Implementing PartnerCo-Founder

$ + ✓ = ↑
Finance Expertise Success

Shell Foundation

GroFin
Support beyond finance
ABOUT NOMOU

Co-created by GroFin, a pioneering private development finance institution, and Shell Foundation, an independent charity, the Nomou Programme is an initiative that seeks to reach out to dedicated entrepreneurs of growing businesses and start-ups in the Middle East and North Africa (MENA).

Since 2004, GroFin has been providing vital support to underserved small and growing businesses (SGBs) in Africa, and the Nomou Programme is based on its in-depth experience and track record of serving such entrepreneurs. Overall, the Nomou Programme aims to create sustainable employment, economic growth, and positive social impact through nurturing and expanding the SGB sector as a vital pillar of emerging economies in MENA.

Nomou, meaning growth in Arabic, provides access to medium-term growth finance and value-adding Business Support to committed entrepreneurs in the region. Through these services, Nomou is increasing the capacity of the grossly underserved SGB sector, thus developing supply chains and helping to create much needed employment.

The Nomou Programme has attracted funding and support from reputed investors such as the USAID, Department for International Development (DFID), KfW, Norfund, the Dutch Good Growth Fund (DGGF), Anthos Capital and Lundin Foundation, who have joined forces with GroFin and Shell Foundation towards building a sustainable SGB sector in MENA and creating local employment at scale.

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In 2017, muted growth rates posed the greatest challenge for the Middle East and North Africa (MENA) region. Economic growth in the MENA region plunged to an all-time low, against the backdrop of oil production cuts by OPEC members and heightened geopolitical tensions. To illustrate, MENA economies rose an aggregated 1.7% in 2017, down from 2016’s five-year high of 4.7%.

As in 2016, region-wide, and especially in Iraq, our communities continued to suffer from the devastating impact of armed religious extremists. In 2017, around 8% of Iraqis were internally displaced, almost a quarter of the Iraqi population was affected by the war, and around 40% lived in conflict-affected regions. Meanwhile, in Jordan, the economy remained sluggish amidst a challenging regional backdrop, overlaid by continued uncertainty regarding the crises in Syria and Iraq. Coming to Oman, the nation’s participation in OPEC oil production cuts in 2017, protracted low oil prices and fiscal austerity continued to pull down the economy. Finally, Egypt proved the lone exception to the general slowdown in MENA. The economy witnessed an upward trajectory in 2017, posting growth of 4.2% compared to IMF projections of 4.2%.

At Nomou, we have come to regard an existence primarily chequered by challenges as a way of life. Despite these myriad obstacles, we continue to support and deepen our reach to those entrepreneurs who feel the impact of these adverse circumstances as much, or indeed more intensely, than we do. We note these overwhelming obstacles that stand in the way of a developed and enabling ecosystem that allows for healthy and uniform development of the economy and society. Far from dampening our spirits, this motivates us to redouble our efforts to contribute to the finance and support of SMEs that would otherwise have no choice but to do without such vital interventions.

Indeed, 2017 was a challenging year for the Nomou Programme, as much as it spelled tough times for the region and its entrepreneurs. However, our teams met these challenges head on, with good results. A strong team in Egypt ensured that investment and impact were achieved at almost double the target for the year even as portfolio quality remained robust. Nomou Jordan sustained its performance with added overtones of a stronger focus on refugees, positively impacting the lives of Syrian refugees in the country through enabling them economically. With a new and energised team being fully operational in Iraq at the close of 2016, Nomou Iraq went on to create a strong foothold in the country which enabled us to either meet or surpass all investment and impact targets for 2017. Last but not the least, Nomou Oman pulled in a strong portfolio performance which allowed us to undertake further investments, and hence deepen our impact.

Going forward, we intend to embark on a full-fledged exercise for scaling up our presence in the region. The expansion options are numerous and activities are planned around this important project for the upcoming two years. In the near term, a due diligence exercise is scheduled for both Lebanon and Morocco. Further, additional funding is on the horizon for the Nomou funds in Jordan and Iraq, where it is deemed critical to intensify our support against the deepening needs of refugees and internally displaced persons in view of the humanitarian crisis in the region.

In our previous report, we expected last year to be a stellar year for Nomou, where our work and impact would be felt throughout the region, and throughout the year. It gives us the utmost pleasure to note that 2017 met, and exceeded, our expectations on all counts and in all our locations. Entering 2018, we are strongly poised for yet another momentous year with our well-entrenched staff, led by experienced investment executives in all locations.

By delivering consistent and effective solutions to committed entrepreneurs in MENA, the Nomou Programme has attracted funding and support from several reputed investors.

In 2017, the Nomou Jordan Fund welcomed the Lundin Foundation onboard as a first-time investor as well as strengthened relations with existing investor KfW. The Canadian non-profit organization, supported by the Lundin Group of Companies, invested US$ 1M into the Nomou Jordan Fund, while German Development Bank KfW provided a EUR 8M investment and a EUR 3M grant for capital and business support respectively.

Currently, the Nomou Programme counts such reputed organisations among its investors as the Shell Foundation (an independent charity), Shell, USAID, Department for International Development (DFID), Norfund, KfW, the Dutch Good Growth Fund (DGGF), Anthos Capital and Lundin Foundation.

Mohamed Hawary
GroFin Investment Director
MENA Region
NOMOU INVESTMENT & IMPACT AT A GLANCE

**INPUT**
Sustainable SGB Development Platform

- **US$ 102M**
  Raised Capital & Grants Towards Funds
- **4**
  No of Investment Funds
- **10**
  No of Investors
- **4**
  No of Countries

**OUTPUT**
Successful Growing SGBs

- **US$ 68M**
  Investment in SGBs
- **103**
  No of Entrepreneurs Supported
- **1,005**
  No of SGBs Invested in
- **150**
  Total Jobs Sustained per US$ 1M Invested
- **93%**
  SME Viability Rate
- **38%**
  Average Growth in Client Turnover (CAGR)
- **14.53%**
  Average Gross IRR

**OUTCOME**
Inclusive Employment

- **10,287**
  Total Jobs Sustained*
- **1,594**
  No of Direct Jobs Created
- **57%**
  Women Jobs Sustained (Direct jobs)
- **18%**
  Women Jobs Sustained (Direct jobs)
- **57%**
  Supply Chain Partners
- **416,400**
  BoP Customers Served per annum

**IMPACT**
Sustained & Inclusive Growth

- **US$ 149M**
  Annual Economic Value Add
- **51,435**
  Annual Family Members Impacted

*Unless stated otherwise (i.e. expressly qualified as p.a. - per annum- or annual), all data provided in this Impact Report is cumulative till 31st December 2017

See page 35 for further details on how Nomou measures impact
NOMOU IMPACT
DEVELOPMENT FRAMEWORK

POVERTY REDUCTION / SUSTAINED AND INCLUSIVE ECONOMIC GROWTH

<table>
<thead>
<tr>
<th>Impact</th>
<th>Outcome</th>
<th>Output</th>
<th>Input</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of BoP Employees</td>
<td>No. of Jobs Sustained</td>
<td>No. of BoP Customers</td>
<td>% Women Ownership No. of Learners / Patients Served</td>
</tr>
<tr>
<td>Poverty Reduction</td>
<td>Improved Livelihoods</td>
<td>Inclusive Employment</td>
<td></td>
</tr>
<tr>
<td>No. of BoP Customers</td>
<td>% Women Ownership</td>
<td>% Growth in Turnover</td>
<td></td>
</tr>
<tr>
<td>% Women Ownership</td>
<td>No. of SGBs Supported</td>
<td>No. of SGBs Invested in US$ Investment in SGBs</td>
<td></td>
</tr>
<tr>
<td>% Growth in Turnover</td>
<td>No. of SGBs Invested in US$ Investment in SGBs</td>
<td>% Gross and Net IRR in LCY Jobs per US$ 1M Invested % Viable SGBs</td>
<td></td>
</tr>
<tr>
<td>No. of SGBs Invested in US$ Investment in SGBs</td>
<td>% Gross and Net IRR in LCY Jobs per US$ 1M Invested % Viable SGBs</td>
<td>No. of SGBs Supported % Growth in Turnover % SGB Business Formalised Post Investment</td>
<td></td>
</tr>
<tr>
<td>Sustainable SGB Development Platform</td>
<td>Sustainable SGB Development Platform</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of Qualified Staff</td>
<td>No. of Country Offices</td>
<td>Cumulative Years of SGB Experience</td>
<td></td>
</tr>
<tr>
<td>SGB Risk Capital</td>
<td>Market Development Grant</td>
<td>Business Support Grant</td>
<td></td>
</tr>
<tr>
<td>US$ Risk Capital No. of Investors</td>
<td>US$ Market Development Grant No. of Donors</td>
<td>US$ Business Development Grant No. of Donors</td>
<td></td>
</tr>
</tbody>
</table>

NOMOU IMPACT REPORT 2017

Hiba Hospital - Jordan

Catalysing economic growth through investing in the Middle East and North Africa
Nomou’s key objective is to develop and maintain an effective delivery model able to provide targeted, blended returns (financial and impact) to its investors, development and strategic partners.

The first aspect of Nomou’s delivery model is the establishment of an effective organisational structure able to execute development impact and financial return mandates. To this end, Nomou has established 4 in-country offices (staffed by teams of local investment and business support professionals) backed by cost-efficient centralised group support functions. This structure is now well positioned for prudent growth into other counties where Nomou’s investment partners are keen to achieve similar impact results as those being realised by the current Nomou platform.

**Promoting Inclusive Growth and Improved Quality of Life**

- Committed entrepreneurs with proven track records
- Well positioned for growth
- High impact potential
- Receptive to Nomou business support

**Finance of US$ 100,000 - US$ 2,000,000**

- Patient risk finance (3-8 year term)
- Structured in accordance with cash flow
- Ongoing integrated business support
- Close monitoring and review

**IMPACT TO DATE**

- **US$ 149M**
  - Annual Economic Value Added by Investees
- **10,287**
  - Total Jobs Sustained*
- **51,435**
  - Annual Total Livelihoods Supported

**WHAT WE INVEST IN**

Almost 80% of our finance goes to fund growth and expansion of SGBs

**WHO WE INVEST IN**

- Committed entrepreneurs with proven track records
- Well positioned for growth
- High impact potential
- Receptive to Nomou business support

**HOW WE INVEST**

- Finance of US$ 100,000 - US$ 2,000,000

**EARLY MATURITY AND BUY-OUT FINANCE**

- 71% GROWTH AND EXPANSION FINANCE
- 17% START-UP FINANCE

**SUPPORTING LOCAL SOCIO-ECONOMIC DEVELOPMENT IN MENA**

- **EGYPT**
  - US$ 32M
  - Annual Economic Value Added by Investees
  - 5,052 Total Jobs Sustained*
  - 25,260 Annual Total Livelihoods Supported

- **IRAQ**
  - US$ 469K
  - Annual Economic Value Added by Investees
  - 657 Total Jobs Sustained*
  - 3,285 Annual Total Livelihoods Supported

- **JORDAN**
  - US$ 62M
  - Annual Economic Value Added by Investees
  - 2,133 Total Jobs Sustained*
  - 10,665 Annual Total Livelihoods Supported

- **OMAN**
  - US$ 54M
  - Annual Economic Value Added by Investees
  - 2,445 Total Jobs Sustained*
  - 12,225 Annual Total Livelihoods Supported

* total jobs = direct jobs + indirect jobs

**WHO WE INVEST IN**

- Committed entrepreneurs with proven track records
- Well positioned for growth
- High impact potential
- Receptive to Nomou business support

**HOW WE INVEST**

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* total jobs = direct jobs + indirect jobs
2017 was the year when the Fund further scaled its investment to assets under management of US$ 19.3M. The Fund invested in several sectors and in particular manufacturing, where we see the biggest opportunities as well as potential to create impact, especially in terms of employment. Besides, the Fund also has deals in several other sectors where we see high impact, such as healthcare and education, with more than 20% of our investment channelled into these priority sectors. The schools funded under Nomou Jordan allow us to reach out to nearly a thousand students with quality and affordable education, especially at the primary level.

Although the Fund is well within its threshold of less than 20% underperforming investments, there are signs of our portfolio companies starting to struggle against the backdrop of the dire economic circumstances posed by the political and social strife at the border. With the Iraqi borders once again closed and the tragedies at the Syrian border taking their toll, our portfolio companies are losing both potential markets and traction for growth. In this context, we see business support playing a crucial role to help our investors overcome such major hardships. Notwithstanding the stretch in the portfolio, up until the end of 2017, the Fund was still posting strong portfolio returns (>12.5%).

Going forward, the Fund is looking to further scale in 2018, as both new and existing investors are finalising funding arrangements. The Fund is also looking to undertake further investments in existing clients such as HYGEX, which is being assisted to reach a higher growth threshold. Falling under our focus sector of key services (water, sanitation and energy), HYGEX is a detergent and hygiene products supplier and distributor. It also provides training and technical support services to its clients in the commercial sector. HYGEX has also been connected with fellow portfolio companies such as Kashta Biscuits, to whom it is supplying industrial cleaning detergents, giving it a business boost through relevant market linkages.

Finally, the importance of Jordan as a beacon of stability in the middle of a conflict and violence inflicted area is recognised by the international community at large. The Fund is showing concerted focus on helping Syrian and other refugee populations seeking asylum in Jordan, and is looking to finance and support more businesses led by refugees as well as those that employ a sizeable proportion of refugee workers.
At this stage, Mrs Mady turned to GroFin for finance and support to expand the premises and reach out to more students. Apart from funding the new school building, GroFin also provided finance to purchase two buses for transportation as well as extended working capital for salary payments. In addition, GroFin provided business support on the Environmental, Social and Governance (ESG) front by ensuring that health and safety procedures are followed in accordance with our ESG framework. Besides, GroFin is also helping to formalise the business from a sole proprietorship to a company. Finally, GroFin’s intervention is ensuring safe transportation for students, by funding modern buses that comply with school transport regulations and safety measures.

As many as 226,000 out of 660,000 (almost a third) of Syrians registered with the United Nations refugee agency in Jordan are school-aged children between 5-17 years old. Since the outbreak of conflict in Syria in 2011, the influx of Syrian children in Jordan has spurred the Education Ministry to take several steps to accommodate their educational needs. From hiring new teachers, allowing free public-school enrollment for Syrian children, and having second shifts at nearly 100 primary schools to create more classroom spaces, the ministry aims to create 50,000 new spaces in public schools for Syrian children, and to reach 25,000 out-of-school children with accredited “catch-up classes.”

Despite all the efforts by the government, Syrian refugee children in Jordan continue to face an uncertain future in education – affecting their subsequent employability as young adults. Over one in three, more than 80,000, did not receive a formal education in 2015. This makes it imperative for private schools to tide over this ever-widening gap in public schooling with quality education that is still affordable for the masses.

Al-Menber is one such school, run by a dedicated entrepreneur from the governorate of Mafraq in North Badia. Mrs Mady worked as a teacher and principal for over 32 years in different governorates in Jordan before starting the private elementary school in the governorate of Mafraq in North Badia in 2010. Al-Menber received the ESG certificate in 2015 due to the high quality of education provided to the students.

Of these, over 70% students hail from the base-of-the-pyramid (BoP), given the impoverished neighbourhood of Sabha that the school is situated in. A town that has witnessed one of the highest rates of refugee inflow, the governorate of Mafraq is reeling under the pressure of accommodating immigrants while providing essential services such as education to its citizens and refugees alike.

No wonder then, by early 2016, student enrolments at Al-Menber exceeded 200 and many more were wait-listed due to lack of capacity in the existing premises. Hence, Mrs Mady wished to invest in a new school building that would allow for accepting twice the number of students that the current school has.

“With GroFin’s finance and support, we have been able to touch the lives of many more children, especially from the refugee population. This makes a world of difference to such children, who otherwise face bleak educational prospects,” says Mrs Mady.

NOMOU JORDAN
REFUGEE SUPPORT

| No of Direct Jobs Sustained by Refugees | 77 |
| Refugee Livelihoods Directly Supported | 385 |
| Refugee-owned Businesses Receiving Investment & Business Support | 4 |

"Syrian & other refugees"
BUSINESS SUPPORT: SUPPORTING SGBs AS IMPACT VEHICLES

GroFin provides a unique offer to sustain the growth of Small & Growing Businesses (SGBs), namely the STEP Business Support Programme. GroFin STEP (“Success Through Effective Partnerships”) combines risk finance with the delivery of effective Business Support services, which are customised to meet the needs of each individual client. We recognise the fact that a one-size-fits-all approach cannot address the specific constraints faced by SGBs across different countries and sectors, hence GroFin STEP, which is delivered at both pre- and post-finance stages. This implies that each applicant for the GroFin appropriate finance solution starts benefitting from our effective Business Support services right from the day they approach our team of investment professionals. In 2017, for instance, 354 enterprises have benefitted from pre-finance Business Support under the Nomou Funds. We provide guidance, assistance, business mentoring, handholding, coaching and other value-adding services to entrepreneurs to help them find opportunities for profitable growth in ways other financiers do not.

All our investment staff have been trained and certified by the US-based Association of Accredited Small Business Consultants. In addition, whenever assistance of a specialised nature is warranted in a client enterprise, we seek the collaboration of accredited Technical Assistance service providers, such as PUM Netherlands Senior Experts and Vital Voices Global Partnership with whom GroFin has established strong relationships. All this works hand-in-hand to enhance and sustain our clients’ strategy, optimise and de-risk critical areas of their operations, and improve financial and impact outcomes.

GROFIN’S SOLUTION FOR SUSTAINABILITY OF SGBS: GROFIN STEP BUSINESS SUPPORT PROGRAMME

IMMEDIATE BENEFITS OF GROFIN STEP: POSITIVE OUTCOME AND HIGH IMPACT

GroFin STEP focuses on the key risk and opportunity areas capable of inhibiting or boosting growth. Our in-house developed Viability Tool allows our investment managers to effectively diagnose issues in, or unlock the true potential of, an enterprise. Critical areas undergoing expert review include: Operations & Technology; Industry, Sales & Marketing; Environmental, Social & Governance (which includes Strategic Planning, Cash Flow & Financial Management, and Business Structuring); and aspects pertaining to the entrepreneur and his/her team. This clinical analysis allows us to propose a number of robust Business Support Action Points (BSAPs) to be implemented by our clients at post-finance stage to de-risk operations and capitalise on identified opportunities. We have so far provided over 250 such BSAPs to our 103 clients in the Nomou regions, a breakdown of which is depicted to the right.

Business Support is provided to our clients right from the time they approach GroFin for financing until their exit from the portfolio, with the key objective of increasing business viability and sustainability.

SGBs Supported by GroFin in MENA

Number of entrepreneurs benefitting from GroFin’s Business Support services in MENA

<table>
<thead>
<tr>
<th>Business Support delivered at pre-finance stage to entrepreneurs</th>
<th>Business Support delivered at post-finance stage to Nomou clients</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,005</td>
<td>103</td>
</tr>
</tbody>
</table>

Total*: 1,108

* Cumulative, as at 31 December 2017

Key Risk-Opportunity Areas

- Entrepreneur-Related: 11%
- Environmental, Social & Governance (ESG): 56%
- Operations & Technology: 17%
- Industry, Sales & Markets: 16%

Business Support Interventions to Our Portfolio Clients

Shahems Al Sadouq - Iraq

Business Support is provided to our clients right from the time they approach GroFin for financing until their exit from the portfolio, with the key objective of increasing business viability and sustainability.
2017 was the year that the country significantly scaled activities on the back of a full local investment team in place, led by a competent Investment Executive who has grown through the ranks at GroFin and is well versed with our investment philosophy. With the investment team showing significant traction with the local market and scaling up the portfolio from US$ 1.66M to US$ 12.2M, the importance of having the right resources in place has been heavily underscored.

The Fund invested mainly in the manufacturing sector where we see the biggest opportunities, as well as potential to create impact through import substitution and local job creation. For example, the Nomou Programme in Egypt committed funding to Lucram, a business manufacturing abrasive wheels and replacing imports of this value-added product, thus saving much needed foreign currency at the national economic level. In addition, the Fund also forged ahead into the key services sector, with particular focus on recycling. Two clients onboarded in 2017, IPPCO and El Nour, source used and waste paper from local collectors in order to supply local producers with such paper that forms the main raw material for recycling, with far-reaching environmental implications.

All but one of the investments are performing in line with expectations and implementing their growth plans. This has enabled the country to post strong portfolio returns. Continuing the growth thrust into 2018, we have several interesting pipeline deals that will most likely close this year, such as a top up to Stick Pack Manufacturing that is looking to scale its operations on the back of a rising manufacturing sector in Egypt. The company has ventured into manufacturing flexible packaging products using polypropylene that is environment friendly and offers a green alternative to the usual polythene packaging. Further, Stick Pack undertakes the production of a supply chain commodity that is otherwise largely imported, saving valuable foreign exchange.

Going forward, Egypt demonstrates strong potential to scale as part of the SGB Fund which is continuing its growth momentum across Africa. We recognise the significant opportunity in Egypt, especially after it has embarked on its ambitious economic reform plan, and we are currently studying venues to grow our offering in this exciting market.

**Outcome & Impact**

Cumulative Gross Portfolio

<table>
<thead>
<tr>
<th>Year</th>
<th>Cumulative Gross Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>US$ 2M</td>
</tr>
<tr>
<td>2016</td>
<td>US$ 1.66M</td>
</tr>
<tr>
<td>2017</td>
<td>US$ 12.2M</td>
</tr>
</tbody>
</table>

Cumulative Total Jobs Sustained

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Jobs Sustained</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>1,484</td>
</tr>
<tr>
<td>2015</td>
<td>1,595</td>
</tr>
<tr>
<td>2016</td>
<td>2,504</td>
</tr>
<tr>
<td>2017</td>
<td>5,052</td>
</tr>
</tbody>
</table>

% Exposure by Sector as at 31 December 2017

- Waste Collection & Recycling: 43%
- Construction: 3%
- Professional, IT and other services: 1%
- Food & Accommodation: 3%
- Manufacturing: 36%
- Wholesale & Retail: 16%
- Boat People Customers Served per annum: 184,000

18 No of SGBs Invested in
168 No of Entrepreneurs Supported
55% % Unskilled/Semi-Skilled Labour
72% Youth Owned Businesses

**IMPACT, PERFORMANCE AND WAY FORWARD**

The GroFin SGB Fund was co-founded by the Shell Foundation (an independent charity) and GroFin in 2014, with operations in Egypt, to counter the issues faced by the economy in stimulating the growth of a private sector capable of creating jobs at scale. The Fund harnesses the potential of SGBs to support sustainable employment in the face of a rapidly growing population and a slow rate of job creation.

GroFin Egypt actively seeks SGBs with revenues ranging from EGP 2M - 100M in the greater Cairo area and exterior governorates and provides them with a solution of integrated continuous business support that includes entrepreneurial and management skills as well as access to a larger market for their goods and services.

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GroFin Egypt actively seeks SGBs with revenues ranging from EGP 2M - 100M in the greater Cairo area and exterior governorates and provides them with a solution of integrated continuous business support that includes entrepreneurial and management skills as well as access to a larger market for their goods and services.
Today, with upwards of 90 million people and growing, Egypt consumes as much as 500,000 tons of paper annually. But, while the nation’s appetite for paper appears to be as strong as ever, the Egyptian paper industry is finding it increasingly harder to keep pace with the growing demand.

To fill the gap, Egypt is importing more and more paper, as well as paper-based products. However, the cost of imported paper is skyrocketing, with foreign standard printer paper costing EGP 50,000 per ton in December 2016, compared to EGP 14,000 for local paper. With firms and consumers across the board squeezed by rising prices, this cost differential has spurred a sudden demand for locally made paper and paper-based products.

While this would seem to be good news for Egypt’s struggling paper industry, supplying paper producers with local pulp and raw material for paper production is proving to be a tough task, constraining the growth of this eco-friendly industry that provides a much-needed green alternative to polythene bags and plastic packaging. Against this backdrop, paper recycling is emerging as the need of the hour to sustain the paper industry that would otherwise be forced to rely on expensive, imported paper pulp, adversely affecting its cost margins and local consumers’ purchasing power alike.

Established in January 2012 at Quesna – Al Monofeya, a governorate to the North of Cairo, El Nour Company comes as a breath of fresh air in this challenging landscape. The business initially started with sourcing and trading in used and waste paper, then realised the potential of value-addition to waste paper based on challenges expressed by paper producers in refining the waste paper and reducing it to a usable form.

In January 2017, El Nour purchased low-capacity machinery to supply local paper recycling producers with value-added pulp and to test the market appetite prior to the purchase of high-capacity machines. By the end of the month, El Nour was selling its full output with acceptable profit margins, and the evidenced commercial potential spurred founder Mostafa Kotb to inject his personal funds to establish the plant.

In March 2017, Mostafa approached GroFin to finance the purchase of high-capacity machines to enable the company to screen, sort, and shred used and waste paper on a larger scale, together with working capital to fund the expanded operations. GroFin was happy to help the entrepreneur grow his eco-friendly business and came to the support of the entrepreneur with finance to the tune of 27% of the total investment cost.

Prior to initiating the new project, the entrepreneur had reached an in-principle understanding with several local paper recycling producers. As part of its business support proposition, GroFin helped the entrepreneur to execute formal agreements with local paper producers to ensure a guaranteed market for its products. Further, GroFin assisted the company with identifying qualified management staff and formalising an organisational structure. Moreover, the GroFin team supported the client in recruiting new managerial staff for tactical decision making. As many as 150 new jobs are expected to be created with the new business line financed by GroFin, which will go a long way towards generating employment for the community, in addition to the 105 existing jobs sustained by GroFin’s intervention.

“Moving from trading to value-addition in used and waste paper was a challenging task, and one that I could not possibly have undertaken alone. GroFin’s finance and support helped me at every step of the way, be it in setting up the plant, formalising the new structure or finalising agreements with paper producers,” notes Mostafa.
DE-RISKING BUSINESSES AND GENERATING ECONOMIC VALUE

The Nomou Programme, guided by GroFin’s Environmental, Social and Governance (ESG) investment integration strategy, ensures that all our investees adhere to ESG practices that are integrated in their operations, mitigate any environmental risks, occupational health and safety hazards, and ensure compliance with local legislation and operational requirements.

All GroFin investees are screened as per GroFin’s proprietary ESG risk and screening methodology to identify and address any ESG risks at the level of our clients. GroFin’s ESG Integration Strategy is aligned with best practices in the industry and is guided by:

- The World Bank’s Group Environmental, Health and Safety Guidelines (‘EHS Guidelines’)
- CDC’s Third ESG Toolkit for Fund Managers (released in June 2015)
- The International Finance Corporation’s (IFC) Performance Standards on Environmental and Social Sustainability (2012).

As at end of 2017, GroFin’s business support aimed at addressing ESG risks for Nomou investees had been directed towards the following key areas:

- 21% Governance
- 17% Occupational Health & Safety
- 10% HR Management
- 1% Environment Management
- 51% Business Formalisation

Clients agree to environmental and social best practices 100%
Clients formalised on exit 100%
Investments in prohibited activities 0

As at end of 2017, GroFin’s business support aimed at addressing ESG risks for Nomou investees had been directed towards the following key areas:

Linking SMEs with larger organisations to develop local content and supply chains
2017 marked a significant scaling up of activities for the Fund on the back of a full local investment team in place, led by a competent Investment Executive recruited from Jordan. The turnaround in Fund performance in view of the right leadership and guidance showed how crucial it is to have the appropriate resources in place, which is not easy in a country that has suffered significant “brain drain” over the past decade.

The Fund invested mainly in the manufacturing sector, where we see the biggest opportunities. For example, funding and support was extended to Al Badea Water Bottling Factory, a business led by Baqir Al-Yasri that provides the community with a much-needed local alternative to imported bottled water, allowing them to access clean drinking water as a basic right.

All but one of the investments are performing in line with expectations and implementing their growth plans. This has enabled the Fund to post strong portfolio returns (>10% in US$).

The Fund needs to further scale up in 2018, having successfully invested its current commitments. As these fund-raising processes will take time, only a few new investments will be onboarded in 2018. One interesting pipeline transaction that is likely to be approved this year is the first and only cinema operator in Iraq, whose activities are leading to a cultural revival in the country for this once dying art.

After the defeat of ISIS towards the end of 2017, Iraq has witnessed renewed interest from the international investor community. This makes it a priority country in the region for Nomou funding and support, given the capacity to create impact at scale through supporting the rebuilding efforts centred in the southern region of Iraq, the focus geography of the Fund.

### Impact Performance and Way Forward

To facilitate the growth of the private sector as an engine of economic growth, the Nomou Iraq Fund was established through an anchor commitment from Shell. The Fund is geared to helping SGBs in Iraq, with focus on SGBs based in Basra, to overcome the challenges posed by an unfavourable business environment with an integrated solution of access to finance, business skills and market linkages.

The Fund provides an opportunity for energy companies such as Shell to support SGBs within their supply chain and also focuses on other potentially viable SGBs in oil and gas, power and utilities, water related products and services, education, healthcare, hospitality and tourism.

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### Fund Overview

- **Cumulative Gross Portfolio**
  - 2015: US$ 800K
  - 2016: US$ 1M
  - 2017: US$ 4.9M

- **Cumulative Total Jobs Sustained**
  - 2014: 29
  - 2015: 67
  - 2016: 148
  - 2017: 657

- **% Exposure by Sector as at 31 December 2017**
  - Manufacturing: 32%
  - Engineering & Logistics: 29%
  - Food & Beverages: 17%
  - Oil & Gas Support Services: 9%
  - Energy: 9%
  - Education: 4%

- **No of SGBs Invested in**
  - 9

- **No of Entrepreneurs Supported**
  - 81

- **% Unskilled/Semi-Skilled Labour**
  - 46%

- **% Start-Ups**
  - 11%

- **BoP Customers Served per annum**
  - 700
In all four countries, Nomou targets small businesses that can be developed as effective local supply chain partners for larger corporations, particularly in the oil and gas sector. This three-way partnership among Nomou, small businesses and large corporations is a highly effective vehicle for creating sustainable local jobs and maximising local socio-economic impact.

**SUPPLY CHAIN VIEW**

WHERE WE CREATE AND SUSTAIN JOBS

57% NOMOU CLIENTS ARE SUPPLY CHAIN PARTNERS

In all four countries, Nomou targets small businesses that can be developed as effective local supply chain partners for larger corporations, particularly in the oil and gas sector. This three-way partnership among Nomou, small businesses and large corporations is a highly effective vehicle for creating sustainable local jobs and maximising local socio-economic impact.

**SUCCESS STORY**

**NOOR EL QAMAR - IRAQ**

In a fortunate turn of events, Iraq declared victory over the Islamic State in December, but the country’s economic challenges are far from over. A nation that has been torn apart by successive wars and plagued by security issues, Iraq is now seeking USD100 billion in foreign investment as part of a plan to rebuild parts of the country and revive the economy. In particular, the capital-intensive manufacturing sector of Iraq, with its high potential to substitute imports and provide jobs at scale, needs a consistent supply of patient risk capital and entrepreneurial support to enable SMEs to overcome their challenges, create jobs and alleviate poverty.

Father and son team, Abdul-Ameer Al Hoshan and Firas Al Hoshan have a rich heritage in civil engineering and construction. In 1992, they established a construction contracting firm, under whose aegis they provided valuable services to clients in the public and private sectors, built partnerships in the community, and delivered critical resources for many vital-needs establishments such as schools and hospitals. The father and son duo focus on using sustainable systems and practices while implementing new and improved approaches to deliver projects to the community.

Their detailed knowledge of the building industry and entrepreneurial insights led them to identify a gap in the market for locally produced thermostone blocks for construction of homes, schools and hospitals. Demand for quality and affordable thermostone is high in South and Central Iraq against which local production and supply for thermostone stands at a mere 100,000 cubic meters annually. To meet the high unmet demand, exporters from Kuwait supplied roughly 600,000 m³ of thermostone and producers from Iran, around 700,000 m³, according to 2015 figures by the Department of Customs in Iraq.

Moreover, thermostone imported from Kuwait and Iran does not meet the standard requirements of the local building market in terms of size and shape, and the price is usually tightly controlled by the exporter. To illustrate, imported thermostone prices are higher than local products by about 55.7%.

Al-Hoshan planned to substitute the imported thermostone with a local product that adheres to Iraq building standards, and would be cheaper to procure, allowing him to meet domestic demand by replacing the imported thermostone with a local substitute. Accordingly, Noor El Qamar was founded in early 2015 to manufacture thermostone in Basra, Iraq with Al-Hoshan and his son investing USD 4.2 M to build a factory with a production capacity of 100,000 cubic meters.

In late 2016, GroFin was approached for finance and support to expand plant capacity against spiralling orders. The project financing is being used to construct a new thermostone production line as well as to import a furnace, a water treatment system, mixer machines and purchase dumper, a mechanical conveyor, a cutter machine, a compressor and a chiller for modernising the new production line.

Apart from plant and equipment finance, GroFin also extended business support to the manufacturing venture, which has been instrumental in establishing this start-up with appropriate management systems and Environmental, Social and Governance (ESG) compliance.

In 2016, Noor El Qamar employed 75 skilled, unskilled workers and technicians at the plant. With GroFin’s finance and support, the new, expanded plant now employs 118 workers drawn from the local population.

“GroFin provided capital investment for Noor El Qamar when our start-up could not access finance or support from traditional financial institutions. We are now well placed to replace expensive imports with high quality local products that are customised to the domestic market,” says Al Hoshan.
In 2017, our priority was to stabilise the Oman Fund and to look for ways to scale it. Keeping the austere environment in mind and adopting a pragmatic approach, the Fund made only a few commitments for deals from 2016 and was able to disburse them from realisations in 2017, amounting to almost US$ 0.5 million.

In view of the challenging macro-economic conditions due to protracted low oil prices, the office worked diligently with affected clients to extend hands-on business support and proactively restructure transactions where needed. This has enabled the Fund to come close to its returns target of 9%, standing at 8% by the end of the year.

An interesting transaction undertaken during the year was an investment into Seerabeece for Exhibitions and International Festivals. Led by Omani entrepreneur Zakariya Said Faraj Al Ghassani, a leading cultural figure, Seerabeece has played a significant role in initiating the first major festivals in the country in 1997 and 1998. The new equipment funded by GroFin was commissioned during the 2017 Muscat festival, enhancing Seerabeece’s revenues and reputation at a premier event that attracts over 2 million visitors per year.

Overall, the Fund’s focus on Omanisation has seen us reach a level of 36%, in excess of the target of 35%, and well aligned with our thrust on local job creation. However, the Fund needs to further scale for us to continue our earlier focus on job creation, which has begun to stagnate in the absence of fresh funding. With a view to scale up the Fund, local funding sources are being explored, even as interest from the international investor community continues to be solicited.

FUND OVERVIEW

This pressing need for local job creation was recognised by Shell, in the particular context of encouraging a vibrant and sustainable SGB sector that is capable of creating employment at scale. In response and through the 2005 Gift to the Nation, Shell brought a proven integrated solution for SGBs to Oman, the Intilaqaah Fund.

In 2012, the Fund became part of the Nomou programme, co-established by GroFin and Shell Foundation (an independent charity). The Nomou Oman Fund supports Omanisation through job creation in high impact sectors such as healthcare, education, manufacturing and food security enterprises. It focuses on SGBs that have the capacity to compete in the supply chain of large companies.

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NOMOU OMAN

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In Oman, as in the global context, oil and gas companies operate in a dynamic and complex environment where they face constant challenges, especially in terms of supply and demand.

With oil prices staying depressed from mid-2014 to mid-2017, oil and gas companies in Oman were forced to focus not only on their product supply chains, but also on the non-hydrocarbon supply chains that handle the parts, materials and services required to run the business. Indeed, procurement and supply chain strategies entered the forefront of critical issues plaguing oil and gas companies, with the sustained downward spiral of oil prices.

In this context, domestic companies in the oil and gas supply chain, especially those that provide value-add services such as repairs and maintenance of critical equipment, have an increasingly significant role to play.

Maktoom Trading & Contracting (MTC) Company was founded in 2006 to conduct maintenance activities for oil and gas companies such as Petroleum Development Oman (PDO) – one of Shell’s key investments in Oman – as well as OXY Oman and other major contractors in the Oil and Gas industry in Oman. Mr. Maktoom had a decade of experience in maintenance and site engineering when he founded the company to provide a range of supply chain services covering repairing and maintenance of Beam Pumps units for oil extraction along with other civil construction activities for oilfields.

As a local community company which has the proper infrastructure and ability to grow in the Omani market, MTC has been identified as a model for other SMEs and In Country Value (ICV) initiatives in the Oil & Gas supply chain to emulate. Since inception, it has received encouragement and support from the Ministry of Oil & Gas as well as PDO in view of the large-scale oil and gas activities requiring to be sustained by the supply chain, and the ongoing drive within the market and the sector to support ICV initiatives, and SMEs within.

In 2014, MTC needed finance to purchase new vehicles and equipment to win higher value contracts from the biggest oil and gas companies in Oman such as PDO, Occidental Oman and Daleel Petroleum, which were already clients of MTC at that time, albeit indirectly, through sub-contracted projects.

At this stage, GroFin granted MTC a much-needed loan to purchase new equipment and vehicles such as Canter, Prime Mover, Low Bed, Crane and Welding machines, which are used widely for servicing oilfields. Apart from finance, GroFin Oman also extended business support in the following areas:

- Strengthening the existing Health, Safety and Environment (HSE) standards, including creating proper manuals.
- Introducing Google cloud services to move into cloud computing.
- Improving the governance standards of the company.
- Assisting the client to register with PDO’s Local Vendors to help source contracts from PDO and other large oil and gas contractors.
- Conducting monthly review and analysis of financial accounts and statements.

Finally, GroFin’s finance and support has enabled the company to create 90 new direct jobs, with the company now having a workforce of 140 employees.

Omanisation is a key focus area for MTC management and has enhanced their ability to receive regular business contracts and support from PDO and other oil and gas companies. The Omanisation rate has increased from 16% pre-investment to 31% post-investment, well above the industry Omanisation target of 15%.

“In GroFin’s finance and support have been vital to our continued role in the oil and gas supply chain. Their assistance with market linkages, recruitment of Omani staff and managing our financials have taken this business to the next level,” says Maktoom.
THE NOMOU TEAM

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Investment Director - MENA

Yehia Ashour
Investment Executive

Ahmed Zeinkham
Senior Investment Manager

Karim El Marashly
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The impact numbers in this report are based on a review of the 103 Nomou clients as at 31st December 2017.

Primary impact (direct jobs sustained, direct female jobs sustained, % semi-skilled/unskilled employment, number of learners served, number of patients served, number of customers served etc.) is captured at the level of our clients’ investment, quarterly and annually. Impact data is collected using proprietary templates and tools during mandatory quarterly client visits carried out by the GroFin Investment staff. The impact data is then uploaded on GroFin’s ERP system, eFront which is managed centrally. Each quarter the GroFin Impact Team carries out data accuracy and completeness checks to ensure that up-to-date and quality impact data is being captured.

The socio-economic impact (indirect jobs sustained and livelihoods) is based on our analysis and derived using the model developed in 2016 by independent consultancy Steward Redqueen (http://www.stewardredqueen.com) based on GroFin client data as at end of 2015. Primary impact at the level of the Nomou clients that are known as direct effects. Economic spill over effects of our clients on the broader economy are calculated as indirect effects. These direct and indirect effects are measured along two development impact indicators: economic value added (sum of salaries, taxes and profits) and total jobs sustained (sum of direct and indirect jobs sustained).

Nomou recognises that the observed and estimated impact (e.g. direct jobs created, total jobs sustained, total economic value added) cannot always be entirely attributed to its interventions (i.e. providing access to appropriate finance, and delivering business support to SGBs). While Nomou is able to quantify its time of degree of accuracy, the effects (outcome and impact) of its interventions (inputs), we understand that there are other factors (other client funders, client activity, market activity etc.) that also contribute to the impact that Nomou estimates and reports on. Since Nomou plays such a crucial role in facilitating client sustainable growth, we report on 100% of the impact. However, Nomou does not claim full credit for this impact and uses the words “contributes to”, “sustained” and “livelihoods supported” etc. wherever possible to best describe the impact of its interventions.

Note:
The indirect impact of Nomou clients in terms of indirect jobs sustained and livelihoods supported are estimated using multipliers derived from the impact model developed for GroFin by Steward Redqueen in 2016. Although these multipliers may be subject to change in time, depending on client business performance and the macro-economic environment, the overall principle and methodology of the model are expected to remain the same. GroFin may from time to time re-actualise these multipliers to better reflect the indirect effects of its portfolio with the support of Steward Redqueen.
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