

FUND OVERVIEW

MESSAGE FROM THE CIO & IE



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Iraq's economy ended 2021 on firmer footing and is expected to have grown by around 3% during the year. This positive growth rate is a welcome improvement after the sharp contraction of 16% the economy experienced in 2020. However, the recovery has been slow and was still hampered by the COVID-19 pandemic.

While the Nomou Iraq Fund's (NIF)'s investees recorded a net loss of 130 jobs during 2020, they were more resilient during 2021. Despite the lingering pandemic, the Fund's investees recorded a net increase of 67 direct jobs for the year. As COVID-19 restrictions were eased, businesses were able to resume operations and several NIF investees were able to rehire staff that were retrenched earlier. This is encouraging given the rise in unemployment and higher poverty levels in Iraq since the start of the pandemic.

NIF has invested a total amount of USD 9.36m in 13 clients and has a gross outstanding portfolio of USD 6.91m. The Fund disbursed an additional USD 284k in Q4. Another USD 1.36m worth of loans to four clients, approved earlier in the year, is awaiting disbursement in 2022. The Fund's clients have already repaid a total amount of USD 5.67m.

NII continued its COVID-19 SME Support Programme, extending its support to viable SMEs in Northern Iraq affected by the pandemic. It invested in four new clients to support an additional 86 direct jobs during the year. At the end of the year, NII contributed towards the preservation of 467 direct jobs. Cumulative disbursements for NII amount to USD 1.75m. Since 2020, NII has provided COVID-19 support loans to 25 businesses and plans to extend another round of these loans in the coming year.

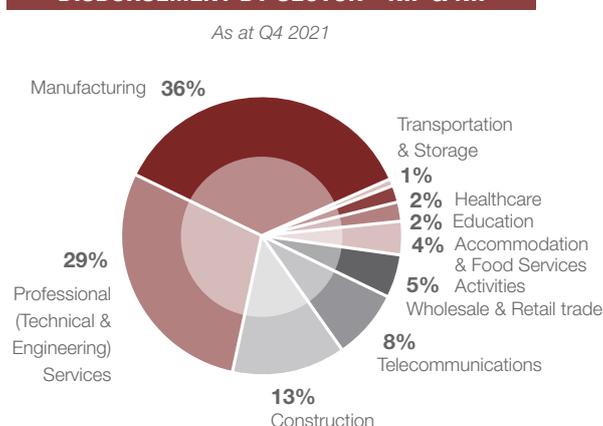
Although a higher oil price and the easing of OPEC production cuts have greatly improved the outlook for the energy sector – the country's main engine of growth – the Iraqi operating environment remains challenging for most businesses and especially for SMEs. GroFin Iraq is excited to be able to broaden its impact in Iraq through EUR 1.4m in grant funding recently approved by the Netherlands Development agency towards business support, direct financial assistance, and small-ticket startup loans to startups enrolled in the Orange Corners Incubator Programme in Erbil.

PORTFOLIO

OVERVIEW

	NIF	NII
<i>As at Q4 2021</i>		
Total disbursement to SMEs	USD 9.36M	USD 1.75M
Total portfolio balance	USD 6.9M	USD 1.09M
Total number of SMEs invested in	13	26
<i>During Q4 2021</i>		
New SMEs invested in	0	0
Value of disbursement to SMEs	USD 238K	0

DISBURSEMENT BY SECTOR - NIF & NII



PARTNER SPOTLIGHT

ORANGE CORNERS

GroFin Iraq is excited to broaden its impact in Iraq through EUR 1.4m in grant funding approved by the Netherlands Development agency towards business support, direct financial assistance, and small-ticket loans to startups enrolled in the Orange Corners Incubator Programme in Erbil. Orange Corners is managed by the Netherlands Enterprise Agency, at the request of the Dutch Ministry of Foreign Affairs. Each Orange Corner is initiated by a local Dutch Embassy and in close corporation with local partners. Orange Corners Erbil is currently managed by MSelect.

GroFin Iraq will offer skills workshops and one-on-one coaching sessions to nearly 100 entrepreneurs enrolled at the Orange Corners Incubation centre, after which 18 incubatees will be chosen to receive financial assistance and continued business support for a period of 12 months. This project will allow GroFin to leverage its experience in supporting SMEs in Iraq to further catalyse funding and support to this sector, which remains critical to job creation in the country.



“GroFin was founded based on the belief that entrepreneurs need more than money to successfully grow their businesses. We are proud to be part of a project that recognises this and will enable us to advise and guide an even greater number of Iraqi entrepreneurs to start and grow businesses that create sustainable livelihoods for Iraqis.”



Ashraf Esmael
GroFin Chief Investment Officer: Middle East



BUSINESS SUPPORT

OVERVIEW

<i>As at Q4 2021</i>	NIF	NII
Entrepreneurs who received pre-investment business support	89	55
Entrepreneurs who received post-investment business support	13	26



Al-ikseer Althahabi, NIF Investee

CLIENT STORY

Alikseer Althahabi

Abdul Ameer Farhan and Fadi Aljabry founded Alikseer Althahabi to produce decorative products like doors, fences, and window frames for use in construction. This father and son team of entrepreneurs recognised that using modern imported equipment could give them a competitive advantage by producing higher quantities and higher quality products, at a lower cost.

They spent around USD 1m to secure this equipment and began developing a production facility in Basra’s free zone. However, to complete the project, they needed additional funding to increase inventory levels, make further improvements to the plant, and purchase a generator and vehicle to transport products. But as their business was considered a startup, Abdul tried to obtain financing from banks without success.

“I invested all my money in this project and my son left his life in Germany to come back to Iraq to be a part of it. When I was looking for finance and with all the other challenges, we almost lost hope. But we decided to keep fighting to get our project off the ground and that would not have happened without GroFin’s support.”

In September 2020, the Nomou Iraq Fund extended a loan of USD 180k to Alikseer and the business could finally commence its operations. It produces both finished products to be sold directly to homeowners and building contractors, as well as semi-finished products to be sold to metal workshops. Although the COVID-19 pandemic has weighed down initial sales, the business has slowly started to build up its revenues and its current sales levels are higher than projected.

BUSINESS SUPPORT

GroFin’s business support to Alikseer has included advice on financial management, such as supporting the entrepreneurs to implement an accounting system and regularly analysing the financial performance of the business with them. GroFin has regular discussions with the entrepreneurs on sales and marketing, providing them with new ideas and suggestions to improve sales.

“GroFin is providing us with continuous business support, including financial analysis and marketing and sales advice. This helped us to have a better understanding of our company’s position in the market and our plans to expand and increase our sales.”

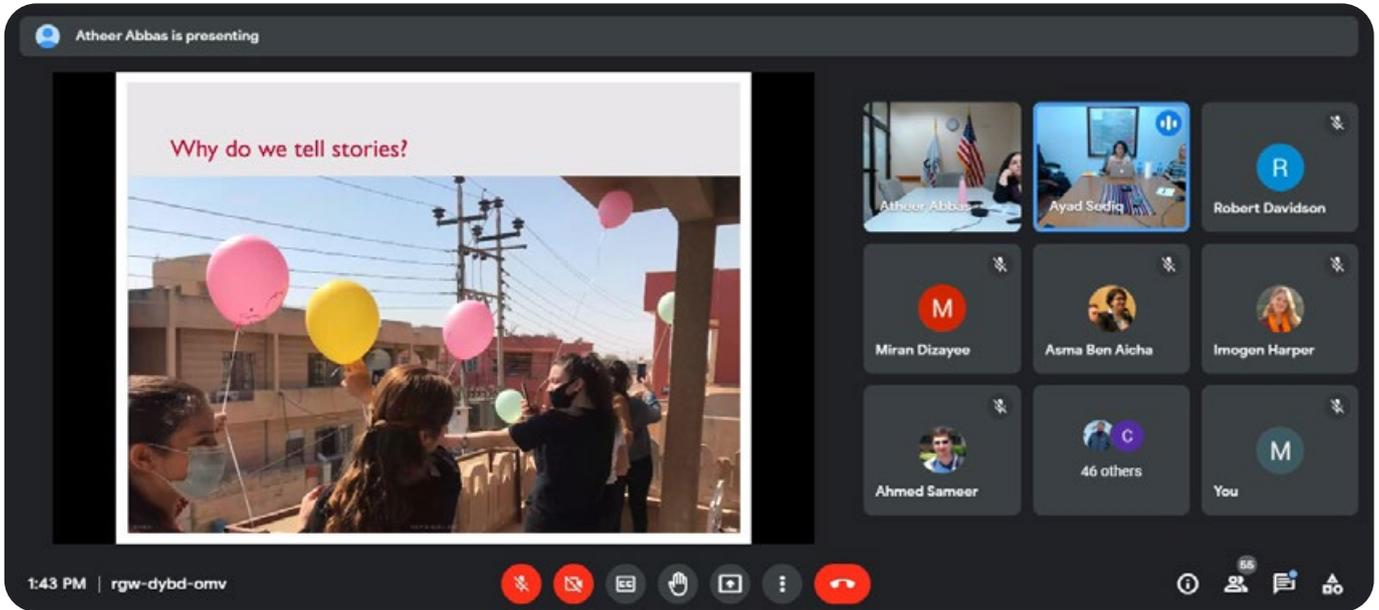
BENEFICIARY SPOTLIGHT

Alikseer currently employs 8 people. Abdul Husaain Saied had been working with the entrepreneurs on a part-time basis since 2017. When production started in 2020, he joined the business as a full-time maintenance specialist. Abdul supports his wife and five children.

“Having a full-time job is much better than doing part-time jobs, where no continuity is guaranteed. This job security has made my life better and happier and helps me provide a better life for my family.”



SOCIAL MEDIA



USAID social media training

The GroFin Marketing team attended two online training workshops facilitated by USAID. The first workshop focused on social media management for organic growth and shared best practices on cultivating a robust online presence. The second workshop taught participants how to create compelling content, providing tips and inspiration for creating visual stories that stand out from the myriad of posts appearing on people’s social media feeds every day. The session also shared best practices for conducting interviews to get the information from

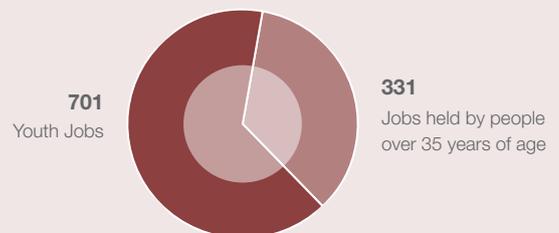
beneficiaries to tell well-rounded stories and steps for developing successful videos. The purpose of the workshops was to equip USAID’s partners to increase the visibility of their social media platforms and to guide them on producing content that can be shared on USAID’s platforms. Through engaging with the USAID Communications team and following their guidance, two GroFin clients have featured in posts on the USAID Iraq Facebook page. This page has nearly 180,000 followers.

IMPACT

OVERVIEW

As at Q4 2021	NIF	NII
Total jobs sustained	760	630
Direct jobs sustained	565	467
Total livelihoods sustained	3,800	3,150
Direct jobs sustained per USD 1M disbursed	60	267

Empowering Youth Employment in Iraq



65% of direct jobs sustained by the NII & NIF are held by the young people (less than 35 years of age)

ECONOMIC CONTEXT

- Iraq's economy is estimated to have grown by 3% in 2021 after contracting by 16% in 2020 when it was dealt a double blow by the COVID-19 pandemic and sharp fall in oil prices. The recovery remained slow in 2021 and was held back by intermittent spikes in new COVID-19 cases, deteriorating public service delivery (including widespread electricity cuts), and intensifying climate change shocks such as historically low rainfall which caused water shortages.
- It is estimated that the pandemic pushed 4.5 million Iraqis below the poverty line and increased the employment challenges in the country. Iraq's unemployment rate has risen to 13.74%, compared to 12.76% before the pandemic. Reports indicate that almost one-quarter of Iraqi citizens who were employed in the past were permanently laid off during COVID-19 lockdowns, with 36% of this group aged between 18 and 24 years.
- Almost all businesses in Iraq reported an average reduction of 23% in revenue during 2020. While revenues began to slowly recover in 2021, they hovered around 60% of pre-COVID levels. In a study of over 700 SMEs surveyed across 15 governorates, 80% of SME owners indicated they had resorted to debt to keep their businesses operational. On average, SME owners had to lay off at least two employees because of financial distress.
- The International Monetary Fund (IMF) expects Iraq's GDP to grow by around 8% to 10% in 2022. The country's economic recovery is expected to continue over the medium term, albeit subject to considerable downside risks. These risks include oil market volatility, the evolution of the COVID-19 pandemic, and the vaccination rollout.



Al-Ikseer Althahabi, NIF Investee

COVID-19 IMPACT ON NIF'S AND NII'S PORTFOLIO

- While the Nomou Iraq Fund's (NIF) recorded a net loss of 130 jobs during 2020, investee businesses were able to show more resilience during 2021 despite the lingering effects of the pandemic on the local economy. As COVID-19 restrictions were eased, businesses were able to resume operations and several NIF investees were able to rehire staff that were retrenched in the previous year.
- In 2021, NIF recorded a net increase of 67 direct jobs. The Fund's impact remained steady during Q4, and it recorded a net increase of four direct jobs.
- At the end of Q4, NIF sustained 565 direct jobs. This figure includes 58 (10%) jobs held by women, 301 (51%) by the youth, and 259 (46%) by unskilled/semi-skilled workers. The Fund sustains a total of 760 direct and indirect jobs and supports over 3,800 livelihoods. Cumulatively, it sustains 60 direct jobs per USD 1m disbursed – slightly fewer than the target of 62 direct jobs per USD 1m set for 2021.
- NII continued its COVID-19 SME Support Programme, extending its support to viable SMEs in Northern Iraq affected by the pandemic. It invested in four new clients to support an additional 86 direct jobs during the year.
- At the end of Q4, NII contributed towards the preservation of 467 direct jobs. This includes 119 jobs (25%) held by women, 400 (86%) by the youth, and 174 (37%) by unskilled and semi-skilled workers.
- NII sustains a total of 630 direct and indirect jobs and supports over 3,150 livelihoods. SMEs funded through this programme have also directly supported nearly 240 other small businesses across their value chains (including suppliers, distributors and service providers).



NII INVESTEE SPOTLIGHT

Al Nojood



Hawre Meerani, Investment Manager with Al Nojood owner Mr Mohammed Salim Mal-Allah

Al Nojood for General Construction is a construction contracting company and provides proof of the important role the SME sector can play in reconstructing both northern Iraq's economy and infrastructure. Al Nojood specialises in the construction and maintenance of roads and related civil works. Its operations include an asphalt production plant with a capacity of 80 tons per hour. The business is currently working on a project, awarded to it by the Nineveh Governorate, to rehabilitate 35km of road – including 4 bridges – between the Gwer district and the city of Erbil. It has also completed a project to provide the asphalt and repave and widen 1,221km of road between Mosul, Talafar, Ba'aj, Sinjar,

Bashiqa and Gwer. NII is soon to disburse USD 600k in financing to Al Nojood to be used as working capital and to purchase new construction equipment to help to complete its current projects.

Most of the roads and bridges in this area were demolished by ISIS or coalition forces during the invasion of Nineveh province. Mohammed Salim Mal-Allah, Al Nojood's owner, says the improvement of the roads has encouraged displaced minority communities to return home and has given them hope of greater stability.



"I feel very lucky and proud to live in this era of rebuilding my city and the cities of people with whom I have lived for more than 50 years of my life. My dream is to see Mosul city shining as it did before."

Mohammed Salim Mal-Allah, owner of Al Nojood

BUSINESS SUPPORT

GroFin Iraq has advised Al Nojood on various business areas including financial reporting, asset management, cost management, archiving business documents, and how to introduce and pitch the business to potential clients.

"[GroFin's advice] was immensely important to run my business more professionally and safely."



Al Nojood employees

BENEFICIARY SPOTLIGHT

Al Nojood currently has 74 employees. Shamil Jiyad Thanoon has been managing Al Nojood's asphalt plant for the past 17 years. Shamil says he is proud to prepare the materials needed for important infrastructure like roads and bridges. He supports his family of seven.

"By having a full-time job, I'm lucky to have a permanent [salary] every month so my family can continue to have a decent life. I want to see my city rebuilt and the economy enhanced to give a great reason for residents to come back."