

IFC Middle East and North Africa FY13 Achievements

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IFC

**International
Finance Corporation**
World Bank Group

Our Work at a Glance

More than two years after the Arab Spring, many countries in the Middle East and North Africa continue to grapple with political uncertainty, slow growth, unemployment, and a host of other economic challenges.

IFC is striving to address these economic issues by supporting the region's private sector, helping to create jobs and drive sustainable growth. Since January 2011, IFC has committed a total of \$5.9 billion in the region.

We work in countries from Morocco to Afghanistan to boost investor confidence, help small business owners, develop vital infrastructure projects, upgrade farming techniques, combat climate change, improve the investment climate, and help new governments cut red tape.

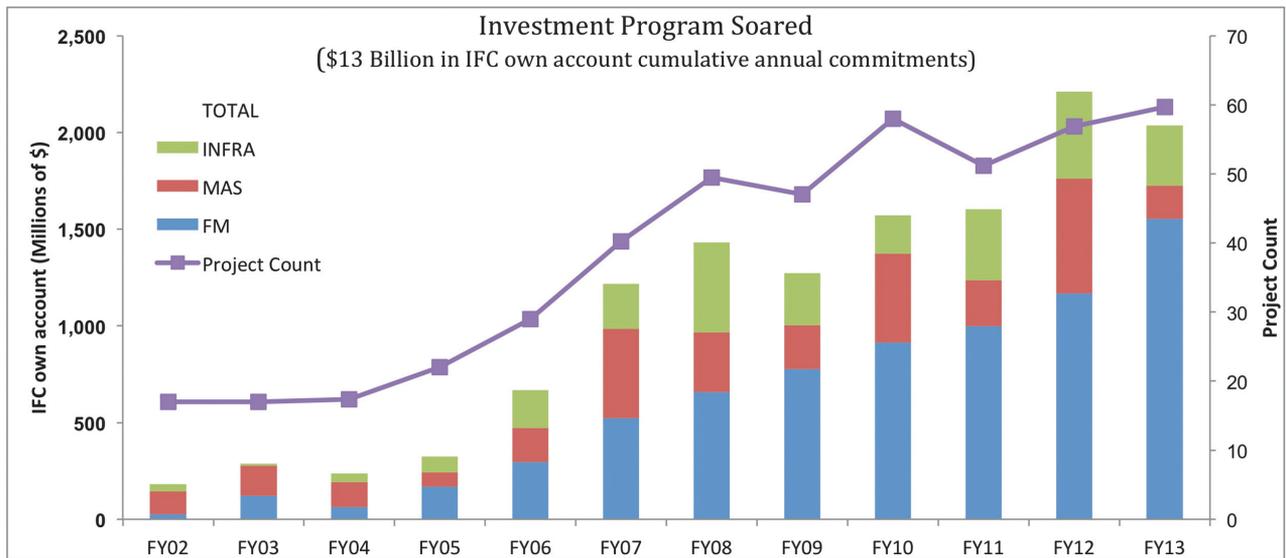
IFC does this through a combination of investments and advisory services. During the 2013 fiscal year, IFC committed almost \$3 billion in MENA, a figure that includes \$914 million mobilized from other investors. The organization also launched 34 advisory projects worth a total of \$36.5 million.

A key component of IFC's work is making the region more appealing to both domestic and foreign investors, since inward investment flows are vital to stoking economic development. During FY13 IFC continued to make several large confidence boosting investments in the region. IFC is also helping governments in Egypt and Tunisia streamline their business regulations, making the countries more competitive, and advising several governments on how to overhaul their bankruptcy systems.

IFC is also driving economic integration across the region, helping leading MENA companies enter new markets, which creates jobs and raises local business standards. IFC has facilitated around \$5.3 billion worth of these South-South investments in the last decade. That work has helped in a range of areas, from supporting smaller business in Africa to improving water treatment in Asia.



Figure 3: IFC Program: Impressive Growth when Looking Back a Decade



- Investment program mostly driven by financial markets with focus on micro, small and medium enterprises (75 percent of financial markets total annual commitments) to address jobs challenge
- Investment growth led by Mashreq countries (mostly Egypt, Jordan and Lebanon) and Pakistan; Maghreb program picking up since Arab Spring
- Well diversified program growth including the financial markets (trade finance), manufacturing, chemicals, power, and telecom sectors
- Expanding footprint in the region has led to improved development impact and reach, particularly in MSME access to finance, power, telecoms, and patients reached
- Transformational impact in microfinance in Afghanistan; power in Pakistan; and introduction of public private partnerships in region

Beyond Numbers

Greasing the Wheels of Egypt's Economy

Nabil al Jabari and his family have run a small grocery store in downtown Cairo for the last six decades. And while the shop has a cadre of devoted customers, al Jabari, a father of four, is always looking for ways to bring in new business.

So three years ago he installed an electronic payment system developed by Fawry, a pioneering Egyptian technology company and an IFC client.

The system lets customers use credit cards and pay their cell phone bills, among a host of other things. That suite of services has lured dozens of new customers to his store and al Jabari says revenues are up 15 percent.

"It has really helped," says Jabari.

Stories like these are why IFC invested \$6 million equity in Fawry earlier this year, an agreement designed to help the company expand its network of 20,000 payment terminals. The investment was part of IFC's wider efforts to support small and medium enterprises in Egypt and promote economic development across the country.

Since January 2011, IFC has invested close to \$1 billion (including mobilization) in the country to help restore investor confidence, create jobs, and raise education standards. It has also been providing advisory services to strengthen business regulations, increase access to finance, support the development of smaller enterprises, and assist in the creation of public-private partnerships in infrastructure.

The investment in Fawry is designed to support that. It will help extend modern financial services to scores of everyday Egyptians. That is crucial in a country where almost everyone relies on cash for transactions, a relatively inefficient way of doing business.

It's making a difference on the ground, especially for people like al Jabari.

He recommended the service to his brother and cousin, who also run shops. And since he began using the system, scores of other small retailers in his neighborhood have followed suit. Though, that has somewhat blunted his competitive advantage.

"Now everybody knows," he said, laughing.

Increasing Access to Finance, Creating Jobs, and Supporting Inclusion

Last year, IFC focused on supporting small and medium enterprises and creating jobs, while working to empower female entrepreneurs. During 2013, IFC:

- Invested almost \$1.8 billion in financial markets across sectors including microfinance and trade
- Spearheaded a multi-donor facility to increase access to finance for micro, small and medium enterprises across MENA, in cooperation with the World Bank. IFC provided \$150 million in financing and mobilized over \$230 million from other international financial institutions;
- Supported increased access to finance to SMEs with several large equity projects including \$204 million in BCP in Morocco and \$48 million in Amen Bank in Tunisia
- Made its first microfinance investment in Lebanon in Ameen and continued support to the microfinance sector in Jordan with investments in MEMCC II and Tamweelcom II.
- Committed a little over \$1 billion in trade financing, which helps SMEs - through banks - enter new markets and trade across borders. Iraq's UBI Bank was among several lenders to join IFC's global trade finance program last year;

- Offered advice to lenders from Morocco to Pakistan, allowing them to reach out to small business owners. That includes an agreement with Pakistan's HBL, which is rolling out a plan to provide 25,000 loans for farmers;
- Worked closely with lenders across the region, including Lebanon's BLC Bank, to develop products tailored to SMEs, especially those owned by women;
- Promoted the underpinnings of a successful economy by advising on the creation of credit bureaus, secured lending systems, and leasing regimes. That includes advising the government of the United Arab Emirates on an important law that helps smaller businesses use assets like equipment or inventory as collateral for loans; and
- Worked with banks in Lebanon and Jordan to launch the SME Toolkit, an online platform designed to help small and medium enterprises (SMEs) grow their business and improve performance.
- Launched an advisory project in Morocco to develop quality assurance frameworks for the tourism and logistics sectors, in co-ordination with the World Bank. The initiative is expected to improve the employability of 10,000 Moroccan youth within five years.
- Invested \$7 million in the Hautes Etudes de Management business school, helping the institution expand and, giving more youth in remote areas access to quality education. This is part of the E4E Initiative for Arab Youth. The initiative supports education and training programs that provide students with the skills in high demand among employers. It does this by tapping into the power of the private sector, which can play a more direct role as a provider of training relevant, high-quality education and training programs.
- Partnered with Jordan's national business association, Int@j, to decrease the skills gap in the information and communication technology (ICT) sector.

Supporting Fragile and Conflict-Affected States

The Middle East and North Africa is home to several fragile and conflict-affected states and IFC is stepping up its work in many of these countries, helping build a solid foundation for shared prosperity. Among other initiatives, IFC:

- Provided \$65 million in financing to telecom operator Roshan, helping the company expand cell phone and internet services in Afghanistan
- Arranged a \$65 million loan to the Iraqi subsidiary of cement maker Lafarge, an important boost for the local construction industry;
- Worked closely with the World Bank in Libya to identify potential advisory and investment projects while focusing on infrastructure and the financial sector; and
- Was among the first international financial institutions to return to Yemen following the formation of a new coalition government in early 2013. IFC is assessing areas for re-engagement, including a program to reform construction permitting and tax administration, in collaboration UKaid.

Addressing Climate Change Challenges

IFC is ramping up its fledgling climate business through a combination of investments and Advisory services. Our teams help businesses become more energy efficient, support firms as they cut greenhouse gas emissions, and work with the private sector to develop renewable sources of power. During the last fiscal year, the IFC MENA has:

- Our Public Private Partnership team advised municipalities in the West Bank on the creation of a state-of-the-landfill that will serve more than 750,000 people;

- Worked with Banque Libano-Francaise to help the lender launch a program offering energy-efficiency financing. Based on IFC's advice, the Lebanese bank made \$27 million worth of energy-efficiency loans last year;
- Supported Jordanian micro-lender Tamweelcom as it offered loans to customers looking to purchase solar heaters, chipping away at greenhouse gas emissions;
- Provided an \$11 million loan to support the construction of an energy efficient, 30-floor office tower in Karachi, Pakistan. It would be the first LEED certified building in the country;
- Encouraged companies to conserve resources and embrace energy-efficient construction projects, reducing greenhouse gas emissions by 32,500 metric tonnes and saving firms \$4 million;
- Provided \$50 million in loans to Metito, a UAE-based utilities company, allowing it to fund water treatment projects in MENA, Africa, and Asia;
- IFC is advising government on pioneering public-private partnerships. We advised officials on the construction of an airport in Saudi Arabia that uses state-of-the-art technology to conserve water, save energy, and reduce greenhouse gas emissions. It's expected to be a model for the rest of the region; and
- Signed an agreement with Masdar of Abu Dhabi, a leader in renewable energy, to further IFC's engagement in the sector.

Boosting Regional Integration Through South-South Investments

The Middle East and North Africa (MENA) is one of the least economically integrated regions in the world, especially when excluding oil and gas exports. At the same time, it has some of the lowest levels of foreign investment in the globe, which holds back economic growth.

One of IFC's strategic priorities is to help MENA companies expand into neighboring countries and other parts of the developing world. This process allows industry-leading firms to transfer their knowledge and skills into new markets, creating jobs, boosting growth, and improving local standards.

IFC has facilitated around \$5.8 billion worth of these inter- and intra-regional South-South investments in the last decade, of which more than 60 percent have been with Gulf Cooperation Council (GCC) investors. The investments are part of an effort to support regional champions, companies primarily from the GCC that have the ability to expand into emerging markets. That work has helped in a range of areas, from supporting smaller business in Sub-Saharan Africa to improving water treatment in Asia.

In FY13, IFC supported around \$500 million in inter- and intra-regional investments, concentrated in infrastructure and primarily with Gulf Cooperation Council sponsors. Among other efforts, IFC:

- Provided \$50 million in loans to Metito, a UAE-based utilities company, allowing it to fund water treatment projects in MENA, Africa, and Asia;
- Invested \$6 million in Plato, a Turkish vocational training body with plans to expand operations into Egypt, part of the E4E Initiative for Arab Youth;
- Provided a \$30 million loan to Gulftainer, a UAE-based port operator, to support its expansion into Iraq;
- Facilitated a \$17 million loan to Smart Energy Solutions, a Dubai-based power generation company, to help it expand into in conflict-affected countries around the world;
- Supported a \$125 million investment in renewable energy in Turkey with a Saudi Arabian company, ACWA;
- Supported TAQA, a UAE-based energy company, with its \$133 million investment in TICO Ghana; and
- Invested over \$33 million with Moya, a Bahraini company that develops and invests in water desalination, distribution, and wastewater treatment, to help expand access to clean water in Indonesia.

Working Closely with Each Other and the Wider World Bank Group

During the 2013 fiscal year, IFC MENA stepped up the integration of its investment and Advisory services in an effort to offer a more comprehensive set of solutions to clients and maximize IFC's development impact. IFC has also collaborated closely with the rest of the World Bank Group to address some of the region's most pressing economic challenges. Highlights include:

- A joint advisory and investment project to build the institutional capacity of Iraq's United Bank for Investment;
- A joint advisory-investment project with Karachi Organic Energy to build a pioneering biogas plant in Pakistan's biggest city; and
- Four advisory projects in Tunisia, in conjunction with the World Bank, focused on reforming the investment code, simplifying regulations, and improving bankruptcy laws.
- As part of the MSME Facility, IFC and the International Bank for Reconstruction and Development (IBRD) will advise the Jordan Loan Guarantee Corporation (JLGC) as it scales up its lending operations to Micro Small and Medium Enterprises.

Beyond Numbers

Making a Difference

Several IFC MENA clients and employees were recognized during the last fiscal year for groundbreaking projects in a host of sectors, from healthcare to transportation. They include:

- An Advisory services team that helped Lebanon's BLC Bank increase access to finance for women was the first runner up for the IFC CEO Gender Award;
- Jordan's Hikma Pharmaceuticals won the IFC Client Leadership Award for providing affordable, life-saving medicine to people around the world;
- A new terminal at the Queen Alia airport in Jordan – the result of a pioneering public-private partnership (PPP) spearheaded by IFC – was named one of the top 40 PPPs in the world.
- Bank of Palestine received a special commendation during the Financial Times/IFC Sustainable Finance Awards;
- Engro, a long-time investment client was recognized by the Group of 20 nations for an innovative program to buy milk from poor dairy farmers that he helped 50,000 people.

ANNEXES

Investment Services Commitments and Development Impact

Number of new projects: **60**

Total Commitments: **\$2.95 billion**

Mobilization: **\$914.5 million**

IFC's clients have:

- Facilitated 1.9 million MSME loans worth \$13.2 billion
- Supported power generation to 3.4 million customers
- Extended power distribution to 10.7 million customers
- Supplied water to 1.1 million customers
- Provided healthcare to 3.5 million patients
- Supported 200,000 farmers and 4,300 students
- Created 244,000 jobs

Advisory Services

Number of new projects: **34**

Value of new projects: **\$36.5 million**

IFC's clients have:

- Facilitated 630,000 loans to micro, small, and medium enterprises (MSMEs)
- Provided \$2.6 billion in financing to MSMEs
- Provided 216,000 micro-loans to women
- Opened 128,000 new bank accounts for customers

IFC's work has:

- Saved the private sector \$104.1 million by supporting regulatory reforms
- Helped settle 1,466 cases through alternate dispute resolution, releasing \$62.6 million in funds
- Supported 476 businesses as they improved their performance

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