

Environmental and Social Data Sheet

Overview

Project Name:	MIDDLE EAST VENTURE FUND IV (MEVF IV B)
Project Number:	2022-0592
Country:	Regional - Mediterranean
Project Description:	Equity participation in an investment fund targeting SMEs in the digital and technology sectors mainly in the Middle East and North Africa (MENA) region.
EIA required:	no
Project included in Carbon Footprint Exercise ¹ :	no
(details for projects included are provided in section: "EIB Carbon Footprint Exercise")	

Environmental and Social Assessment

Environmental Assessment

The proposed investment consists of an equity participation in the Middle East Venture Fund IV B ("MEVF IV B" or the "Fund" or the "Promoter"), which targets investments in high-growth, early-stage technology companies conducting research, development and innovation focusing on fintech, e-commerce, software based logistics solutions, edutech, healthtech, artificial intelligence, the internet of things and software as a service. The promoter pursues cross-country investment opportunities in the MENATP region, primarily covering the Levant (Lebanon, Jordan, Egypt, Iraq and Palestine), Gulf Cooperation Council (GCC - Saudi Arabia, United Arab Emirates, Bahrain, Oman, Kuwait and Qatar) and to a minor extent the Maghreb (Morocco, Algeria and Tunisia), Turkey and Pakistan.

If located within the EU, these activities would neither fall under Annexes I nor II of the EIA Directive 2011/92/EU amended by Directive 2014/52/EU.

Most of the proposed investments will take place inside buildings at existing RDI facilities already being used for similar activities, and are not expected to have a significant environmental impact on their surroundings. Some of the RDI projects are expected to address specific environmental issues and include sub-projects that will directly help decrease GHG emissions and build resilience. The RDI results will help for example to allow for a more efficient and reduced use of energy, a better integration of alternative energy sources or reduced paper usage and travel.

The Fund's investment strategy is considered to be fully aligned with the Paris Agreement on climate change.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20 000 tonnes CO₂e/year absolute (gross) or 20 000 tonnes CO₂e/year relative (net) – both increases and savings.

Luxembourg, 6 September 2022

Social Assessment

The Fund has a diversity, equality and inclusion policy. It is also involved in initiatives to advocate for better female representation in the tech ecosystem. In early 2021, the Fund released a report to communicate on the increasing number of female-founded companies in its portfolio.

Investments in digital infrastructure are known to enhance women's access to mobile banking. The Fund will have a strong exposure to fintech in turn evidenced as improving women's financial inclusion.

The Fund's investments are therefore expected to also contribute to SDG5 Gender equality.

Other Environmental and Social Aspects

The partnership considers the Environmental, Social and Governance (ESG) management principles and systems as an integral part of its investment process and strategy for its fund. On this basis, the partnership has developed an ESG measurement methodology to assess its investments and the management of portfolio companies alongside more traditional financial and business performance considerations.

For each investment candidate and each investee company, the team will weigh ESG factors and develop an ESG improvement plan, including appropriate metrics to show progress during the whole investment period.

The Fund has recently introduced actions to encourage investees to adopt ESG measures. This includes for instance, the requirement for portfolio companies to report on ESG metrics and progress on a quarterly basis, adding a new ESG section for every portfolio company in the Fund's Limited Partners' reports and an annual ESG report, and share detailed ESG guidelines with portfolio companies to help them prepare their own ESG policy. Moreover, establishing an ESG policy is a condition to disbursements to the Fund's investments. The Promoter's Environmental, Social and Governance policy is to be approved by the Bank prior to disbursement.

The total Fund follows the strategic approach to invest in scalable business models with high entry barriers. With its investment activities, the Fund will contribute to significant economic and social growth in the local economies by creating new jobs, increasing efficiency across sectors and attracting other international investors into the country. Further, investments of the promoter in technology companies will have positive impacts in increasing the future resilience of sectors, notably in times of external disruption, such as COVID-19.

Conclusions and Recommendations

The Bank will ensure through its finance contract that the projects financed by the Fund are in eligible areas/sectors for the Bank, which do not lead to competitive distortions, and that the Bank's requirements on procurement, environment and social matters will be respected.

The Promoter's Environmental, Social and Governance policy is to be approved by the Bank prior to disbursement.

Therefore, the project is acceptable in environmental and social terms for the Bank's financing.