

# Investment Opportunities in MENA

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# What is IFC?



# IFC, leading global development institution focused on the private sector

Part of World Bank Group

## IBRD

International  
Bank for  
Reconstruction  
and  
Development

Loans to middle-income and credit-worthy low-income country governments

## IDA

International  
Development  
Association

Interest-free loans and grants to governments of poorest countries

## IFC

International  
Finance  
Corporation

**Solutions  
in  
private  
sector  
development**

## MIGA

Multilateral  
Investment and  
Guarantee  
Agency

Guarantees of private sector investment's non-commercial risks

## ICSID

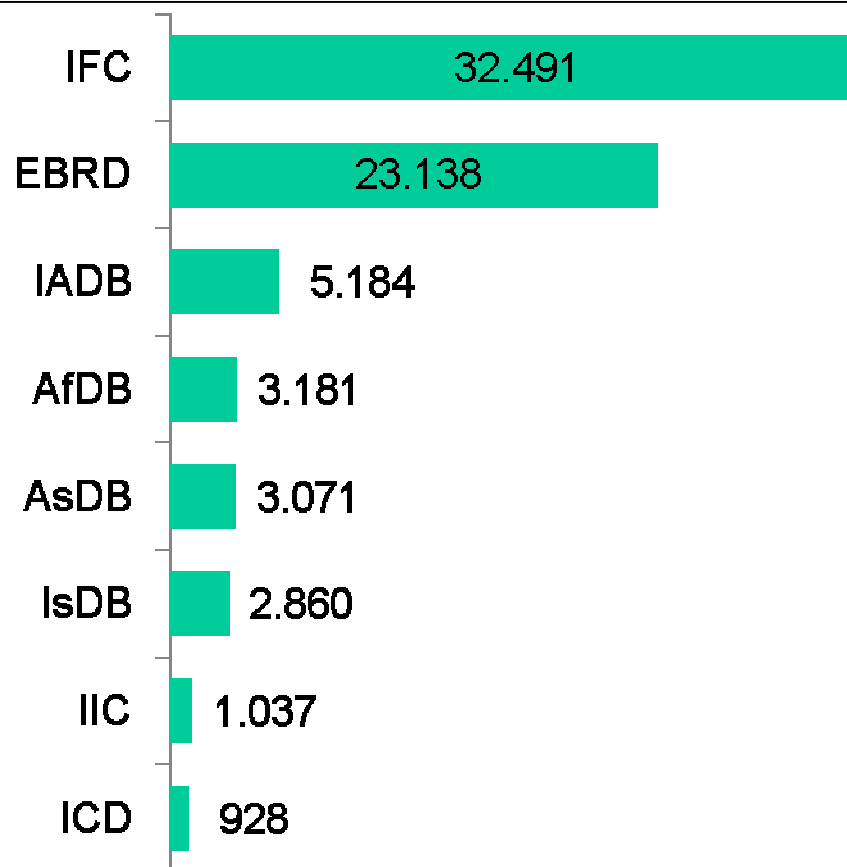
International  
Center for  
Settlement of  
Investment  
Disputes

Conciliation and arbitration of investment disputes

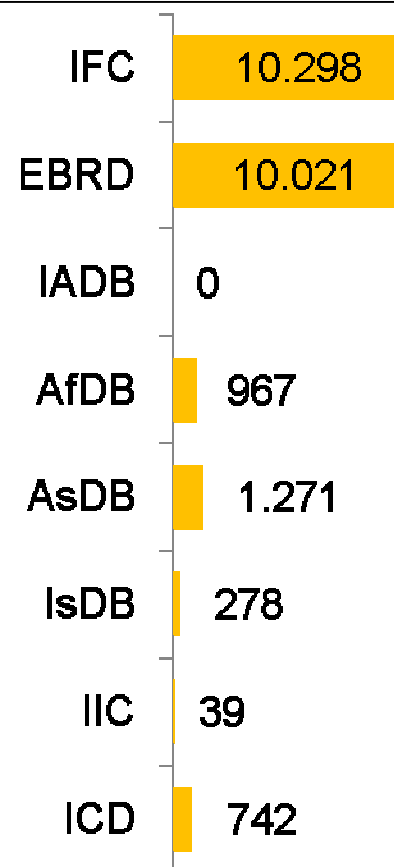
# IFC, largest provider of both loans and equity to the private sector

Private sector investment of MDBs by products (\$ millions, 2011), Total portfolio

## Loan portfolio



## Equity portfolio



# IFC's Core Areas of Businesses

## Integrated Solutions, Increased Impact

### Investment Services

- Loans
- Equity
- Trade finance
- Syndications
- Securitized finance
- Risk management
- Blended finance

**\$49.6 b portfolio (FY13)**

### Advisory Services

- Access to finance
- Investment Climate
- Sustainable Business
- Public-Private Partnerships

**\$232 m (FY13)**

### IFC Asset Management Company

- Wholly owned subsidiary of IFC
- Private equity fund manager
- Invests third-party capital alongside IFC

**\$5.5 b under mgmt (FY13)**

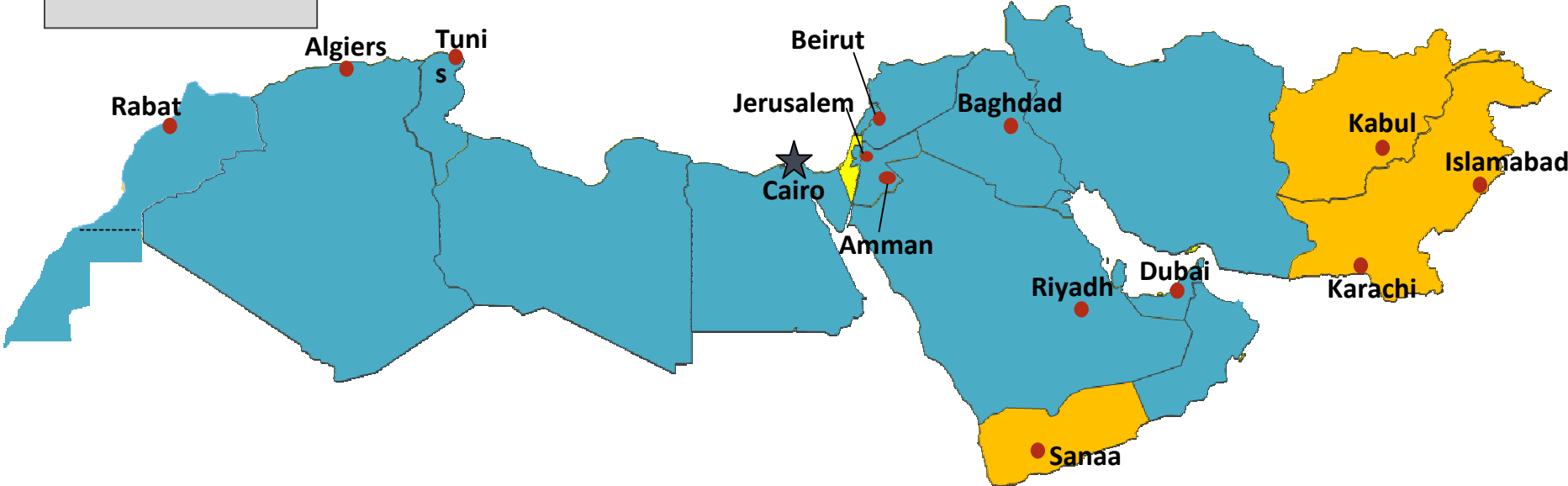
# IFC in MENA



# Strong IFC Presence on the Ground in MENA & Turkey

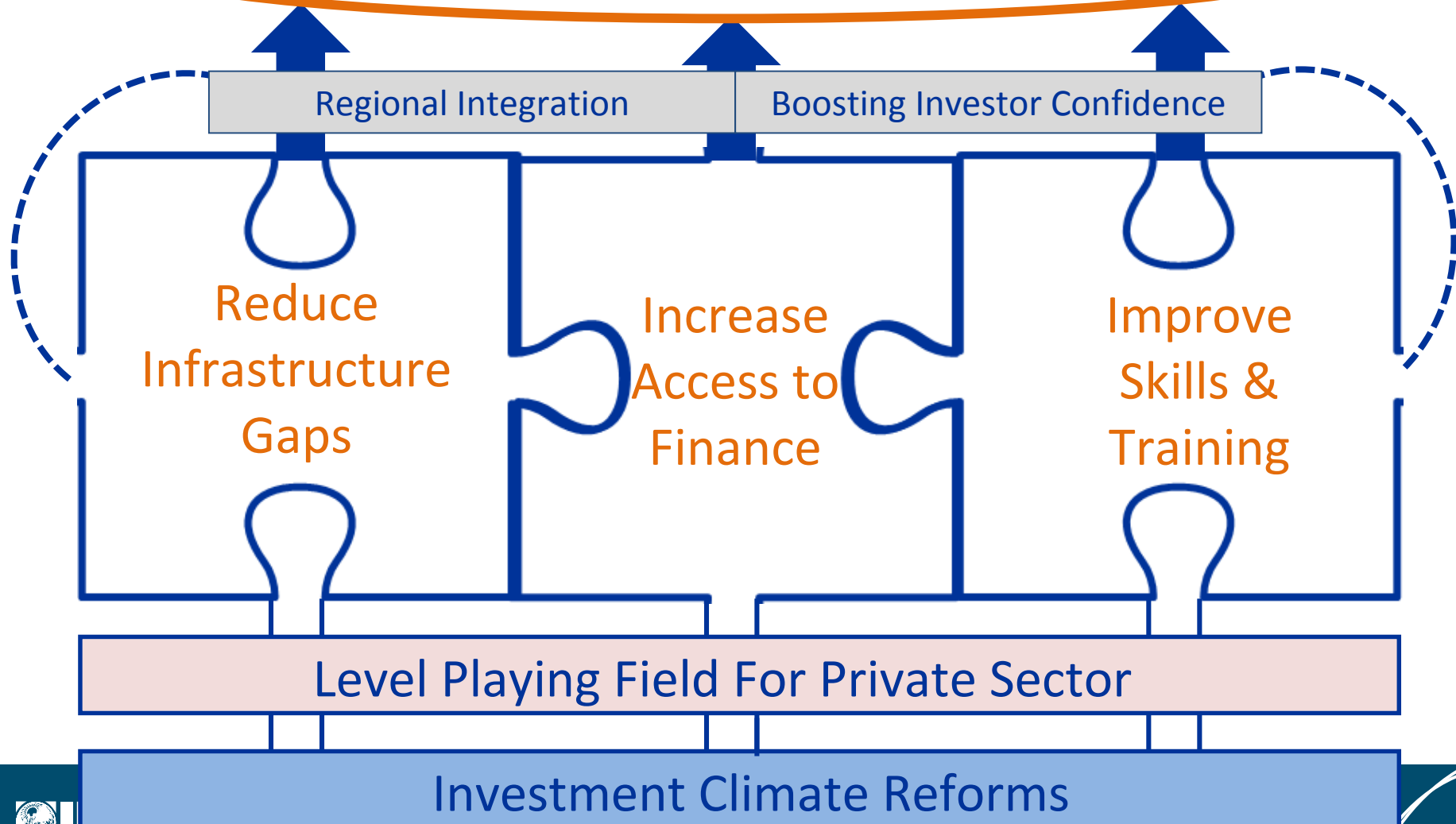
- ★ Regional Hub
- Office
- IDA Countries

*IFC Operational Hub in Istanbul servicing clients globally;  
Cairo Hub for MENA*



# Implementing an Integrated “Jobs Strategy”

**INCLUSIVE GROWTH → JOBS → PROSPERITY**

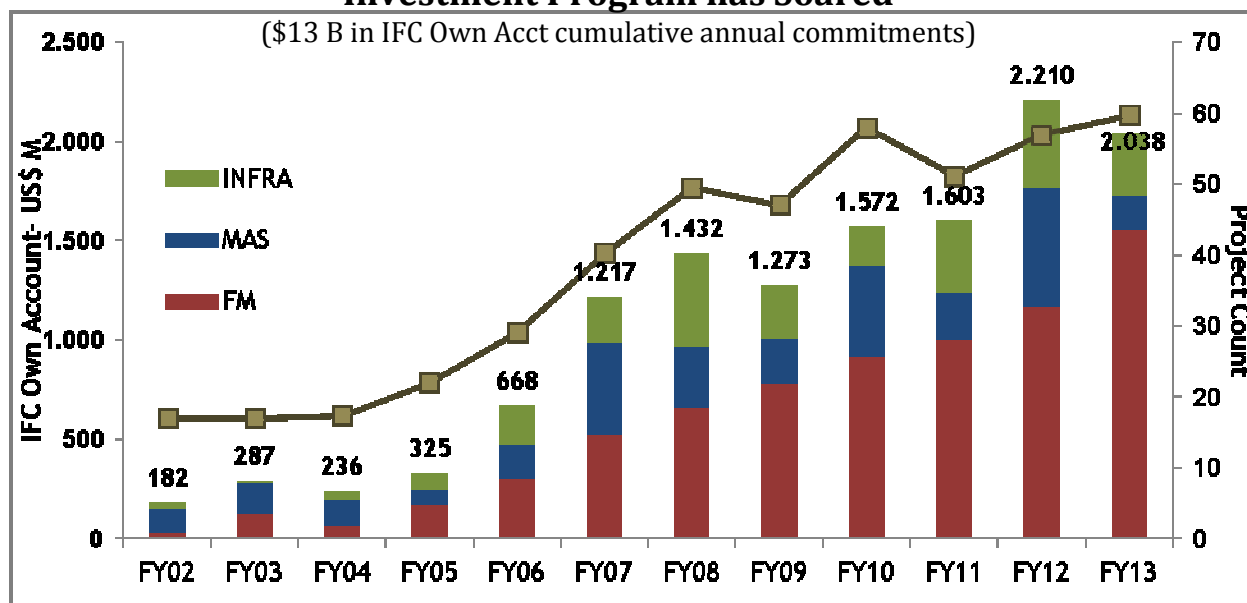




# Impressive Growth in Program Over the Last Decade

## Investment Program has Soared

(\$13 B in IFC Own Acct cumulative annual commitments)



### Financial Markets

- Focus on MSME access to address jobs challenge

### Diversified Across Sectors

- Well diversified growth, trade finance, manufacturing, chemicals, power and telecoms

### Mashreq & Pakistan

- Egypt, Jordan, Lebanon, & Pakistan leading inv't growth
- Maghreb program increasing since Arab Spring

Advisory program growth driven by:

- > Access to Finance
- > Investment Climate
- > Sustainable Business Advisory

### Access to Finance

- ❖ Palestinian Territories: Bank of Palestine
- ❖ Iraq: SME Management Training
- ❖ Egypt: promoting microfinance for women-entrepreneurs with Al-Tadamun MFI
- ❖ Yemen: capacity building for Al Kuraimi Islamic Microfinance Bank

### Public Private Partnerships (PPPs)

- ❖ Saudi Arabia: Medina Airport
- ❖ Palestinian Territories: Waste-water management

### E4E Initiative for Arab Youth

- ❖ IFC partnering with Universities, NGOs and other education stakeholders
- ❖ Significant increase in work on Non-Financial Services (skills for SMEs) with Bank clients

# Some Recent Project Highlights

Regional  
**Bank Audi**  
*Financial Markets*

**\$150m sub-debt** to help grow SME portfolio in Lebanon and other MENA & EM markets

Jordan  
**Tafila Wind**  
*Renewable Power*

**\$221m debt** financing to develop wind farm in Jordan (117 MW)–the country’s first privately owned RE facility

Tunisia  
**Amen Bank**  
*Financial Markets*

**\$48m equity** in Amen Bank, second largest private bank in Tunisia, to increase access to finance to MSMEs

Morocco  
**Alliances**  
*Affordable Housing*

**\$55m equity & quasi-loan** investment to help increase supply of quality affordable housing & create jobs

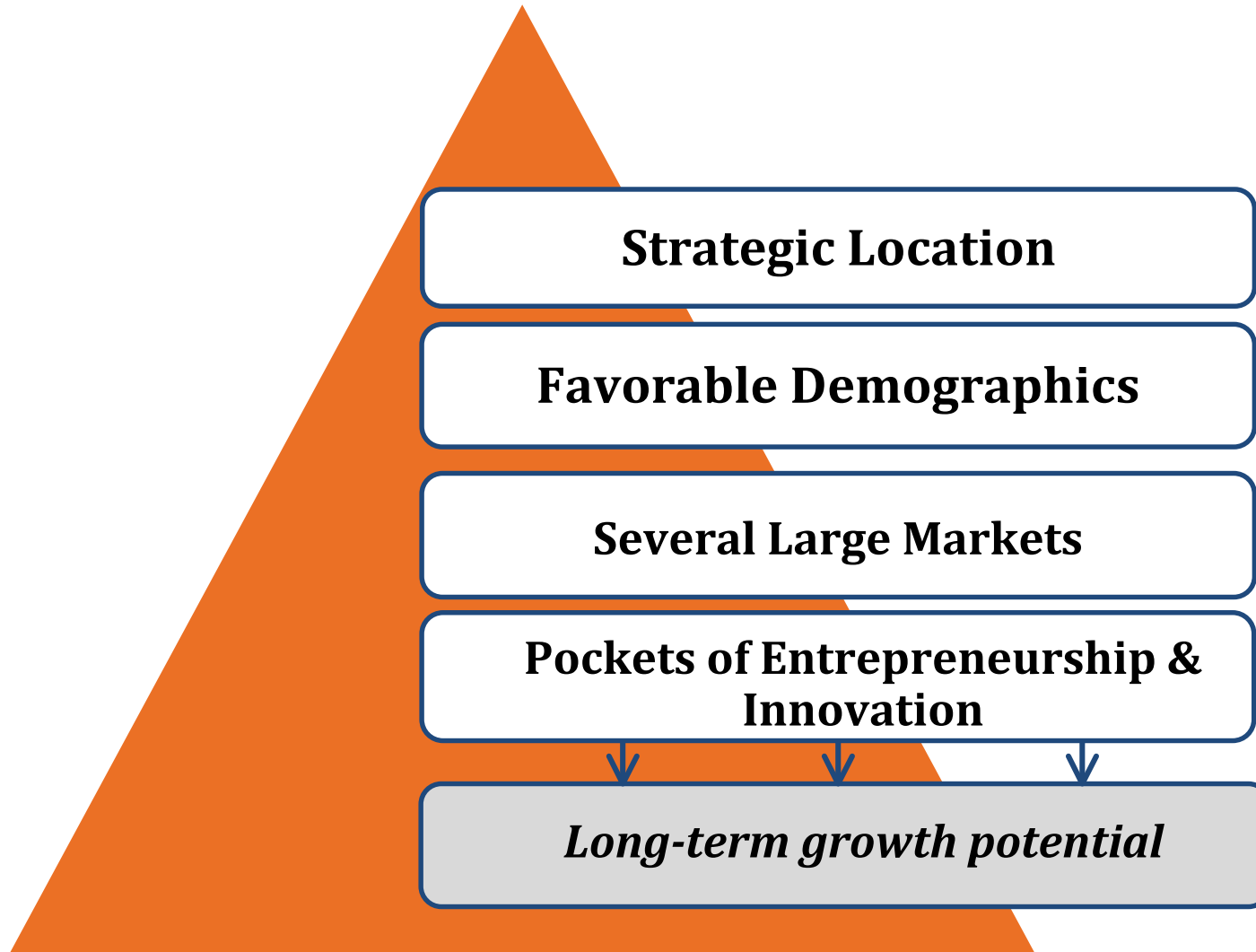
Turkey  
**Izmir Tramway**  
*Transportation*

**\$151m** investment to support construction of two urban tramway lines to improve urban transit services, and contribute to greenhouse gas reduction.

Jordan  
**Luminus**  
*Education Services*

**\$11.8m equity** investment in Jordan to help improve post-secondary skills (vocational training)– under E4E umbrella

# Despite current uncertainties, investment opportunities exist with medium to long-term horizon



# Jordan

## Strategy

- Increase access to finance and strengthen financial infrastructure
- Support PPPs and mobilize investments in key infrastructure sectors (e.g. RE, transport, water, ports, and logistics) including through South-South investments
- Improve services in important sectors like education & health

## Program Highlights

- Total committed portfolio of ~\$700 M at present
- Recent investments: \$221 M financing package for Tafila Wind; \$12 M in Luminus for TVET capacity building; several microfinance;
- Advisory services helped establish first credit bureau and collateral registry; support corporate governance and SME capacity building

## Opportunities

- ICT, Start-ups (esp. in high-growth tech sectors)
- Access to finance to MSMEs
- Chemicals
- Infrastructure (transport/logistics, renewables)
- Health (including pharmaceuticals)

# Palestinian Territories

## Strategy

- Extend access to finance to MSMEs (inc. women entrepreneurs)
- Improve infrastructure services, including through PPPs
- Enhance quality and access to social services to better meet labor market needs

## Program Highlights

*Highlights*

- Committed portfolio of **\$157 M** at present
- Recent investments: **\$125 M in Wataniya Mobile Company** (includes \$75 M mobilization from other investors-); **\$3 M to FATEN** to support MFI lending; several trade finance lines
- Advisory support to **Bank of Palestine (SME banking for women)**
- IFC-IBRD landmark **Solid Waste Management Project**

## Opportunities

- Education, Healthcare
- Infrastructure (e.g., energy, water, sanitation, gas)
- Access to finance to MSMEs
- Venture Capital/Start-ups (esp. in high-growth tech sectors)

# Morocco

## Strategy

- South-South investments in financial sector (esp. to SSA)
- Real sector investments including in agribusiness, education, auto parts
- Infrastructure, including PPPs and renewables, mining

## Program Highlights

- IFC's committed portfolio **\$396 M** at present
- Recent investments: **\$204 M** in BCP to increase SME lending; **\$55 M** Alliances for affordable housing; **\$7 M HEM education**; **\$24 M** in Zalagh (poultry)
- Advisory support in areas of microfinance, SME banking, corporate governance, PPPs in infrastructure and skills development for youth

## Opportunities

- Banking/capital markets
- Chemicals including phosphates, fertilizer
- Renewable energy (solar, wind)
- Industries including automotives, high value added manufacturing
- Private equity funds/ Venture Capital

# Tunisia

## Strategy

- Expand access to finance to MSMEs
- SME funds and microfinance, targeting women and youth entrepreneurs;
- Invest labor intensive and high value added sectors
- Improve quality/access to infrastructure & social services esp. in poorer regions

## Program Highlights

*Highlights*

- IFC committed portfolio is ~\$221 M at present
- Some recent investments: \$48 M equity investment in Amen Bank; \$6.3 M loan to ENDA to support women micro-entrepreneurs
- Improve investment climate by **reducing tax compliance costs, improving efficiency & increasing the transparency** in tax processes/ procedures

## Opportunities

- Banking/financial services (inc. microfinance)
- Health/Education
- ICT, Start-ups
- Electronics, electrical and mechanical industries

# Turkey

## Strategy

- Increase access to finance to underserved segments (inc. women-entrepreneurs, MSMEs and poorer regions)
- Support private investments in infrastructure (inc. transport, RE/EE, municipalities)
- Support capital market development
- Encourage South-South investments in the region and other EMs

## Program Highlights

- **Second largest exposure country in IFC** with ~\$3.2B in committed portfolio; FY14 investments expected at around \$1.2B
- Some recent investments: **\$50 M Transatlantic** to support advanced technology application for oil/gas exploration; **\$50 M in Sekerbank** to support growth and focus on MSMEs; **\$75 M in Mersin Port** to increase port capacity; **\$76 M in Izmir Tramway (PPP)**; **\$35 M in Recordati Ilac** to establish new pharmaceutical plant
- Advisory services has rolled out “Banking on Women”; signed 3 mandates for Health PPPs

## Opportunities

- Financial markets inc. corporate bond markets, sustainable energy finance, agribusiness
- Manufacturing competitiveness inc. Energy Efficiency
- Infrastructure including power ( hydropower/solar/gas) and transportation



# Libya

## Strategy

- Currently no investment portfolio or advisory engagements
- IFC working with IBRD to identify areas of potential joint-work
- Strengthen financial infrastructure (e.g. leasing, credit bureau, microfinance, secured lending)
- Support SMEs through Business Edge program as well as capacity building

## Opportunities

- Banking/financial services (inc. leasing)
- Infrastructure (inc. telecoms)
- Health/Education
- Real sector investments inc. cement/manufacturing

# Risks & Challenges



- Difficult operating environment with political and economic uncertainties
- Macroeconomic vulnerabilities
- Low investor confidence hindering investments in private sector



- Strategic location, abundant natural resources, and favorable demographics
- Growing middle class and large consumer base
- Favorable equity valuation and growing PE funds market
- Long-term potential of the region remains strong



# Partnership with Italian Investors

# IFC has a Growing Partnership with Italian Companies

**Bank of Alexandria):** In FY09, IFC invested \$196.7 M equity for a 9.75% stake in Egypt's BoA, alongside Intesa Sanpaolo (ISP). BoA is one of Egypt's leading banks with one of the largest retail networks.

## Global Investments include:

Client	Sector	Country of Investment	Committed Portfolio (US\$ mm)
Unicredit	Finance	Bosnia, Kazakhstan, Kyrgyz Republic, Turkey, Serbia	267.5
Intesa Sanpaolo	Finance	Croatia, Serbia, Southern Europe region, Egypt, Argentina	286.1
Piaggio SpA	Manufacturing	India, Vietnam	56.5
PMC	Manufacturing	Serbia	27.5
SAME DEUTZ FAHR	Manufacturing	India, Croatia, China	44.1
Faber Industrie	Finance	Thailand	27.5
CLN	Manufacturing	South Africa	27.3
Banca Veneto	Manufacturing	Moldova	13.0
<b>Total</b>			<b>749.6</b>

**\$750 M in committed portfolio, mostly in finance and manufacturing sectors**

Growing interest of Italian firms to partner with IFC in **Renewable Energy, Infrastructure, Health/ Pharmaceuticals-**

**Expected >\$1 B**

*Note: As of December 2013*

# IFC Partnering with Italian Banks through Trade Finance Program

IFC working with a number of confirming banks in Italy including Banca Monte dei Paschi di Siena SPA, Banco di San Giorgio, ICCREA Banca SpA and others

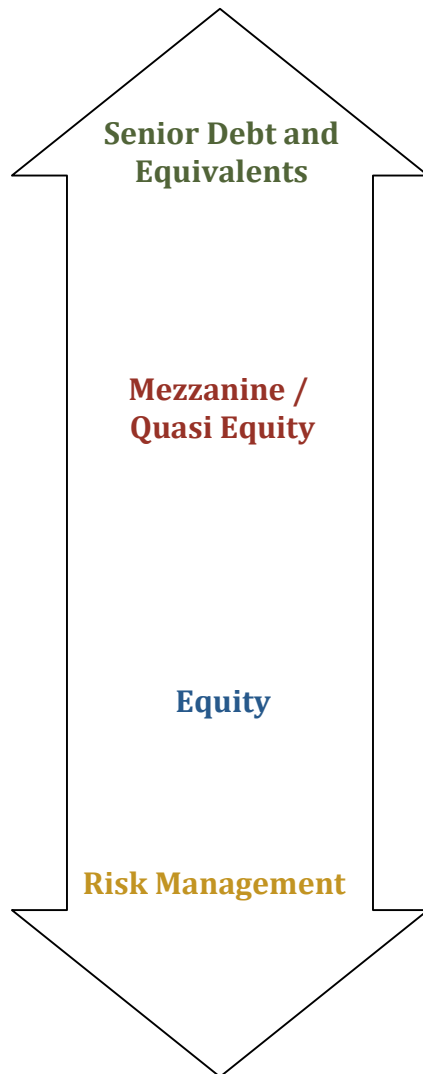
## IFC's Global Trade Finance Program (GTFP)

- Program works through **major commercial banks that request**, on a per-transaction basis, **partial or full guarantees from IFC to cover the payment risk on local financial institutions.**
- **Guarantees cover both political and commercial payment risk** and extend to a variety of trade instruments *including funding related to export or import financing.*
  - IFC guarantees provide critical support for the trade of consumer goods, intermediate goods, and smaller machinery and commodities that are needed by the SME sector.
- **Program goes out to 3 years**– allowing GTFP to support import financing of capital equipment in countries where lines often only extend to 360 days.
- **GTFP enhances trade finance capacity through technical assistance** as it offers trade finance training programs as well as resident advisor support for the local banks in all regions.

# More Details on Partnering with IFC

# IFC Investment

From Debt to Equity, from Project Finance to direct investor support



- Senior Debt (corporate finance, project finance)
- Fixed/floating rates, US\$, Euro and local currencies available
- Commercial rates, repayment tailored to project/company needs
- Long maturities: 7-12 years, appropriate grace periods
- Range of security packages suited to project/country
- Mobilization of funds from other lenders and investors, through financings, syndications, underwritings and guarantees

- Includes subordinated loans, income-participating loans, convertibles, other hybrid instruments
- Flexible financing option commensurate with risk profile

- Long-term partnership without controlling interest
  - typically 5-20% shareholding
  - 6-8 year holding period
- More than a financial investor, IFC adds to shareholder value
- IFC brings technical/commercial knowledge as partner through a seat on Board of Directors
- Acting as “neutral broker” between stakeholders, IFC can provide political risk mitigation

- Currency & Interest Rate Swaps
- Caps, Collars, and Currency Derivatives
- Commodity Derivatives

# Basic Transaction Requirements

## Foreign or Domestic Investor

- New venture or expansion; private sector majority ownership in project
- Project must be developmentally sound and commercially viable

## Investor Commitment is Required

- Equity participation; pre-completion support/guarantees

## Submit Preliminary Business Plan or Feasibility Study

- Brief project description, incl. technical feasibility and market study
- Information on investors and project operator, where relevant
- Environmental studies
- Information on requirements, financing plan and cash flow projections



# IFC Funding

## IFC financing: From \$5 million

Investment Type		IFC Investment
Greenfield, total cost less than \$50 million	→	Up to 35% of total project cost
Greenfield, total cost more than \$50 million	→	Up to 25% of total project cost
Expansion or Rehabilitation	→	Up to 50% of total project cost
Ability to mobilize funding from Banks, DFIs and PE funds	→	Mobilization of 3 <sup>rd</sup> party funding

### Investment Partner Profile

- Successful track record in the industry
- Long-term strategy
- Strong equity investment in the project
- Integrity

### Target Investment Project

- >50% private owned
- Commercially and economically sound
- Meet IFC environment and social standards

**In general, funding for IFC's account cannot exceed 25% of total project cost (debt & equity), although there are exceptions by industry and project, as above.**

**Participants in IFC's syndication program: IFC acts as lender of record, with immunity from taxation and provisioning requirements.**

**Thank you!**