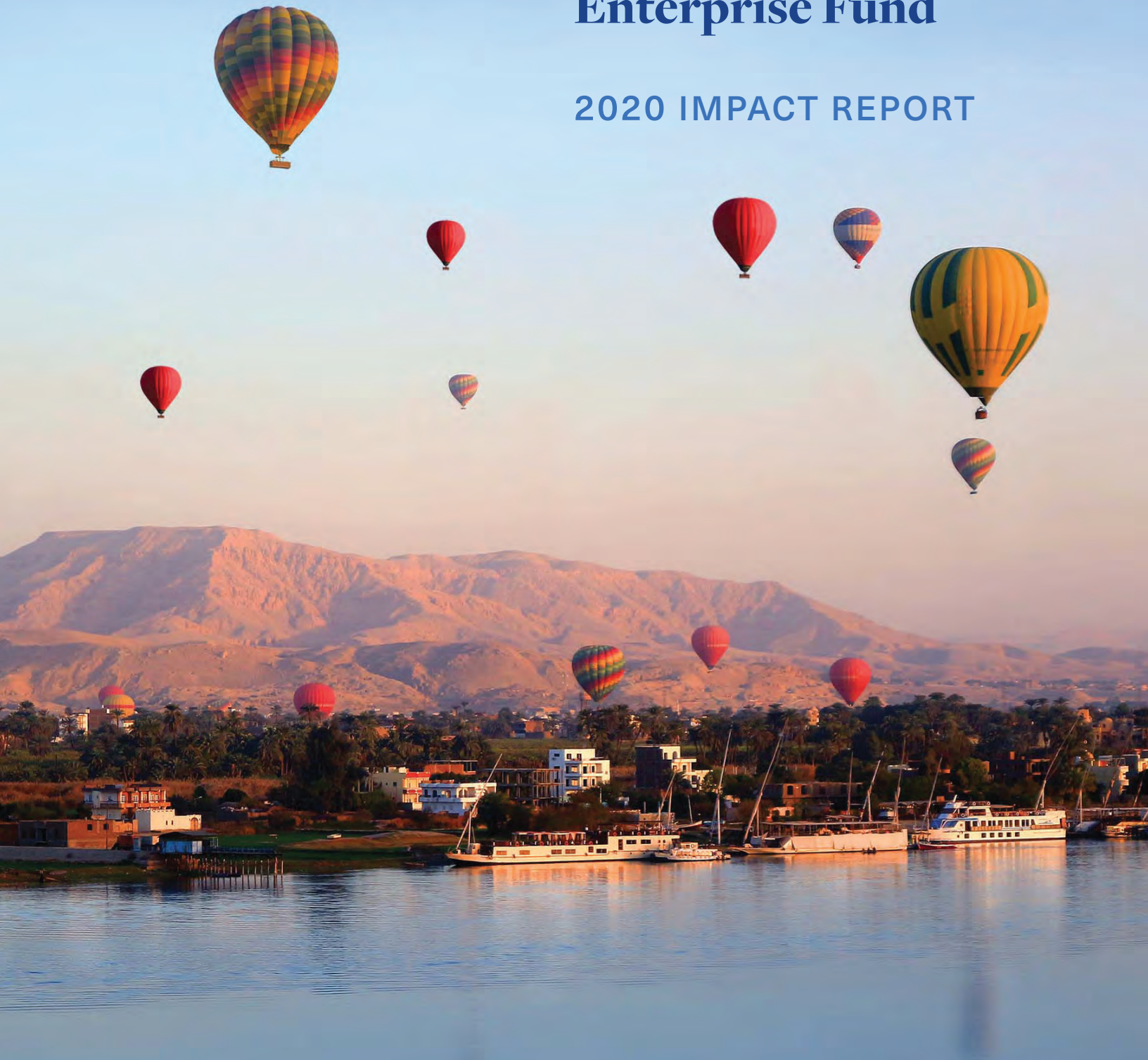

Egyptian-American Enterprise Fund

2020 IMPACT REPORT





Egyptian-American
Enterprise Fund

Published June 2021

Cover Photo: Hot air balloons floating over the Nile River at Sunrise, Luxor, Egypt
Inside Photo: Palm trees and feluccas on the Nile River, Aswan, Egypt

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A Message from James A. Harmon

CHAIRMAN, EAEF

The COVID-19 pandemic presented many challenges in 2020, but it also allowed EAEF to strengthen its support for Egypt’s private sector. We had been here before. In 2015, we made our first investment in Egypt amid a deep economic crisis. A year later, the country devalued its currency as part of a series of painful reforms to rebuild its economy. Even in heightened uncertainty, we continued to invest.

In 2020, much like 2015, we doubled down on Egypt’s private sector. We extended support to our partners and made new investments in underserved communities. For example, in our efforts to expand healthcare access, we invested in the largest healthcare provider in the Nile Delta — a densely populated region, north of Cairo.

As part of our COVID-19 response, we committed a \$10 million loan to Fawry Microfinance to lend money to small businesses. This partnership is an exciting opportunity to leverage Fawry’s digital financial services to provide rapid lending to thousands of

Egyptian businesses. We believe this model can be easily replicated to reach microenterprises in other emerging economies.

In 2020, we also helped our long-term investment advisor, Lorax Capital Partners, close its first, independent investment fund by committing \$50 million to its first closing.

These achievements would not have been possible without our board of directors and on-the-ground Egyptian investment partners. Placing local citizens at the forefront of enterprise funds is critical to understanding these markets and building trust in host countries.



Photo: Busy Khan el-Khalili bazaar prior to COVID-19. Cairo, Egypt

The U.S. Congress established EAEF in 2011 to help grow Egypt’s private sector. Since then, we have invested over \$220 million in more than 75 companies. The market value of our portfolio, as of March 2021, is nearly \$600 million. This financial success exceeds any of the returns of the 10 enterprise funds launched by the U.S. in the past 30 years. Moreover, our impact on job creation, promoting gender equality, and attracting new sources of capital to Egypt continues to grow every year.

In 2021, we will begin marketing Egypt to U.S. investors. The strong financial and impact returns generated by EAEF should be attractive to U.S. institutions and family investment offices. Raising additional capital from the U.S. to invest in Egypt will help its private sector become the leading engine of growth. It will also help sustain a durable economic relationship between our countries.

As we consider the future in the wake of COVID-19, our model should now be replicated by the U.S. in countries of Central America, Africa, and Asia that need similar economic support. Recently, leading impact investment funds have expressed interest in co-investing with enterprise funds, which they

see as the epitome of impact investing. That means the U.S. government would need to provide very little federal funding to create new enterprise funds. This will reduce U.S. taxpayer expense and bring more expertise, including new forms of technology, to emerging economies. This kind of economic development can help create new markets for U.S. products and promote job creation — reducing the likelihood of social and political instability abroad.

As we continue advancing EAEF’s mandate, we are pleased to share our second annual impact report highlighting the important returns achieved by our partners. We thank our board of directors, USAID, and the many Egyptians who have helped us deliver on our mandate.

A handwritten signature in blue ink that reads "J. Harmon".

James A. Harmon
Chairman, Egyptian-American
Enterprise Fund

Executive Summary

Following Egypt’s 2011 revolution, the U.S. Congress created the Egyptian-American Enterprise Fund (EAEF) to help rebuild the country’s private sector. In order to stimulate Egypt’s private sector after a sharp decline in tourism and foreign direct investment, the U.S. Congress reintroduced a concept pioneered by the first Bush administration in the early 1990s: private sector-led investment funds that used public funding to build market-based economies in the former Soviet Union. These enterprise funds provide flexible equity and debt financing to private enterprises in undersupplied capital markets, to help attract additional foreign investment.

EAEF began investing at the height of Egypt’s economic crisis. First, we seeded Lorax Capital Partners, a first-time, Egyptian fund manager, to help us source new investment opportunities. Next, EAEF’s staff and board of directors worked closely with Lorax to identify investments that would create jobs, broaden access to financial services, and empower women. In 2015, EAEF made its first investment when we brought in a consortium of international investors to acquire a majority stake in Fawry, Egypt’s leading electronic payments company, for \$100 million. Since then, EAEF has invested over \$200 million and helped attract another \$447 million in foreign capital to Egypt.

EAEF also supports other first-time fund managers, including Tanmeya Capital Ventures (TCV) and

Ezdehar Management, with long-term capital so they can build track records and market themselves to new investors. We complement this with capacity building and technical assistance to help our partners grow and strengthen their commercial viability. The urgency of this support became immediately apparent following the outbreak of COVID-19.

EAEF leapt into action, offering its partners working capital loans and technical assistance to adapt to a suddenly shifting work environment. We also committed new sources of capital to existing partners. Our anchor investment in Lorax’s first, independent private equity fund helped secure over \$80 million from other foreign investors, in one of only a few private equity closings in the MENA region in 2020.



Photo: Harbor of Alexandria, Egypt

With the new U.S. administration potentially expanding enterprise funds to other regions of the world, our efforts to strengthen EAEF’s impact measurement and management (IMM) take on new importance. A robust IMM can demonstrate the viability of our model and serve as a template to help future enterprise funds measure their development impact.

We are partnering with thought leaders in impact investing — including the International Finance Corporation and the Impact Management Project— to evaluate the impact of our investments and mobilize additional private capital to meet Egypt’s sustainable development goals. In the coming months, we will continue refining our IMM to not only improve our social and environmental impact, but to recalibrate our investment strategy as we seek to create a climate for sustainable, long-term investment in Egypt.



ACHIEVEMENTS
IN 2020

**\$50
MILLION**

Anchor investment in
Lorax Capital Partners
Fund II

**\$10
MILLION**

Committed to Fawry
Microfinance to provide
loans to MSMEs

**\$6.7
MILLION**

Co-invested in
Al-Tayseer Healthcare
Group in the under-
served Nile Delta region

Portfolio Snapshot

\$223.9M INVESTED

We invest in companies directly and via our investment advisors, Lorax and TCV, plus additional fund managers to expand our impact across Egypt.

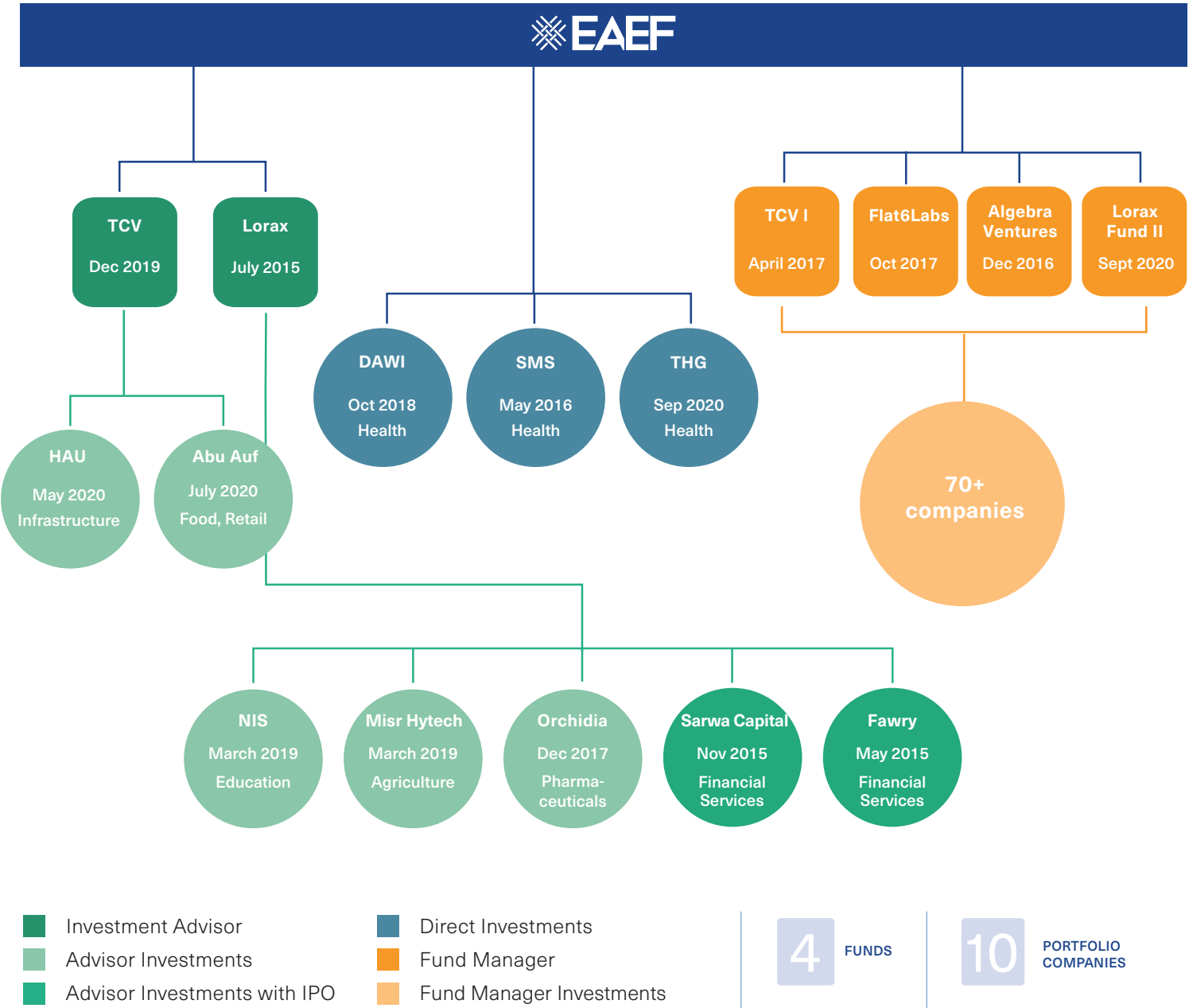


Photo: Columns at Luxor Temple, Egypt



\$223.9 MILLION
TOTAL CAPITAL INVESTED



PORTFOLIO
\$174.7M



PORTFOLIO
\$10.2M

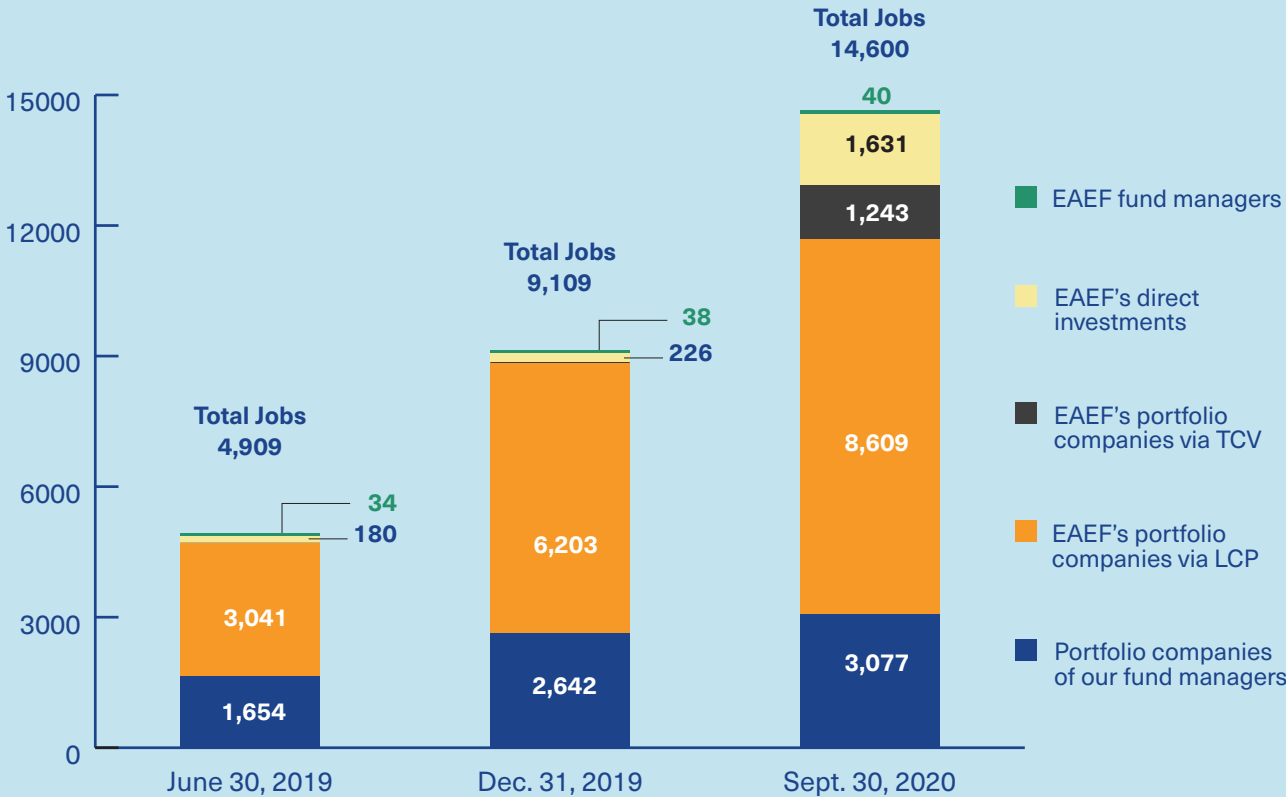


\$11M
DIRECT INVESTMENTS



\$28M
FUND MANAGER INVESTMENTS

JOB GROWTH 2019-2020



KEY METRICS

272+
225,000

USING FAWRY'S
SERVICE POINTS



Number of SMEs benefiting
from EAEF activities¹

23

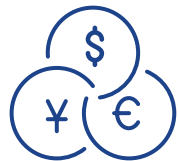
WOMEN IN
LEADERSHIP



Number of SMEs benefiting
from EAEF activities with
women leadership

\$47.4M

FOREIGN AND
DOMESTIC CAPITAL



Invested in SMEs benefiting
from EAEF activities

\$447M

OVERALL FDI



Overall FDI attracted to fund
managers and investees

3,189

JOBS CREATED



Jobs created at SMEs
benefiting from EAEF
activities

Overall job growth
2019-2020

9,691

TOTAL NEW JOBS



COVID-19 Response

As soon as COVID-19 was classified as a pandemic and the global economy came to a sudden halt in early March 2020, we made daily check-in calls to our Egyptian fund managers and portfolio companies to understand the disruption to their businesses and brainstorm how to best support them. We offered working capital loans and technical assistance, but instead found a portfolio of resilient companies that were already adapting to a rapidly changing business environment.

While lockdown restrictions and a decline in consumer demand slowed economic growth, our portfolio companies stayed nimble. They implemented effective business continuity plans and leveraged existing technologies to adopt digital solutions accelerated by COVID-19. Their resilience serves as a testament to the caliber of their management and EAEF's fund managers.

With EAEF partners in a strong position to weather the COVID-19 crisis, we then turned our attention to supporting Egypt's private sector, which is the genesis of our founding.

We immediately called our partners in the government, private sector, and development community to consider new initiatives that could help micro, small, and medium-sized enterprises (MSMEs), and the broader private sector respond to COVID-19. These initiatives included lending to MSMEs, investing in new healthcare opportunities, and helping our long-time advisor, Lorax Capital Partners close its first independent investment fund — a powerful signal to other investors that one could still do business in Egypt.

But first, we turned to helping the thousands of micro and small businesses disproportionately affected by the COVID-19 pandemic.

Photo: Formerly bustling Khan el-Khalili bazaar closed during COVID-19 lockdown. Cairo, Egypt



Fawry Microfinance Partnership



Photo: Egyptian shop owner using Fawry POS.
Photo credit: Oliver Weiken, IFC

Fawry Microfinance Impact²



Supporting MSMEs during COVID-19

Micro, small, and medium-sized enterprises (MSMEs) are the backbone of Egypt's economy, generating over 80% of private-sector employment.³ To support these businesses during the pandemic, we approached the CEO of Fawry — Egypt's largest e-payments platform and an EAEF investee — about extending a loan to the company's new microfinance subsidiary.

By April 2020, EAEF agreed to lend Fawry \$10 million to leverage its digital financial services infrastructure to provide rapid lending to its network of over 100,000 Egyptian small businesses. The microfinance lending targets supermarkets, telecom stores, kiosks, and other small businesses throughout Egypt. This financial assistance is not only critical to their resilience and recovery, but also for stimulating economic growth in Egypt. This partnership supports both Fawry's efforts to pioneer direct digital lending to Egypt's large, underbanked MSME market, and EAEF's own objective to improve access to financial services in Egypt.

“Fawry is pleased to partner with EAEF to support Egypt’s small businesses during this unprecedented crisis. We are eager to leverage our digital financial services infrastructure to provide rapid lending to Egyptian small businesses negatively impacted by COVID-19.”

— Ashraf Sabry, CEO, Fawry

Fawry

Fawry is Egypt's largest e-payments platform and one of the country's fastest growing companies. In August 2020, Fawry became Egypt's first “unicorn” when its market valuation increased to over \$1 billion.

In 2015, EAEF invested \$20 million as part of a consortium of international investors that acquired a majority stake in Fawry for \$100 million. Since then, the company has grown significantly, with nearly one-third of Egypt's population now using its services and 2,534 new jobs created.



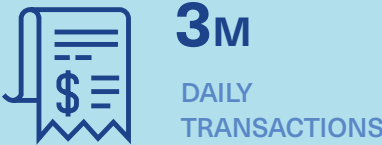
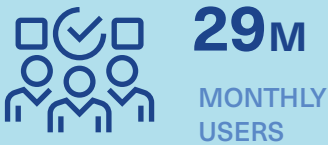
Photo: Fawry headquarters. Cairo, Egypt

Fawry provides digital financial services to millions of Egyptians who are underbanked and have limited access to financing. It is the only financial technology company on the Egyptian Exchange and currently offers 894 electronic payment services through its network of 225,000 service points across 300 cities in Egypt. These include ATMs, mobile wallets, retail shops, post offices, and vendor kiosks. During the pandemic, Fawry witnessed significant growth as consumers shifted from cash to digital transactions.

Nine Months ended September 30

	2020	2019	YOY Change
Revenue	\$56.4 million	\$36.6 million	54.3%
Profit	\$9.2 million	\$4.5 million	102.4%

Fawry’s impact⁴



Al-Tayseer Healthcare Group



Photo: Al-Tayseer International Hospital

Investing in Healthcare

Egypt’s healthcare sector remains underfunded and highly fragmented. COVID-19 exacerbated long-standing challenges to Egypt’s healthcare system and reaffirmed the need for private sector investment to help meet consumer demand and access to quality care. EAEF is committed to investing in this vital sector to improve healthcare for Egyptians and to support the government’s efforts toward achieving universal health coverage.⁵

Our existing investments in healthcare, Dawi Clinics and Smart Medical Services, seek to expand access to quality, affordable health services for Egyptians. In the wake of COVID-19, we wanted to increase our investments in healthcare to expand access to underserved communities. In September 2020, we co-invested in Al-Tayseer Healthcare Group (THG) alongside Ezdehar Management, a leading Egyptian private equity firm.

“EAEF’s co-investment in THG was critical to executing this transaction. EAEF understood the development impact of investing in the underserved Nile Delta and acted quickly to close the deal. We are pleased with EAEF’s support and look forward to continuing to work together to support the growth of Egypt’s private sector.”

— Emad Barsoum, Managing Director, Ezdehar

As the largest healthcare provider in the Nile Delta region — a historically underserved and heavily populated area north of Cairo — THG represents a unique opportunity to expand access to quality, affordable healthcare in Egypt. The healthcare operator has grown significantly over the last five years, led by its flagship hospital, Al-Tayseer International Hospital in Zagazig, a major city in the Nile Delta region. In the coming years, the healthcare group is poised to expand considerably by increasing bed capacity, renovating and expanding its hospital in Mansoura, and establishing a new hospital in the Nile Delta. THG’s future growth will also be supported by its acquisition of Hassab Labs, the leading chain of medical laboratories in the Mediterranean port city of Alexandria.

By co-investing in THG, we created a new partnership with Ezdehar, a talented Egyptian fund manager, which — alongside Lorax Capital Partners and Tanmeya Capital Ventures (TCV) — is the third private equity manager EAEF has partnered with in Egypt. This partnership is part of our larger strategy to back emerging fund managers by providing new sources of capital to support and scale Egypt’s private sector.



Photo: Pastoral scene along the Nile River, Egypt

THG’s Impact

\$6.7M
EAEF INVESTMENT



162
BEDS



36
DIAGNOSTIC LABS



425,000
PATIENTS
(ACROSS 1 HOSPITAL AND LABS)



1,400
EMPLOYEES;
39% (550 JOBS)
HELD BY WOMEN



Increasing Capital Investments in our Partners



Photo: Ezdehar Team

Investing in Our Partners

In 2020, we committed \$67.7 million to our partners, including \$50 million to Lorax Capital Partners Fund II—their first, independent private equity fund. In September, amid the pandemic’s unstable economic climate, Lorax raised an impressive \$142 million in the fund’s initial closing. This closing helps pave the way for a second closing, alongside other global investors in 2021.

Trust and support from EAEF as an anchor investor were key to securing commitments from multiple development finance institutions (DFIs) in Lorax’s first closing. EAEF knew raising capital would be no easy feat for Lorax, even with their status as one of Egypt’s top private equity managers. Therefore, we reinforced their strength as a firm in conversations with potential investors, explaining the history of our relationship, and speaking to the caliber of the Lorax team.

“EAEF’s endorsement played a key role in boosting confidence among the DFIs in our first, independent fund. EAEF’s Chairman, Jim Harmon, spoke with each DFI personally, helping them gain comfort with a new fund investment.”

– Ashraf Zaki, Managing Partner, Lorax Capital Partners



Photo: Egyptian Museum, the oldest archaeological museum in the Middle East. Cairo, Egypt

Investor Contribution

In 2018, the Impact Management Project (IMP), a global forum for developing norms around impact measurement and management (IMM), developed four strategies to demonstrate *investor contribution* — the contribution an investor makes to investee enterprises to help them create impact.⁶

- 1. Grow New or Undersupplied Capital Markets
- 2. Provide Flexible Capital
- 3. Engage Actively
- 4. Signal That Impact Matters in Investment Decision-Making

As noted by the IMP, these norms are neither prescriptive nor hierarchical. While many investors do not achieve all four given the different roles they play in local markets, these strategies provide an important framework to describe EAEF’s role in strengthening Egypt’s private sector.

Growing an Undersupplied Capital Market

The U.S. Congress created EAEF to stimulate investment in Egypt after a steep decline in foreign investment following the country’s 2011 revolution. When we began investing in Egypt in 2015, foreign capital had dried up due to an unstable political and security environment.

To jumpstart our activities, we seeded Lorax Capital Partners, a group of highly talented Egyptian finance professionals, to serve as our investment advisor.

In 2015, we made our first investment in Fawry as part of a \$100 million consortium of international investors. These initial transactions illustrate our efforts to grow an undersupplied capital market using *catalytic capital* — investment capital that accepts disproportionate risk to generate positive impact and attract third-party investment that would otherwise not be possible.⁷



Photo: Alexandria Harbor and the Corniche. Alexandria, Egypt

Providing Flexible Capital

But those were just our first steps. We followed up by investing in new fund managers and early-stage companies. In some investments, we accepted the possibility of lower financial returns in return for positive social impact. Providing this flexible capital ensured that socially valuable investments would happen in the absence of other foreign investors. Since 2015, EAEF has worked with five, first-time Egyptian fund managers to invest in more than 75 companies. Our investments have helped these entities attract an additional \$447 million in foreign capital.

EAEF’s mandate as a long-term investor committed to building a sustainable and resilient climate for investment in Egypt provided a unique model to kickstart the private sector’s recovery. By taking on the risk of investing in new fund managers and early-stage businesses, many of which have exceeded our financial and development expectations, we have helped make the case to foreign investors that Egypt is an attractive investment destination.

Investment
Commitments

\$174.7 MILLION	LORAX ADDITIONAL \$50M IN 2020
\$10 MILLION	TCV ADDITIONAL \$30M IN 2019
\$10 MILLION	ALGEBRA VENTURES
\$6.7 MILLION	THG VIA EZDEHAR
\$600 THOUSAND	FLAT6LABS ADDITIONAL \$1M IN 2020

Statistics

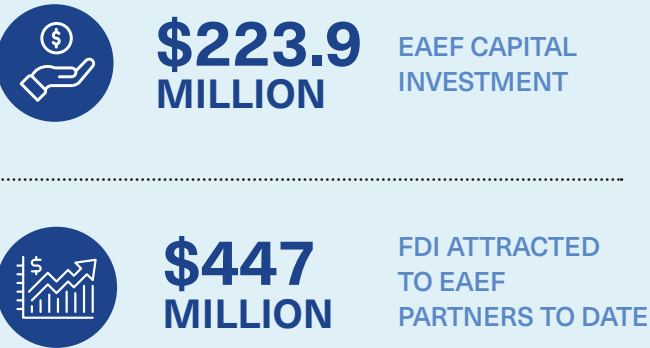


Photo: Tomb of Ramses IV. Valley of the Kings, Egypt



Photo: Shali Fortress.
Siwa Oasis, Egypt

Engaging Actively With Our Partners:
Capacity Building and Technical
Assistance

According to the IMP, in order to increase the social and environmental impact of businesses, investors should engage actively with their partners by providing mentorship and technical assistance. This strategy can include a wide array of approaches.⁸ In the early days of EAEF, this meant leveraging the experience of our board of directors to provide hands-on management support to our main investment advisor, Lorax Capital Partners. Together, we meticulously analyzed investment opportunities with Lorax to identify those that would have a positive impact on Egypt’s socioeconomic development. In a few short years, Lorax became one of Egypt’s leading fund managers, with the talent and vision to move beyond advising EAEF to raising their own independent private equity fund.

To replicate our success with Lorax, EAEF is now helping build a track record for our investment advisor, Tanmeya Capital Ventures (TCV). EAEF’s staff and board provide hands-on support to TCV to help grow their business, raise new rounds of funding, and increase their social impact in Egypt. This specialized support from EAEF also extends to our investees.

In 2020, EAEF helped strengthen the commercial viability of both TCV and Dawi Clinics, one of our most exciting portfolio companies, with technical assistance grants. This technical assistance helped them increase their social and environmental impact, and successfully adapt their business models to the COVID-19 crisis.

EAEF’s Ongoing Commitment:
Signal That Impact Matters

EAEF’s mandate to help develop Egypt’s private sector means that we must always consider the measurable positive and negative impacts of making an investment. It is baked into our directive from the U.S. Congress. As a result, measuring and managing our impact is at the heart of our investment decision-making, and we underscore this to our investees and fund managers. Our efforts to build a robust IMM began when we published our first impact report in 2020, and we are continuing to work with our partners to increase and measure EAEF’s social and environmental impact.

Dawi Clinics



Photo: Dawi employees

Dawi is a women-led chain of primary healthcare clinics for Egyptians who seek high-quality, affordable private healthcare. Dawi entered 2020 with plans to open new clinics in underserved areas of Egypt. In January and February, Dawi had opened three new clinics and met 95% of its monthly revenue targets, but by March, its clinics saw a 65% drop in patients due to COVID-19.

In response to the shift to virtual care during the pandemic, Magda Habib, Dawi’s CEO, knew the company had to expand its telehealth services. While Dawi’s existing technology offered sufficient coverage to meet patient needs, the sudden demand for digital health services made clear that Dawi would have to adapt to a changing environment.

To continue providing high-quality healthcare to its patients, Magda approached EAEF for support to hire an international healthcare consultant to help build out Dawi’s technology platform.

“During COVID-19, EAEF stayed in constant communication with Dawi and offered various forms of assistance to help us adjust to a changing environment. In tough times you want someone there for you. EAEF provided that with steadfast support, including public visibility to help boost Dawi’s profile by inviting me to serve as a panelist in the fund’s first-ever webinar.”

— Magda Habib, Dawi CEO

Dawi’s Impact:



11
CLINICS



151
JOBS SUPPORTED
(58% WOMEN)



25,542
PATIENTS (2020)
FROM 9200 (2019);
211% INCREASE



111
TOTAL NEW JOBS
CREATED FROM
2019-2020

EAEF provided the technical assistance grant for Dawi to bring a team of prominent experts on board. Within a few months, the consultants provided a detailed technology roadmap that is now being implemented across Dawi clinics.

In November 2020, Dawi decided to raise a bridge round of funding from current investors to cover cash flow needs through 2021 until a larger round of financing planned for 2022. When Dawi approached EAEF about participating, we not only covered our portion of shares as an existing investor, but also agreed to absorb any unpurchased shares. The extra coverage we provided gave other investors the confidence to participate in this round of funding. Dawi successfully completed the bridge round and is continuing with its plans to expand access to affordable, quality healthcare for more Egyptians.



Photo: Gezira Island. Cairo, Egypt

Tanmeya Capital Ventures



Photo: Employees at HAU, a TCV portfolio company selected to help develop the fund's gender strategy.

Tanmeya Capital Ventures (TCV) is an Egyptian investment manager that invests in SMEs and family businesses. TCV works closely with companies to scale up operations by providing growth finance and instilling good governance practices. The firm focuses on environmental, social and governance (ESG) factors, in particular, to help companies achieve strong, long-term performance. TCV believes ESG investing will help it move toward more intentional impact investing in Egypt.

Last year, EAEF provided a technical assistance grant for TCV to hire Environics, an Egyptian consultancy, to build out its ESG and impact investing practices. Because Environics had previously worked with LCP to create an ESG policy, EAEF recommended that TCV engage Environics to strengthen its ESG efforts. TCV had two goals: 1) Develop an ESG policy in line with national regulations and DFI requirements and 2) develop an investing strategy through a gender lens, incorporating the “2X Challenge” to promote economic empowerment for women,⁹ described on the following page.

“EAEF’s support helping TCV build its ESG and impact investing practices aligns with our efforts to help Egyptian companies generate sustainable, long-term financial and development success. We look forward to a continued partnership with EAEF to promote Egypt’s economic development.”

— Ahmed El Guindy, Managing Partner, TCV

TCV is now more than halfway through its engagement with Environics. It recently completed drafting an ESG policy that is being incorporated into its investment process. The firm is now developing a gender-focused investing strategy with the support of an Egyptian gender expert and Eed Wahda (One Hand), an initiative that seeks to combat violence against women. Soon, TCV will leverage its ESG and impact investing as a foundation to improve its IMM with a focus on sustainable workplaces and gender equity.

Based on these intentional focuses, we have invited TCV to participate with EAEF in the Impact Frontiers Initiative described on Page 29. This initiative allows TCV to deepen its IMM and develop new methods of impact-financial integration to help it grow into a best-in-class impact investor in Egypt.

TCV’s Impact:



2,200
TOTAL JOBS SUPPORTED
BY PORTFOLIO
COMPANIES (2020)



736
JOBS HELD BY
WOMEN 33% (2020)



**GENDER
EQUITY**
IMPACT FOCUS



\$27.2m
TOTAL CAPITAL
INVESTED IN
COMPANIES



The “2X Challenge” calls on the G7 and other DFIs to collectively commit and mobilize \$3 billion to provide women in developing country markets with improved

access to leadership opportunities, quality employment, finance, enterprise support and products and services that enhance economic participation and access. Fulfilling one out of the following five criteria makes an investment 2X eligible:

- 51% women ownership or the business is founded by a woman
- 20-30% women in senior leadership, or 30% women on the Board or Investment Committee
- 30-50% share of women in the workforce and one “quality” indicator beyond compliance
- Product or service that specifically or largely benefits women
- 30% of the DFI loan proceeds or portfolio companies meet the 2X criteria

Impact Measurement and Management

To better evaluate our efforts to develop Egypt’s private sector, EAEF is strengthening its IMM program according to generally accepted frameworks for measuring and managing impact.

In recent years, *impact investing* — investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return¹⁰ — has grown to a \$715 billion market,¹¹ as investors look to align their capital with their values and positively impact society. To sustain this growth and realize the full potential of impact investing, there are now several organizations, including the Global Impact Investing Network (GIIN) and the Impact Management Project (IMP), working to establish a common approach to impact management. These efforts seek to prevent ‘impact washing’ by promoting accountability, transparency, and credibility in impact reporting. This is critical for accurately measuring development outcomes and mobilizing private capital to tackle some of the world’s biggest challenges, including the UN Sustainable Development Goals (SDGs).

In response, EAEF is participating in leading impact initiatives to incorporate knowledge-sharing into our organization to better measure our development impact. The following sections outline EAEF’s efforts and lessons learned as we improve our IMM systems by leveraging guidance from generally accepted

protocols such as GIIN’s impact management platform, participate in industry initiatives to advance the field of impact management, and improve coordination with our partners and board of directors.

Improving and Harmonizing Impact Measurement

In 2016, EAEF created a Monitoring and Evaluation (M&E) plan to track the progress of the impact of its activities in Egypt, which includes five mandatory indicators developed by USAID:

- 1. Return on investment for U.S. capital invested by EAEF
- 2. Number of SMEs benefiting from EAEF’s activities
- 3. Number of jobs supported at SMEs
- 4. Number of jobs supported at SMEs with women in positions of leadership
- 5. Amount of capital invested by both foreign and domestic investors in SMEs¹²



Photo: Citadel of Qaitbay. Alexandria, Egypt

To better align our impact measurement with the growing impact investing industry, EAEF now goes beyond these indicators by leveraging guidance from GIIN’s impact management platform, IRIS+ — the generally accepted system for measuring, managing, and optimizing impact.¹³

The IRIS+ metrics allow EAEF to measure its impact in industry sectors that go beyond its M&E plan, using generally accepted performance metrics. This allows EAEF to report on its impact in new areas of investment by using metrics that promote transparency and credibility for impact investing decision-making.¹⁴

As part of these efforts, EAEF works with its fund managers and portfolio companies to understand what impact information is most useful for them to

make smarter business decisions. While EAEF must report on certain indicators, their buy-in on additional indicators expands reporting data and allows us to maintain a consistent dialogue around what metrics are most impactful to their businesses. It is a dynamic feedback loop of information exchange that helps strengthen our impact management process.

Going forward, EAEF’s staff and board stressed the importance of considering our main impact objectives and aligning impact metrics accordingly. With a growing portfolio, EAEF has the opportunity to standardize metrics by sector — healthcare, education, and agriculture — to not only measure investments ex-post performance, but to also utilize metrics in the investment decision-making process, ensuring that prospective investments meet our impact targets.



Photo: Feluccas on the Nile.

Signatory to the Operating Principles for Impact Management

In 2019, EAEF became a signatory to the Operating Principles for Impact Management (the Principles) — a set of nine principles launched by the International Finance Corporation in 2019 that help establish an investor’s contribution for achieving impact in the investment process. More than 100 signatories worldwide have adopted the Principles, covering over \$300 billion in assets.¹⁵ In accordance with the initiative’s requirements, EAEF underwent independent verification of its alignment with the Principles. Independent verification allows signatories to better understand where they can improve their impact management processes. It can also support a larger effort to bring credibility and transparency to the market, by standardizing approaches for examining how well investors manage impact in the investment cycle.¹⁶

EAEF was found to be in alignment with all nine principles, with room for improvement in several areas — quite common among first-year reviews.¹⁷ The verification’s findings provided valuable feedback and actionable next steps EAEF could take to strengthen our IMM. These include standardizing metrics across our portfolio to measure an investment’s aggregated impact, setting impact targets for investments, and having a consistent dialogue led by EAEF senior leadership around our impact and lessons learned.

Investing in Egypt at the height of a crisis drove EAEF to deploy capital to help stabilize a fragile economy. While we could have strengthened our IMM earlier, it was critical to act urgently to support Egypt’s private sector in a dire economic situation. Our success in helping rebuild the private sector now paves the way for an increased focus on impact management.



Operating Principles for
Impact Management

Creating an Impact Committee

EAEF’s first response to its verification results was to create an Impact Committee to leverage the experience of our board of directors to scale up our IMM program. During our efforts to strengthen EAEF’s IMM, we realized the board should be more involved in driving our impact program. This finding was supported during the verification process and recently by board members, who voiced an interest in becoming more involved in our efforts. The Impact Committee is tasked with 1) developing an IMM strategy and work plan, and 2) reporting on the plan’s progress and EAEF’s impact performance to the EAEF board of directors.

Field Leadership: Joining the Impact Frontiers Initiative

In 2021, EAEF will join Impact Frontiers, an initiative of the Impact Management Project, which convenes a select cohort of asset owners and managers to advance the field of impact management and impact-financial integration.¹⁸ This initiative represents a unique opportunity for EAEF to work with leading impact investors and thought-leaders to enhance its impact management efforts. We are fortunate that our investment advisor, TCV, will also join us in the initiative — supporting its efforts to become a best-in-class impact investor in Egypt and someday in the developing world.



IMPACT FRONTIERS

Impact Frontiers

Impact Frontiers is a collaboration of investors and field-builders pushing to integrate impact into financial frameworks, processes, and decision-making.

What Impact Frontiers does:

- Convene peer communities of leading investors and partner with field-building industry associations to support investors in their networks
- Guide and support these investors through a tested, flexible process to build their capabilities in impact management and impact-financial integration
- Publish and share learnings in open-source articles and handbooks co-authored with partners

Conclusion

EAEF’s mission is to help the private sector become the leading engine of growth in Egypt. That is why we have invested over \$220 million in promising Egyptian businesses and first-time fund managers — creating 4,000 full-time jobs and attracting an additional \$447 million in foreign capital to Egypt.



With a limited number of foreign investors in Egypt, our capital has been vital to stimulating private sector investment and creating positive social impact. To complement our financial capital, EAEF provides mentorship and technical assistance to its partners to help scale their businesses and attract additional private investment.

Now halfway through our journey, EAEF is at an inflection point. With the support of leading impact practitioners, we are now in a push to measure our development impact so that we can recalibrate our investment strategy to best achieve our mandate. We believe that an impact management program aligned with industry best practices will help us both achieve our mandate and serve as a model for new enterprise funds — now being considered by U.S. policymakers — to measure their impact.

Amid efforts to leverage private sector capital to tackle global development challenges, we are confident that enterprise funds can play a leading role in building competitive and inclusive private sector-led economies that help citizens prosper across developing nations.

Photo above: Young boy waving Egyptian flag at sunset.
Photo right: Obelisk of Thutmose I at Karnak Temple, Luxor, Egypt



Looking to the future

A MESSAGE FROM NADA SHOUSHA,
VICE-CHAIR, EAEF



Despite the challenges COVID-19 presented in 2020, EAEF advanced its mandate of supporting Egypt’s private sector. In the coming years, we believe EAEF’s unique, public-private model will allow us to increase our development returns and accelerate Egypt’s economic growth. Looking ahead, we will improve our impact management and support Egypt’s economic development by increasing our efforts to:

Invest in Gender Equity: We will intentionally focus our portfolio on gender empowerment and create more employment opportunities for women. According to the IMF, Egypt’s GDP could increase 34% by closing the gender gap in the labor market.¹⁹

Measure Our Environmental Impact: By measuring and managing our environmental impact, including the use of robust ESG screening, IRIS+ metrics and SDG standards, we will support companies with strong environmental policies and help Egypt address the challenges posed by climate change.

Market Egypt to International Investors: As our fund managers mature, we will support their growth by helping them and others attract new sources of foreign capital. By marketing Egypt’s investment

potential to foreign investors, we will help validate the country’s promising investment climate.

Scale Up Our Impact Measurement and Management Framework: We will continue refining our IMM framework to better inform our investment strategy and progress toward achieving our mandate. Along with our partners, we plan to increase collaboration with leading practitioners and participate in knowledge-sharing efforts among impact investors. We believe our IMM framework could serve as a model for future enterprise funds.

To support this work, it is critical we tell our story. We encourage you to share this report with others who may benefit by learning from our experience in Egypt. EAEF stands ready to serve as a resource — to share what we have learned and to listen.

Sincerely,

Nada Shousha
EAEF Vice-Chair
Chair of Impact Committee



Photo: Great pyramid. Giza, Egypt

Our People

Board of Directors

- James A. Harmon,**
EAEF Chairman, Former Chairman,
Export-Import Bank of the United States
- Hythem T. El-Nazer,**
EAEF Vice Chair, Managing Director,
TA Associates
- Nada Shousha,**
EAEF Vice Chair, Senior Advisor, IFC
- Tarek Kabil,**
Former Minister of Trade and Industry, Egypt
- Hala El-Mohandes,**
Vice President, Project & Structured Finance,
Export-Import Bank of the United States (Retired)
- Dr. Rana el Kaliouby,**
Co-Founder and CEO, Affectiva
- David Bohigian,**
Managing Partner, Pluribus Ventures
- Magda Habib,**
Co-Founder and CEO, Dawi Clinics

Our Team

- Margaret Engelhardt,** Chief of Staff
- Nishan Seal,** Chief Financial Officer
- Cornelius Queen,** Senior Associate
- Yasmine Ghobrial,** Senior Associate
- Amanda Aversano,** Associate
- Fiona Mora,** Executive Assistant

Acknowledgements

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Endnotes

1. All 2019 impact metrics as of 6/30/2019 and 2020 metrics as of 9/30/2020, unless otherwise noted. Also, not all SMEs with women in leadership could be determined given that some SMEs are reached indirectly by fund managers or portfolio companies.
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11. “Why the Growth of Impact Investing Depends on Data” Knowledge@Wharton, Dec 2020, <https://knowledge.wharton.upenn.edu/article/growth-impact-investing-depends-data/>
12. In Fall 2020, EAEF began working with USAID to refine these mandatory indicators to more accurately capture the fund’s impact in line with its investment activities in Egypt.
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18. “Impact Frontiers” Impact Management Project, 2021, <https://impactmanagementproject.com/impact-frontiers/>
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Photo above: Saint Catherine's Monastery. Mt. Sinai, Egypt

Photo left: Salah el-Din Castle, Farun Island. Red Sea, Egypt

Photo back cover: Hot air balloons over Luxor, Egypt



GUIDE TO ACRONYMS

- DFI:** Development Finance Institution
- EAEF:** Egyptian-American Enterprise Fund
- ESG:** Environment, Social, Governance criteria
- FDI:** Foreign Direct Investment
- HAU:** Hassan Allam Utilities
- IMM:** Impact Measurement and Management
- IMP:** Impact Management Project
- Lorax:** Lorax Capital Partners; EAEF investment advisor

- MENA:** Middle East North Africa
- MSME:** Micro, Small and Medium-sized Enterprises
- SME:** Small and Medium-sized Enterprises
- SMS:** Smart Medical Services
- TCV:** Tanmeya Capital Ventures; EAEF investment advisor
- TCV 1:** TCV's first, independent private equity fund
- THG:** Al-Tayseer Healthcare Group
- USAID:** United States Agency for International Development
- YOY:** Year-over-Year





888 Seventh Avenue, 16th Floor
New York, NY 10106