs/strategies to develop new incubators and the ecosystem. SEED raised awareness of universities and entrepreneurship support activities and startups around them.

One of the most effective forms of support was study tours to US-based incubators. This motivated Egyptian incubator managers and accelerated their development. They were encouraged by observing real-life incubators. SEED made sure the Egyptian study tour included several US university-affiliated incubators, which fit the university-based incubators' specialization. The study tours help build an incubator network (mentorship, knowledge exchange, judges in competitions). In some cases, incubators have representatives on each other's boards. One of the consultants/experts involved in the study tour has been providing further support to several incubators and is a board member for two of them (AAST and Edventures).

SEED hired international consultants, who played a critical role in the earlier phases. They helped the incubators build the business model, develop the incubation cycle, select startups, and address details related to establishing the incubators.

Most incubators that worked with SEED went through an intensive six-month course on building incubators, selecting the team and clients, and developing startup assessment criteria before receiving more specific capacity-building support. One-on-one TA and mentorships were also instrumental to developing and growing incubators. As a result, the TA Rowaq received enabled it to bid for investment from Banque Misr, which they successfully won and received 4 million EGP (nearly 255 thousand USD).

SSA: Through SSA support, incubators are planning to expand based on the needs and gaps in the market. For example, since COVID-19, incubators have been looking to expand into the Edtech and Fintech sectors.

The equity model and service design components of SSA aim to help incubators diversify their sources of income and reduce their dependence on their host universities. This was made possible through Law no. 23 of 2018, which allows universities to own companies that will attract investments for incubators and other projects as part of the government agenda to provide science, technology, and innovation incentives.

SSA is trying to expand the incubator network by including angel investors, venture capitals, and accelerators to ensure that there are different players at the various stages of a startup's journey (from ideation to growth and scalability). The aim is to develop a more structured network that provides different activities and collaboration opportunities while avoiding duplication of existing efforts.

SSA is planning a virtual incubator platform that will be like CRM. The virtual incubation platform and its different components will aim to enhance the ability of incubators to assess their customer experience. Incubators currently find it difficult to track different aspects regarding the startups they serve. This includes how many startups they have supported since they started, how many applied and were rejected (and why), the number of services from the incubator at different stages of the cycle, and an impact assessment of the startup's operations.

SHORTCOMINGS AND CHALLENGES

Some of the less effective activities were workshops and training manuals developed too early in the project. These activities could have come after incubators were established and some capacity-building activities were completed. More one-on-one interaction and exposure to SEED staff and good incubator models were more important than generic courses and training materials in the post-inception phase. For example, there were modules on marketing that came too early, which should have come later.

More financial support was needed for incubators. For a 22 million USD project, there was a grant fund of 1 million USD, of which less than half was disbursed. The grant component was fraught with difficulties, and in-kind procurement of commodities was also very slow. SEED needed flexibility in covering incubator costs early, with grants covering utilities, rent, IT expenses, and some salaries to bring knowledgeable people on board. This would have accelerated the operationalization of the incubators. Another example of how the project needed flexibility lay in the consulting rate ceilings, set low for local STTA, topping out at about 200/day USD. In comparison, expatriates could be paid 500–600/day USD. This restricted getting knowledge base local experts.

CRM was supposed to help incubators assess how they perform in the ecosystem, their ratings, and their customers' needs. Most incubators did not use it due to contractual issues such as the software subscription, or in some cases, incubators were using other tools. Two incubators installed the system, namely Hema (an Assiut-based incubator which was later closed) and HU, which stopped using it. Similarly, Infomatch was halted after SEED. There was no clear plan of who would take over it and how it would carry over.

Despite SEED's support, the Hema incubator in Assiut is no longer operating due to the university's decision (not related to COVID-19). The Tanta incubator (textile-focused) has been dormant since SEED ended.

Another challenge SEED/SSA has faced is that the incubators' success depends heavily on university management buy-in and support. Currently, supporting incubators is part of a national strategy, and universities are encouraged to support entrepreneurship activities and incubators to improve their rankings. However, they also do not consider incubators as profit-making entities and hence are unwilling to hire staff, cover utility expenses, and provide facilities. The risk of not getting continuous financial support would have been higher if incubators had been hosted and managed by a private company. However, generating income is a possibility through the recently issued law. Interestingly, the study tour revealed that the international best practice for incubators not owned by private-sector companies is to be funded through governmental entities or academic institutions.

ROWAQ INCUBATOR OF QENA UNIVERSITY

OVERVIEW

Rowaq is the first tech-based incubator established at Al Azhar University. It is based at the Faculty of Engineering in Qena, Upper Egypt. The incubator is open to all sectors such as renewable energy, water, irrigation, and the IT and technology sectors, while recently adding pharmacy and agriculture. The rationale behind establishing the incubator in Upper Egypt was to address the shortage of entrepreneurship, innovation, and technology transfer projects in that region. In addition, the plan is for this incubator to serve as a regional center of excellence for other incubators, entrepreneurship projects, and tech-based activities.

Before establishing the incubator, the team worked for three years with Technology Innovation and Commercialization Office (TICO) under the Academy of Scientific Research and Technology (ASRT)⁷⁸, which has had a branch at Al Azhar University since 2013. The collaboration with TICO enabled the team to raise awareness about entrepreneurship and the role of incubators in the region, develop the basic services they would provide, and, more importantly, develop a pipeline of potential projects. This collaboration helped give the incubator a head start when it began operations in 2017.

The incubator was established in 2017 and is in the engineering faculty in Esna. The university provided the incubator with a separate wing to host all its equipment and facilities (office for companies, a meeting room, a computer lab, and a training lab). Al Azhar University and the ASRT, under the National Program for Technological Specialized Incubators (Intilac) umbrella, co-financed establishing Rowaq as part of the GOE plan to encourage entrepreneurship and innovation.

Rowaq signed a three-year funding agreement with ASRT, which financed 1) the equipment and furniture needed for these offices and labs, 2) establishing two Fab Labs, one type with small equipment for

⁷⁸ Established in 1970 and restructured in 1998 as the national authority responsible for science and technology in Egypt, ASRT is dubbed as the "Egyptian house of expertise," whose mission is to nurture the enabling environment for science, technology, and innovation and support the complete cycle of innovation.

prototyping and making minimum viable products (MVP) and another larger Fab Lab equipped with computer numerical control CNC machines (e.g., 3D printer, 3D scanners, CNC router, and laser machine) allowing for industrial-scale production of the prototypes and minimum viable products MVPs.

EFFECTIVENESS AND IMPACT OF USAID INTERVENTIONS

Rowaq was among the ten incubators selected for the boot camp activity conducted under SEED. Rowaq presented their project during the demo day and was successfully selected as one of the four incubators put on the fast track for SEED support. The MoU signed with SEED included interventions in several areas, including capacity-building for team members, which entailed training on establishing and managing incubators, developing a visual identity for the incubator, the vision and mission of the incubator, and Key Performance Indicators. As a result, SEED transformed the Rowaq incubator from an unstructured entity with individuals who had different skills and experiences to a more structured, institutionalized entity. SEED helped Rowaq develop a clear vision, mission statement, management structure, advisory board, and policies and procedures for the whole service process (calls, filtering proposals, demo day, evaluation, boot camps, and selection).

Rowaq received six specialized courses/modules from experts. They also received very effective training on delivering a pre-incubation program by Babson University in partnership with SEED (Rowaq was one of the seven incubators that graduated).

One of the main cornerstones of the support provided by SEED was the study tours funded for the directors of the incubators. They spent 16 days in the U.S., and the program was well developed and had a strong impact. They visited around 12 universities in different states, several different incubators/accelerators/co-working spaces, and were exposed to different models of public and private entities. Once they returned from the study tour, the exposure and knowledge helped them start working on their own customized model. To develop their model, Rowaq received support from three different experts (mentors) based in Egypt who worked onsite to help them develop the organizational structure, vision, mission, and marketing strategies, access investors, and develop an advisory board (among other interventions).

SEED also funded the furnishing of the incubator and helped fund the procurement of missing equipment in the small-scale Fab Lab to supplement the funding received by ASRT. As for CRM and Infomatch tools, the interviewee was unaware of any support that entailed providing these tools under SEED.

The focus of SSA activities has been more on developing the services to ensure the institution was on the path to operational and financial sustainability. However, Rowaq did not receive intensive capacity-building training under SEED. The training they are receiving under SSA is helping them develop the design of their calls, incubation cycles, and selection process to ensure one of the factors they consider when filtering the applicants is whether they can be considered as potential recipients of equity

investments from Rowaq. If these applicants successfully graduate, Rowaq would consider investing in an equity stake in the company set up for them after they graduate.

Rowaq is also part of several networks in the current ecosystem in Egypt, whether from the contacts developed under SEED and SSA or from other collaborations. Their relatively strong presence has ensured they are engaged in most events occurring in the ecosystem and collaborate with other incubators (at different stages of growth), keeping them up to speed with developments and active members in the entrepreneurship scene.

To sustain the benefits of the substantial support and investment provided by SEED, more follow-up support through training and funding is needed to expand their services. For example, startups that graduate from the incubator will need support from accelerator programs to enter the market and compete. There is a gap in this area, and funding or capacity-building for accelerator programs is necessary so that these startups can access accelerator programs needed for their survival. In addition, capacity-building and awareness programs (short one-day programs) are needed for the second-line leadership of the university to ensure they recognize the importance of the services offered by the incubator and the benefits of these services. This will help secure their commitment and support for the incubator's development and growth.

In the past, the incubator has been able to deal with potential resistance or lack of sufficient support from the university's management to expand and grow through the success they achieved by conducting incubating and entrepreneurship boot camps for students from different faculties (particularly social science majors). Upon hearing the feedback from the students that attended these boot camps, the administration started asking them to conduct more events and became more supportive of helping them develop further. Another factor that ensured the administration was relatively supportive is the current ranking system for universities, including points for incubators/entrepreneurship support and social impact.

SUSTAINABILITY

Rowaq set up a bank account under their name (as advised during SEED), under the university's main account. The president of Al Azhar University fully supported Rowaq in setting up their own bank account, which provided them with the flexibility to raise funds and generate income through different activities.

Rowaq started generating income and fundraising from the following activities:

- Used the production line department of Fab Labs to engage in projects with companies (factories) in the industrial zone in Esna.
- Delivered training courses to more than 11,000 students and 42 faculties in 22 governorates. Grants or universities subsidized these trainings.

- Applying to grant proposals from different projects funded by a donor or public institutions (ASRT, where Rowaq finished round I and is about to receive a second round of funding), EU, Rasmus, Science and Technology Development Fund). Rowaq usually applies for grants as part of clusters.

Rowaq managed to break even after three years of operation. They currently depend on grants for 30 percent of their budget. The remaining 70 percent comes from the income/funds generated from the above activities.

The capacity-building support received under SEED enabled them to become one of four incubators that successfully obtained an investment from Banque Misr (representing the Central Bank of Egypt - CBE) of around four million EGP (nearly 255 thousand USD). This investment was used to fund the Creative Technical Design House, which will work closely with the Fab Labs. They have produced a significant quantity of face masks through these facilities, which is another sign of adapting to COVID-19.

Regarding operations, Rowaq initially started with the traditional incubation program but is now offering several programs (e.g., from idea to prototype, prototype to MVP, academia to industry, and academia to market).

Rowaq's first branch was based in the Engineering Faculty in Qena. The second branch was recently opened in the Faculty of Pharmacy in Cairo, focused on the pharmaceuticals sector. They recently finished their first boot camp. Rowaq is currently in the final phases of establishing its third branch in Assiut, which will focus on the agribusiness sector. All branches will follow the same model.

One success factor was Law 23 of 2018. It provided incentives to science, technology, and innovation. This applies to all higher education institutions and scientific research bodies, which enabled the university to create a committee for Science Valleys, Technology Incubators, and Start-up Companies. Through this committee, they have received proposals from investors and incubators. In addition, through this law, the university was also able to set up a company called the Al Azhar Company for Scientific Research and Technology. The university owns 51 percent of the company, and several shareholders, including the teaching staff, own 49 percent. The company's mission is to market and manage the outputs of scientific research and technology projects at the university and develop partnerships with other institutions, public or private (e.g., the Arab Organization for Industrialization), to collaborate on projects. SEED's contribution was to develop the team's capacity.

Most of the training provided by SEED came with a tool kit for clients and the management. The tool kits were documented to enable Rowaq's staff to deliver these trainings internally. The tool kits are used as a reference for most activities conducted by the incubator. The management also ensured that any training received by individuals (and not the whole team) was then delivered by those individuals to the rest of the team. This enabled them to develop a second line of trained staff from the incubator or university faculty to ensure everyone benefits from these trainings.

The maintenance of equipment and the labs is done by the relevant technical department at the university for free. The university also covers any utility bills and infrastructure needs. Despite breaking even, the incubator needs funding or investments as they do not have the funds to make capital investments to upgrade their labs or equipment.

Finally, there is no clear timeframe for Rowaq to become a financially independent and sustainable entity. They need further capacity-building, investments to upgrade their labs, and more agile funding to determine where it should be directed (to address their gaps and needs) before making that leap from breakeven to healthy profits to fund their own growth and expansion plans. In addition, the results from the equity investment model training of SSA are not yet apparent as it is too early to measure or see results.

AREAS FOR FURTHER ASSISTANCE

Rowaq still needs capacity-building training to help expand its programs, provide more virtual incubation programs (to deal with COVID-19 restrictions and broaden their geographical outreach), and support the digitalization of the university.

Rowaq received training on equity financing under SSA. One area they had limited knowledge in was equity investments.

INCUBATOR SPOTLIGHT: HELIOPOLIS UNIVERSITY (HU) ESTEDAMA INCUBATOR

OVERVIEW

The university was established in 2012 by the Sekem Holding Group. The center was established in 2017 as a special nature unit and initially worked in two main areas incubator (started with SEED). In parallel, student activities with partners like Enactus and Ashoka. Before SEED, the HU had done scattered trainings in entrepreneurship. HU is more focused on technology nowadays (75–80 percent). However, the incubator worked on sustainable organic agriculture, food and beverage start-ups, renewables, and other issues of relevance to the university.

The incubator launched the Estedama incubation program, which according to their website, is “Egypt's first specialized sustainable agriculture and food production incubation program.” There have been two cycles so far. In the second cycle, they added waste management to sustainable agriculture and food production to the scope covered in the call for applications.⁷⁹

They have supported around 60 start-ups across different governorates so far (approximately 52 from the first cycle and eight from the second). The Hult Prize competition should also add start-ups beyond the 60 mentioned above, which will receive support from the incubator. HU is currently planning for the

⁷⁹ <https://www.hu.edu.eg/research/ecsi/>

third cycle of the Estedama incubation program, which is expected to launch in 2022. The program intends to provide capacity-building support to small businesses from 13 different villages and towns. They focus on start-ups at the ideation stage, which will enter the pre-incubation phase and receive capacity-building services to become investment-ready by the end of the nine-month incubation period. Once they are investment-ready, the center will use its connections to the Sekem companies to lead an investment round for the graduating start-ups and potentially acquire equity stakes in some of them. This plan is still a work in progress.

Due to the nature of Sekem Holding Company's business focus, the HU incubator tends to do more agricultural projects and cover a wide range of other sectors if the projects have a strong sustainability component. The support delivered is customized depending on the stage they were in—for example, some were at the ideation phase and applied to enter the incubator to kick off the business. Others were at the scale-up phase, so they received support through an acceleration program. Then there were different sector-based start-ups (e.g., a textile project that needed support in developing sustainable textile practices and integrating into the green economy). Finally, smaller SMEs also focus on areas (e.g., gender-based activities) that need some capacity-building support or matchmaking with other suppliers.

Towards the end of SEED and later in July 2021, HU underwent a restructuring to ensure any entrepreneurship activities happening at the university level (through student activities), at the company level through new initiatives, or at the project level with donor institutions were done through the entrepreneurship center (which hosts the incubator). Before, the Office of Sponsored Projects was responsible for all donor-related projects. The center has now become a service provider and manages all these activities. The HU incubator is currently furnishing a new office (extension) in Alexandria, which will provide an incubation cycle for projects from the Mediterranean region and is funded by one of the EU programs that are funding them.

EFFECTIVENESS AND IMPACT OF USAID INTERVENTIONS

SEED provided valuable capacity-building support to the team at the time, including support in developing the organizational structure and providing furnishings, equipment, and Fab Lab equipment. SEED's support provided the main foundation needed to launch their incubation program (through the skills gained from the training delivered and tools/equipment provided). Moreover, HU would not have been able to get other donors on board to support them without USAID's initial intervention to help them establish the incubator. SEED also helped the university integrate an entrepreneurship program developed by Babson University into its core curriculum. This program was shared with all universities that SEED engaged with and entrepreneurship programs.

SSA has worked with them on intermediate and long-run sustainability, supporting them in their plan to become financially self-sufficient. This kind of focus on sustainability is not available with other donor projects. For example, HU received very well-designed and effective trainings on equity financing and

service design. In addition, the training on equity financing models has helped the center develop a concept note for the third cycle of the Estedama incubation program.

SUSTAINABILITY

Sekem Holding, specifically Sekem Development Foundation, supports the center financially in activities usually not covered in donor projects. This is particularly the case for student activities. The company also funds office/workshop furnishings and procurement of IT equipment when needed. The HU incubator has worked with the EU as a donor since 2019.⁸⁰

As for their business model, HU currently does not have any strong revenue-generating streams. However, they are planning on generating revenues from the following activities:

- Service provider for donor institutions, start-ups, or companies.
- Renting out their training room.
- Co-working space that they will open for any interested start-ups to rent space.
- The fab lab has significant potential to provide commercial services to established start-ups and companies.
- The center is marketing its capacity-building (training) and mentoring services. They conducted a boot camp for FAO for free as part of their marketing plan. They recently received a private university (Misr University for Science & Technology) request to deliver a boot camp on campus that they hope they can scale.
- Long-term, HU will rely on returns from their equity investments to fund their expansion and new equipment.

Currently, HU (Sekem in general) covers 70 percent of their costs, with the remaining 30 percent covered through grants and service provider fees charged to donor institutions. HU's feasibility study and business plan indicate that they will have a deficit of 500,000 EGP (nearly 32,000 USD) in 2022. If they successfully develop the new business model (including the revenue streams above), their plan also indicates they will break even by 2024.

Moreover, the center does not have its own bank account. It has a sub-account that falls under the university's bank account. Any funds they receive first enter the university bank account. Once they notify the administration about the size and nature of these funds, they are transferred into their sub-account.

SEED provided the initial equipment, including the 3D scanner and laser cutter used to produce prototypes. However, since then, the center has upgraded the lab through support from other donors to

⁸⁰ The EU funds five different projects with the center.

procure new equipment for the textile, agriculture, and water projects. HU plans to start using the Fab Lab to generate income through commercial services. Currently, startups use it to develop small prototypes. However, they are working on a new business model to generate revenues from the lab through engaging with other Fab Labs, companies, and established startups that need their services, as previously mentioned. Their target is to generate income from the Fab Lab by the end of Q1 2022.

The center has an in-house technical staff member (with an engineering background) who handles the maintenance of the machines and equipment in the Fab Lab. He is also working with SSA under the service design component to assess the outputs delivered from the different equipment and how to price these services.

Regarding CRM and Infomatch provided through SEED, HU is not using either since they do not know about them.

HU has all the training material provided by SEED. They are currently hiring new staff and developing the training program for them, so they will make sure to use it. Currently, they have retained only two of the staff that has attended the capacity-building support provided under SEED. This is because the original staff left before the restructuring.

AREAS FOR FURTHER ASSISTANCE

HU staff expressed the need for more consultation with the expert on equity financing and service design and one-on-one meetings to help customize their own equity financing plan and service design. Furthermore, this support is ideally post-training as part of the follow-up and consultation phase.

In addition, they need more support in helping develop their equity financing plan (setting up the company, valuation of start-ups). HU also needs further consultation to establish a company/vehicle for equity investments.

The same applies to the service design process, in which they need more on-the-job training and consultation to help them apply what they learned to customize their service design process. The theoretical part was useful. However, they needed more guidance in practice to apply the tools gained, which has limited the effectiveness of these interventions.

LESSONS LEARNED ON USAID SUPPORT FOR ALL INCUBATORS

- One of USAID's strengths is the comprehensive TA through capacity-building, such as providing incubators study tours and international experts. The study tour and one-on-one customized mentorship that was provided later were instrumental in providing the incubators with knowledge and the best international practices to implement in the Egyptian ecosystem. This established the foundation for all the incubators' work and attracted other donors and grants. On the other hand, this would not have been possible without the positive enabling environment and buy-in from GOE, which encouraged universities in Egypt to launch incubators.

- Different incubators have different needs and work at different paces. This was another lesson learned from the SEED project and was considered under SSA to ensure that support provided to incubators is customized (addresses their needs) and not generic.
- One of the good practices of SEED's and SSA's incubators has been the focused knowledge transfer, which has ensured the second line of trained staff and reference materials, including manuals and tool kits used in project trainings.
- Tools and software such as CRM and Infomatch were not fully utilized due to a lack of buy-in or a clear implementation plan after the project's end.
- Despite SSA's focus on sustainability, there is still a continuous need for capacity-building and TA. There are new developments and emerging topics such as risk and crisis management, production development, and equity investment. This is expected given that the incubators started properly operating only around 2017. USAID should continue offering capacity-building to incubators. They are still in the early phases and need follow-up support to continue growing and evolving, and to support start-ups beyond the initial incubation stage. Furthermore, the incubators have matured into different levels and will need different types of support. This should be done in parallel with the sustainability activities conducted by SSA.
- Consequently, having a network between different players in the ecosystem is still important. It will link incubators to other partners and stakeholders from entrepreneurs to accelerators, BDS providers, investors and donors, and preserve the gains beyond the project duration. This should be one of USAID's priorities. Furthermore, USAID can develop a more institutionalized network of recipients of support from USAID projects (e.g., an alumni association) to ensure a more systematic approach to collaborating, sharing experiences, and providing technical support to each other through regular events and activities.
- Without the proper sustainability tools, it is not surprising that some incubators became dormant or did not continue, such as the Tanta incubator or Hema incubator in Assuit. The fate of the equipment provided by SEED remains unknown.
- Through the upcoming Business Egypt project, USAID should try to maintain their previous investments made through SEED and SSA by assisting all the originally assisted incubators. This can be done by assessing the 14 SEED and eight SSA-assisted incubators then deciding the support type and TA that is most appropriate for each.
- Finally, the existing business model adopted by university-based incubators might not be sustainable considering the competition they will face from the emerging private-sector incubators through banks and fintech companies expected to develop their own incubators. Therefore, there needs to be more emphasis on developing more scalable business models for

university incubators to survive in the future. Additionally, the ecosystem is donor reliant, and potential clients can easily turn to other public entrepreneurship centers that provide free or subsidized services. On the other hand, university incubators have benefits (covered operational expenses, available infrastructure) and talented staff, and access to faculty who can support incubators. This research and science-based niche might not be available to other entities. Given that the ecosystem is still maturing and growing, it is advisable to conduct a post-SSA evaluation to capture the latest trends and lessons learned.