

FUND OVERVIEW

MESSAGE FROM THE CIO & IE



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While the rollout of COVID-19 vaccines has seen some countries starting to return to some kind of normalcy, the situation in Iraq remains alarming. At the time of writing, only 1.5 million of Iraq's 40 million citizens were fully vaccinated. Investment activity in Iraq has been slow during the first half of the year due to the lingering impact of the pandemic and hesitancy among clients to draw down their approved facilities amid such uncertain conditions.

The Nomou Iraq Fund (NIF) only saw a marginal increase in YTD disbursements to USD 349k and cumulative disbursements to USD 8.38m during Q2. NIF has realised USD 4.96m or nearly 60% of this amount after realisations improved slightly to USD 296k during Q2. Realisations on NII's relatively young portfolio were reasonable in the first half of the year at 82% and continues to require close monitoring.

With global oil market trends turning positive, the outlook for Iraq is set to improve. Iraq's economy is set to gradually recover on the back of rising oil prices and rising OPEC+ production quotas, the World Bank forecasts that Iraq's GDP will grow gradually by 1.9% in 2021 and at an average of 6.3% in 2022 and 2023. While neither NIF nor NII made any disbursements during Q2, the investment pace has picked up at the time of writing.

NIF has approved a new investment of USD 750k to Al Mawazeen and this will be disbursed in August. Together with the expected drawdown of approved deals, this should bring cumulative disbursements to USD 1.9m. At the time of writing, NII had disbursed two additional deals amounting to USD 130k to conclude the USD 1.5m COVID-19 SME Support Programme. Together with the approval of a Tier-2 deal of USD 600k set for disbursement in August 2021, this will bring the total disbursements for NII to nearly USD 1m.

As a country, Iraq stands at a crossroads where quick fixes are limited, and the economy needs serious transformation if it is to create jobs for its growing youth population and to increase opportunities for women. At the end of Q2, NII had sustained 432 direct jobs, including 123 held by women and 365 by the youth. This includes 386 jobs which were preserved, thanks to the funding extended to 23 businesses as part of the COVID-19 SME Support Programme. Ultimately, NII's investments support 2,900 livelihoods. NIF sustains 542 direct jobs, including 50 jobs held by women, 265 jobs held by the youth, and 255 jobs held by unskilled or semi-skilled workers.

QUARTERLY HIGHLIGHTS

- **COVID-19 SME Support Programme**

NII's COVID-19 SME Support Programme was successfully concluded and has fully disbursed the targeted USD 1.5m in financing to 23 businesses, ensuring the preservation of 386 jobs. It extended financing to four women-owned businesses and nine businesses owned by a member of a minority group.

- **Sharing Best Practices in ESG Management**

GroFin has been invited by the USAID to share insights & notes on best practices and lessons learnt regarding the assessment and mitigation of ESG risks of its investees. GroFin will also be participating in a USAID webinar titled 'Engaging the Private Sector in the Fight Against Climate Change'.

- **Annual Impact Report**

GroFin released its first annual Impact Report focusing solely on our activities in Iraq. The report showcases how the focus was shifted to provide our SME clients with even more intensive business support to sustain our impact during 2020.

- **Deal Generation**

GroFin collaborated with the Industrial Union in Mosul to host local entrepreneurs at a workshop highlighting the funding opportunities offered by NII. This was the first event GroFin Iraq could host since the start of the pandemic as restrictions were eased.

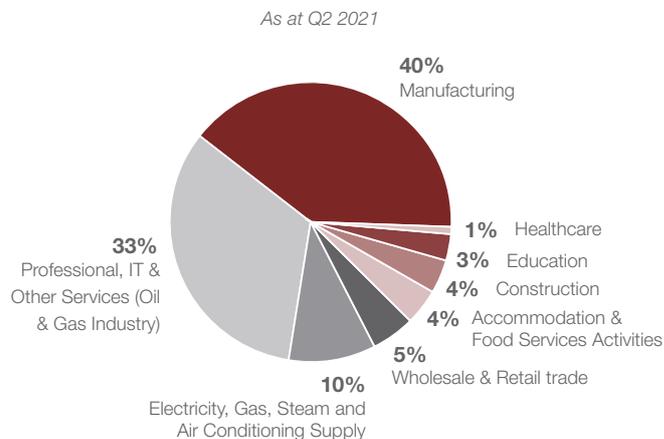


PORTFOLIO

OVERVIEW

<i>As at Q2 2021</i>	NIF	NII
Total disbursement to SMEs	USD 8.38M	USD 1.62M
Total portfolio balance	USD 6.3M	USD 1.25M
Total number of SMEs invested in	13	24
<i>During Q2 2021</i>		
New SMEs invested in	0	0
Value of disbursement to SMEs	USD 20K	0

DISBURSEMENT BY SECTOR - NIF & NII



NIF INVESTEE SPOTLIGHT

Al Mawazeen



At the end of 2020, the Nomou Iraq Fund provided USD 500k in funding to Al Mawazeen – an engineering, procurement, and construction contractor for electromechanical works in the south of Iraq. The business also supplies electric, mechanical, and chemical products and sells a wide range of lighting fixtures, wiring accessories, and professional electrical equipment from its showroom.

The financing it received from NIF bolstered Al Mawazeen’s working capital, helped to cover salaries and to import new stock at a time when the COVID-19 pandemic had dragged down its sales and caused its customers to delay payments. COVID-19 restrictions in Iraq have since been eased and Al Mawazeen’s sales and payments from its debtors have recovered.

With a higher oil price and the resumption of construction activity boding well for Al Mawazeen’s projected sales and pipeline,

GroFin is extending an additional USD 750k in financing to the business. Al Mawazeen will utilise the funds to purchase stock to expand its product range of lighting and wiring accessories and to hire more sales personnel to further boost its sales. It also plans to expand its other departments which operate in the oil & gas sector.

GroFin is continuing to provide business support to Al Mawazeen to help it reach its expansion goals. This support has included providing digital marketing training and advice, as well as assistance in preparing financial statements. GroFin also advised Al Mawazeen to apply a perpetual inventory approach to all items to improve its inventory tracking and management.



GroFin provides digital marketing training to Al Mawazeen

COVID-19 has prompted businesses around the world to shift their sales and marketing efforts online. In response to the pandemic, GroFin started utilising the skills of our internal marketing team to help our clients improve their online presence.

The GroFin Iraq team also identified a greater focus on online sales as one of the key steps Al Mawazeen could take to counter the impact of COVID-19 restrictions on sales in its physical showroom. Our Marketing team reviewed Al Mawazeen’s website, Facebook page, and Instagram profile and provided recommendations on how to improve their use of these platforms for marketing. We also recommended

using WhatsApp Business to manage their interaction with customers. The GroFin Marketing team will continue to provide regular advice and support to Al Mawazeen going forward.



“I think we should have done this session three months ago as we have learned so much today and it’s an exciting journey ahead.”



Dr Haider Al-Mulla, owner of Al Mawazeen

BUSINESS SUPPORT

OVERVIEW

As at Q2 2021	NIF	NII
Entrepreneurs who received pre-investment business support	84	51
Entrepreneurs who received post-investment business support	13	24



Digital marketing training, Al Mawazeen

GENDER LENS INVESTING

#ChooseToChallenge beyond International Women’s Day

Achieving gender equality is part of GroFin’s objectives, as highlighted through participating in the United Nation’s International Women’s Day campaign for the second year in a row by choosing to challenge social and economic inequalities toward women.

The GroFin campaign used the official UN theme “Choose to Challenge” and celebrated the achievements of GroFin’s female clients across Africa and the Middle East. It featured videos and articles on three women entrepreneurs from northern Iraq: Mia Bella Beauty Lounge, Luma Style Salon, and La Dolce Vita Restaurant.





NII COVID-19 SME Support Programme successfully concluded

NII’s COVID-19 SME Support Programme has been successfully concluded after extending its targeted amount of USD1.5m in financing to 23 small businesses affected by the pandemic. The Programme ensured that NII could continue its efforts to help support and revitalise northern Iraq’s SME sector despite the even greater challenges COVID-19 created for local entrepreneurs.

The funding extended ensured the preservation of 386 jobs at risk of being lost and helped to create 26 new direct jobs. The Programme’s investees included nine businesses owned by entrepreneurs who are members of a minority group and four which previously had to be rebuilt after being looted or destroyed when ISIS seized control of the region.

The Programme also allowed GroFin Iraq to achieve the significant impact milestone of extending funding to women-owned businesses for the first time. It provided financing to a total of four women-owned businesses and sustained 116 jobs held by women. The jobs sustained by the Programme included 106 held by unskilled or semi-skilled workers and 323 held by young people (younger than 35).



“Entrepreneurs in Northern Iraq already had to show incredible resilience in trying to rebuild their businesses after ISIS was expelled from the region and were already in great need of support. NII was conceived to grow and develop sustainable small businesses to create jobs. But during the pandemic, just preserving jobs became critical.”



Ashraf Esmael,
Chief Investment Officer: MENA

NII INVESTEE SPOTLIGHT

Hizheer Restaurant

After being forced to flee their home in the northern Iraqi city of Sinjar when ISIS invaded, Ahmed S. says his family considered leaving the country for good. Ahmed is Yazidi, a minority group that historically inhabited Sinjar and were violently persecuted when ISIS seized control of the region in 2014. Ahmed says it is impossible to fully convey the impact that the invasion by ISIS had on Yazidis. *“No pen or thoughts or words can express it fully. Those who were not killed or kidnapped or raped were deserted and displaced.”*

But instead of leaving, Ahmed returned to Sinjar in 2019 to open Hizheer Restaurant. *“I thought of bringing life back to my community,”* he says. Hizheer soon became a popular venue for events hosted by NGOs working to rebuild Sinjar and the restaurant helped to signal what seemed to be a return to normal life in Sinjar. Then, nine months after Hizheer opened, COVID-19 put all of that to an abrupt end. Ahmed says the pandemic caused serious damage to his business as regulations forced it to remain closed from mid-April to September 2020. Hizheer received a support loan through the NII COVID-19 SME Support Programme, allowing the business to pay off the debts

it accumulated during lockdown so it could reopen. As a result, the restaurant continues to employ 13 people. Hizheer’s general manager says many people in Sinjar lost their jobs because of the pandemic. *“It is very important for me to preserve my work and try to enlarge and expand it after this crisis. My hope for the future is that most of the displaced Yazidis return to Sinjar.”*

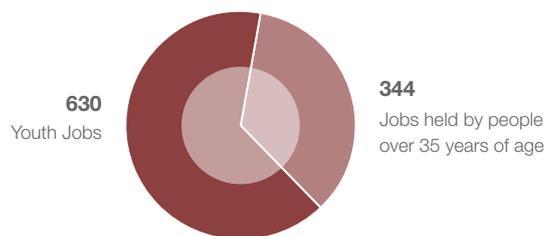


IMPACT

OVERVIEW

As at Q2 2021	NIF	NII
Total jobs sustained	730	580
Direct jobs sustained	542	432
Total livelihoods sustained	3,650	2,900
Direct jobs sustained per USD 1M disbursed	65	267

Empowering Youth Employment in Iraq



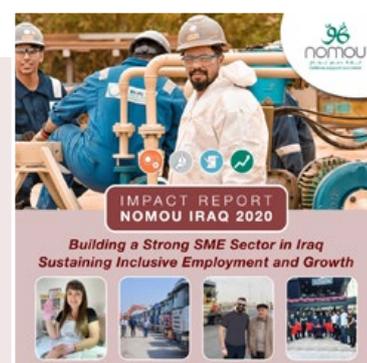
65% of direct jobs sustained by the NII & NIF are held by the young people (less than 35 years of age)

- Economic conditions in Iraq remain challenging due to the repercussions of the pandemic. A surge in new COVID-19 cases between January and July 2021 resulted in lockdown restrictions being maintained during Q2 2021 – mostly affecting businesses in the oil & gas, manufacturing, retail, and hospitality sectors.
- NIF recorded a net increase of 7 direct jobs during Q2 2021, reporting the creation of 34 new direct jobs against a loss of 27. As a result of lockdown measures, one client operating a cinema (Sama Al Iraq) remain closed during the quarter and had to lay off 19 employees. A client in the manufacturing sector (Noor Al Qamer) also reported a loss of 8 direct jobs. Four clients created 34 new direct jobs in Q2. Al Majal Technical Services, which had experienced a slowdown during Q1, created 73% of these jobs.
- As at the end of Q2 2021, NIF sustained 542 direct jobs. This includes 50 jobs (9%) held by women, 265 jobs (49%) held by the youth, and 255 jobs (47%) held by unskilled or semi-skilled workers. The Fund sustains a total of 730 direct and indirect jobs and supports over 3,650 livelihoods. Cumulatively, it sustains 65 direct jobs per USD 1m disbursed – on par with its target for 2021.
- While NII did not invest in any new clients during Q2 2021, its existing clients recorded net growth of 16 direct jobs sustained. Four existing clients (operating in the construction, manufacturing, and healthcare sector) created 21 new jobs and two clients (in the manufacturing sector) lost 5 direct jobs.
- At the at end of Q2 2021, NII sustained 432 direct jobs. This includes 123 jobs (28%) held by women, 365 jobs (84%) held by the youth, and 133 jobs (31%) held by unskilled or semi-skilled workers. NII sustains a total of 580 direct and indirect jobs and supports over 2,900 livelihoods.
- To date, the COVID-19 SME support programme has contributed towards the preservation of 386 direct jobs at the level of 23 SMEs and assisted in the creation of 26 new direct jobs. SMEs funded through this programme has also directly supported nearly 220 other businesses across their value chains (including suppliers, distributors, and service providers).
- Economic conditions in Iraq remain challenging due to the repercussions of the pandemic. A surge in new COVID-19 cases between January and July 2021 resulted in lockdown restrictions being maintained during Q2 2021 – mostly affecting businesses in the oil & gas, manufacturing, retail, and hospitality sectors.

ANNUAL IMPACT REPORT

GROFIN IRAQ RELEASES ITS FIRST ANNUAL IMPACT REPORT

GroFin released its first annual Impact Report focusing solely on our activities in Iraq. This report highlights the impact the Nomou Iraq Fund and Northern Iraq Investments achieved during 2020. It showcases how focus was shifted to provide the SME clients with even more intensive business support to sustain impact during an extremely challenging year, including through the successful implementation of the NII COVID-19 SME Support Programme.



DEAL GENERATION

As part of its ongoing efforts to strengthen deal generation, GroFin is also exploring how online tools could be used more effectively to identify, attract, and engage with potential clients in Iraq. Earlier this year, we reviewed the NII website to include a newly developed online application form that automatically screens applicants based on certain criteria. In June, a Facebook

campaign was used to drive greater traffic to the NII website and this new application page. The campaign yielded 36 applications, 7 of which met the initial criteria to proceed. The GroFin Marketing team has also provided training to the Iraq team on how to use LinkedIn more effectively to increase GroFin’s visibility in their networks and generate potential prospects.



DEAL GENERATION

GroFin hosts funding workshop for entrepreneurs in Mosul



Hawre Meerani, Investment Manager - NII, addressing entrepreneurs in Mosul.



"I would like to thank GroFin for their interest to reach out to us and gather entrepreneurs in Mosul to provide them with details of their programs and hopefully much-needed investment opportunities."

Omer Wamidh, Industrial Union

The GroFin Iraq team recently hosted local entrepreneurs from Mosul at a workshop to highlight the funding opportunities and support for SMEs that GroFin offers through Northern Iraq Investments (NII).

The event was organised in collaboration with the Industrial Union in Mosul which introduced the nearly 30 attendees to GroFin and NII. The GroFin Iraq team explained NII's purpose and the socio-economic impact it aims to achieve by supporting SMEs to create and sustain local jobs. GroFin's loan process and the type of funding it offers were outlined and the audience was introduced to NII's newly approved Tier 2 – Median Programme.

Café A1
(NII investee)

Mohammed T. knew that one day the call would come. But when a neighbour phoned to tell him that ISIS had destroyed his restaurant in the northern Iraqi city of Mosul, he was still devastated.

The American style dishes that helped to make Café A1 popular among students and young professionals, also made it a likely target for destruction when ISIS seized control of Mosul in June 2014. Although he lost everything he had invested in his business, Mohammed says his love for his job and the needs of his community compelled him to return to Mosul to rebuild Café A1.

But last year, COVID-19 cast the future of the business in doubt again. Lockdown measures forced Café A1 to stay closed from mid-March until June 2020 and Mohammed feared his business would have to shut down for good. A relief loan from the NII's COVID-19 SME Support Programme helped to cover Café A1's working capital needs, rent, and salaries. *"My biggest fear was I would not be able to sustain my family financially. The loan helped my business survive,"* Mohammed says.

Although evening curfews are still affecting restaurants in Mosul, Mohammed says the situation is much better now and Café A1 can continue to employ nine people, including three women.

Temira S. has been working as a receptionist at the restaurant for three years. Temira's job allows her to support her parents and three sisters, and she is grateful that she was able to stay employed despite the pandemic. *"It means a lot to me. I stayed at home for two months and thought my career had ended."*

