

Ex-Ante Evaluation Report

1. Name of the Project

Country: Middle East and North Africa countries and region

Project: Middle East and North Africa Fund

(Investment project under the Private Sector Investment Finance)

Agreements signed on: April 14, 2016

Investee: IFC Middle East and North Africa Fund, LP

2. Background and Necessity of the Project

The Middle East and North Africa (MENA) region has faced socioeconomic instability since the democratization movement known as the Arab Spring spread in the beginning of 2011, and rise of insurgency such as so-called “Islamic State” in recent years. One of the factors of that instability is high unemployment, in the region, especially among the younger demographic (15-24 years old), whose unemployment rate in the region reaches to 31.2% in 2013 (WDI). Expanding employment opportunities through economic revitalization is a priority for socioeconomic stability, but the amount of foreign direct investment in the region has not yet recovered to the level before the Arab Spring. Economic development and job creation through investment promotion of private sector is important for socioeconomic stability in the region.

In the Development Cooperation Charter (February 2015), the Japanese Government states to provide assistances for peace and stability in Middle East and Africa region and to actively cooperate with international organizations for effective and efficient cooperation. This project aims to contribute to a peace and stability of the MENA region through investment to IFC Middle East and North Africa Fund, LP, of which International Finance Corporation (IFC) support the operation with IFC’s distinctive investment experiences in the region. This project is also expected as one of the broad cooperation schemes to the region where available cooperation sectors and approaches are less accessible in bilateral cooperation.

3. Project Description

(1) Project Objective

This project aims an increase of employment opportunities and other development impacts through investments in companies and projects engaging business mainly in financial services, infrastructure, and manufacturing in the MENA region, thereby contributing economic development led by private sector.

(2) Project Site/Target Area

IFC member countries and region in the MENA region including Morocco, Tunisia, Egypt, Jordan, Iraq (business in Official Development Assistant eligible countries and region)

(3) Project Outline

- 1) Investment Amount: No more than 30 million US dollars
- 2) Outline of Project Plan: To support companies or projects in the MENA region which help increase of job opportunities and other development impact, mainly in financial services, infrastructure, and manufacturing, through investment to the Fund managed by experienced investment experts to the region.
- 3) Fund Manager: IFC Asset Management Company, LLC, a wholly owned subsidiary of IFC
- 4) Targeted Fund Size: 300 million US dollars

(4) Expected Schedule

Investment Period: July 2015 - January 2022, Term Closing: January 2027.

(5) Environmental and Social Consideration/ Poverty Reduction/ Social Development

1) Environmental and Social Consideration

① Category: FI

② Reason for Categorization: This project is designed to provide financing to financial intermediaries. Sub-Projects cannot be specified prior to JICA's approval for financing, and they may have environmental impacts under the JICA Guidelines for Environmental and Social Considerations (April, 2010) (JICA's Environmental Guidelines).

③ Others/Monitoring: This project is monitored in accordance with IFC Environment and Social Sustainability Policy (January, 2012) and IFC Performance Standards on Environmental and Social Sustainability (January 2012), which is consistent with the JICA's Environmental Guidelines. JICA will receive quarterly and annual fund reports which contain environmental monitoring results, as well as annual environment paper prepared by invested companies through IFC.

2) Promotion of Poverty Reduction: Promotion of poverty reduction is expected through investment in companies or projects, especially in manufacturing sector, which have opportunities of job creation and capacity development of young employees.

3) Promotion of Social Development : None

(6) Collaboration with Other Donors: JICA signed IFC's Master Cooperation Agreement on April 2015, and is seeking various opportunities of cooperation with IFC including this project.

(7) Other Important Issues: None

4. Targeted Outcomes

(1) Quantitative Effects

1) Equity IRR : 8%

2) Performance Indicators (Operation and Effect Indicator)

Indicator	Baseline (FY2016) 【Actual Value】	Target (FY2027) 【Term Closing Year】
Invested Projects (Projects)	1	14
Equity IRR* (%)	-	8%
Employment (Persons)	-	To be decided for each investment project
Other Indicators (To be decided for each investment project)	-	To be decided for each investment project
Total Investment Amount by th Fund	-	300 million USD

* IRR after Fund Operational Expenses is deducted (based on US dollars)

Each investment project under this project is monitored based on four performance categories: Financial Performance, Economic Performance, Environment and Social Performance, and Private Sector Development in accordance with Development Outcome Tracking System (DOTS) developed by IFC. Employment indicator is applied for each investment project, while other indicators are to be decided and monitored depending on the nature of each project.

(2) Qualitative effects

Contribution to economic and social stability through job creation and private investment promotion in MENA region

5. External Factors and Risk Control

(1) Risk factors in the project implementation and management: To mitigate a country risk, the project will pursue investment diversification among the countries and sectors, and utilize World Bank Group's socioeconomic monitoring and analysis of the region during fund operation.

(2) Exit Strategy: JICA will exit the investment at the time of term closing.

6. Lessons Learned from Past Projects

In accordance with Ex-post Evaluation of JICA's previous fund investment projects, it is advised to collect and analyze information about exit plan of the fund during the project appraisal. In this project, the investment team will analyze optimal exist options before the investment decision and obtain such options in the contractual documentation of the investment. It is expected that the fund will smoothly exit from each investment project.

7. Plan for Future Evaluation

(1) Indicators to be Used

- 1) Equity IRR (%)
- 2) Employment (Persons)
- 3) Other indicators (to be decided for each investment project)

(2) Timing

Term closing year (FY2027)

END