IFC Advisory Services in the Middle East and North Africa is a multi-donor facility, which supports private sector development across the region. The region comprises 20 countries and over 500 million people. It covers a diverse set of economies, from countries with ample natural resources to poor and conflict-affected countries and territories, such as Afghanistan, Iraq, Lebanon, Pakistan, West Bank and Gaza, and Yemen. Despite these differences, most countries face similar challenges, including high unemployment rates, complex legal and regulatory environments, limited access to finance, insufficient infrastructure services, and increasing pressures on existing resources, such as water and energy supplies.

CORE PRODUCTS

ACCESS TO FINANCE
The Financial Markets initiative seeks to assist private companies in the region to improve their access to finance by supporting the development of sustainable financial institutions, promoting the formation of robust capital markets, and helping create a sound legal and informational architecture. In the Middle East and North Africa region, access to finance for private companies, in particular micro, small and medium enterprises, tends to be limited due to inadequate credit information services, limited long-term capital sources, and still evolving corporate governance and transparency standards.

INVESTMENT CLIMATE
The objective of the Investment Climate initiative is to initiate and carry out targeted policy reforms designed to remove obstacles stifling private sector growth and to generate more private investment opportunities.

In most countries in the Middle East and North Africa, firms tend to be small and informal, due to a complex and unfriendly business environment, characterized by cumbersome laws, regulations, and administrative procedures that lack transparency. Investors are forced to spend substantial human and financial resources during the start-up and operation of their businesses, while settling commercial disputes can be a lengthy and unpredictable process. These factors make investors hesitant to commit their capital or to fully formalize their enterprises, impacting job and income opportunities through the private sector.

CORPORATE ADVICE
The objective of this initiative in the region is to enhance the performance and competitiveness of local enterprises in the global economy by developing and distributing tools to help them meet changing market needs.

Small and medium enterprises play a vital role in economic development, and are key to promoting job growth and innovation. To become such an engine of growth, local firms need to operate according to international standards, and be competitive in global markets. Economies in the region tend to be dominated by a small number of large companies that have relatively few links with the large number of surrounding small and informal enterprises. While the percentage of SMEs is not different from other regions, their contribution to the gross domestic product is significantly lower.

INFRASTRUCTURE ADVISORY
IFC Infrastructure Advisory provides advisory services to governments on private sector participation in infrastructure, public services, and the restructuring of state-owned enterprises. The objective is to expand access to and improve the quality of infrastructure services, such as power, transport, water and sanitation, and more recently, health and education.

In addition to providing transaction support, IFC advises on policy and regulatory issues. In particular, the initiative aims to: (i) increase access and improve the quality of public services; (ii) alleviate the budgetary constraints of governments; (iii) respect consumers’ affordability to pay for public services; and (iv) attract private sector know-how and investments through the structuring of bankable transactions, while ensuring cost recovery and financial sustainability to the sector.
ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

In Pakistan, IFC and the Banks Association are helping banks adopt sustainable banking principles that encourage expanded access to finance to underserved populations and more socially and environmentally responsible financing decisions.

By helping develop a regional Environment and Social Governance (ESG) index measuring the environmental and social corporate governance performance of companies in the Middle East and North Africa, IFC is actively empowering the private sector to enhance its competitiveness while also helping providing investors with a tool to assess a company’s sustainability measures to draw more socially responsible investment into the region.

IFC also continues to promote women’s entrepreneurship to raise the regional labor force female participation rate. In this fiscal year, 513 women were trained using Business Edge management training.

Highlight of Achievement

Since its inception in 2005 to the end of fiscal year 2008, IFC’s advisory initiatives in the region achieved tangible results. By providing advisory assistance to financial institutions and other intermediaries, IFC helped facilitate over $3.7 billion of investment and financing through the disbursement of about 1.8 million loans to small and medium enterprises (SMEs) and micro entrepreneurs. To support improvements in infrastructure and public services, IFC promoted public-private partnership and privatization transactions across the region, resulting in an estimated $1.5 billion of investment flows towards infrastructure projects. These transactions are also expected to generate nearly $1.3 billion in revenue streams for select governments in the region, which will help them reduce fiscal constraints. IFC also was successful in helping enhance regulatory reforms in several MENA countries to improve their business environments. Through the Alternative Dispute Resolution project in Pakistan alone, about $15 million in SME assets, trapped in outstanding disputes, were released.

Case Study: IFC and DFID: Partnering for Progress in Yemen

Yemen has made some important business reforms this year. IFC and the U.K.’s Department for International Development are partnering to keep progress on track.

Yemen is one of the world’s least-developed countries. Unemployment is estimated to be as high as 40 percent and nearly half the population lives on less than $2 a day. But the government is working to bring about change. It eliminated the minimum capital requirement for starting a business and launched a one-stop shop to make it easier for companies to get going.

To keep things moving, DFID has contributed $14 million to a three-year program, which will be implemented by the Yemeni government, IFC, and FIAS. The goal: creating jobs and reducing poverty in the country.

Our work will support the Yemeni government’s efforts to reduce constraints to private sector growth in several key areas, including:

- **Access to Finance:** Less than 3 percent of Yemenis have banks accounts today. To help fill the void, IFC will help increase access to finance for smaller businesses through leasing and microfinance programs.
- **Management Training:** Training entrepreneurs, with a special focus on women, through IFC’s management training tool, Business Edge. Business Edge builds a wide range of practical education and training skills, from accounting and personnel management to sales and marketing, to create more vigorous local economies.
- **Infrastructure:** Yemen has one of the lowest rates of electricity capacity per person in the region. Through this program, IFC will help the government mobilize private investment in the sector.
- **Investment Climate:** Excessive regulation and bureaucracy hold back private sector development, severely limiting the domestic entrepreneurship and foreign investment needed to create jobs and fight poverty. IFC’s response is to streamline and simplify the business environment in areas such as taxation, licensing, and business start-up procedures.
- **Industry Specific Assistance:** The country is working to build new sources of income to replace dwindling oil reserves. The program will identify investment constraints in the tourism and agribusiness sectors and help strengthen these sectors through targeted policy reforms.