Palestine Investment Fund, Abraaj Capital Launch $50 Mln Private Equity Fund for Palestine SMEs

SMEs Crucial to Palestinian Economy
This is First Palestine PE Fund to Reach 1st Closing
Abraaj to Establish Presence in Ramallah
Fund Includes CSR Element

Davos, Switzerland, Jan. 28: The Palestine Investment Fund (PIF), a publicly owned investment fund which aims to strengthen the Palestinian economy through key strategic investments, and private equity group Abraaj Capital announce the first closing of a US$50 million private equity fund dedicated to Palestine.
The private equity fund will focus on investing in small- and medium-sized enterprises (SMEs) in Palestine across a range of sectors and stages of maturity. Abraaj is the largest private equity group in the Middle East and North Africa, with offices in six countries.

With a first closing at US$15 million, the private equity fund is the first of its kind dedicated to the Palestinian economy. The initial commitments from the sponsors – PIF and Abraaj - will be supplemented by funds raised from investors in further closings planned later this year.

SMEs account for more than 95 per cent of enterprises in Palestine, 84 per cent of private-sector employment and 55 per cent of gross domestic product.

Although SMEs are a critical backbone of the local economy, the sector is underserved in terms of access to capital and degree of institutionalization. The private equity fund will give access to much needed capital for growth and expansion, as well as leverage managerial, operational, strategic know-how and regional networks. It will also help strengthen corporate governance.

“This is a great vote of confidence for the Palestinian economy highlighting that Palestine is open for business and that the country offers excellent opportunities for investors,” said Dr. Mohammad Mustafa, Chairman and Chief Executive Officer of PIF.

“Investments like these not only give investors – local and international - potentially excellent returns but are crucial in strengthening our economy, supporting innovation and entrepreneurship, building locally based regional platforms, transferring know-how and creating hundreds, if not thousands of new jobs,” Dr. Mustafa said.

**Fund Manager**

Abraaj, through its dedicated SME investment-management platform - Riyada Enterprise Development – will manage the fund, which is expected to make 20 to 25 investments over the next four years.
“We are very proud to be a part of this initiative and to be able to contribute to the development of the Palestinian economy in a sustainable way,” said Arif Naqvi, founder and CEO of Abraaj.

“Through this fund we are directly addressing the needs of Palestinian entrepreneurs who, as in other parts of the world, have the capacity to transform the lives of those around them by creating sustainable job-growth and raising living standards,” Mr. Naqvi said. “Through it we also aim to provide top-tier returns to our investors.”

Dr. Mustafa emphasized that the private equity fund reflects PIF’s commitment to strengthening the Palestinian private sector, especially SMEs, and to building a strong Palestinian economy not dependent on foreign aid.

The fund complements PIF’s Loan Guarantee Facility (LGF), which facilitates financing for SMEs by providing loan guarantees to the lending banks. LGF has facilitated more than US$50 million of financing to more than 200 SMEs in the last two years.

PIF is the largest and most dynamic investor in Palestine, with US$800 million in assets under management. It aims to build a strong economy by developing strategic projects in vital sectors, such as SMEs, real estate, energy, telecommunications and finance, while maximizing long-run returns for its ultimate shareholder - the people of Palestine. PIF has an unrivalled track-record in partnering with leading international, regional and local institutions, and attracting foreign direct investment to Palestine.

**SME Platform**

The private equity fund with Abraaj is the first investment vehicle managed by Riyada Enterprise Development, Abraaj’s recently launched investment platform dedicated to SMEs.

Abraaj has seeded the Riyada platform with US$50 million of its own capital. As Abraaj builds its SME platform out across the Middle East and North Africa, the size of the regional SME fund is expected to increase substantially to about US$ 700 million through Abraaj’s established regional and international partners, and investors.
The Riyada platform marries the largest single source of long-term capital dedicated to entrepreneurs in the region with an investment strategy specifically tailored to the SME segment.

It also addresses the biggest issue facing regional SMEs today other than access to finance, namely institutional support, including back-office functionality, improved governance, and access to top-tier human talent and mature business networks.

Abraaj has permanently relocated several of its senior investment professionals into Riyada and will establish a presence in the Palestinian city of Ramallah to support the private equity fund. Together with selective additional hires, Riyada will - in due course - comprise 25 to 30 full-time investment professionals.

**Corporate Social Responsibility**

In parallel with the fund’s investment activities the sponsors have made a commitment to a number of corporate social responsibility (CSR) initiatives in Palestine. The private equity fund intends to adhere to the United Nations Principles for Responsible Investment and develop environmentally friendly frameworks for its partner companies.

As part of a commitment to foster a supportive eco-system for entrepreneurs, the sponsors will establish a support programme called *Bidaya* (Arabic for ‘start’) which will provide mentorship for entrepreneurs through Abraaj’s extensive network of partners, professionals and academics.

Abraaj is also seeking to provide additional funds for disadvantaged communities based on the concept of ‘patient capital’ and socially responsible investing.

PIF adheres to CSR objectives, which includes unparalleled support to local cultural, charitable, youth and educational organisations.

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About the Palestine Investment Fund: The Palestine Investment Fund (PIF) was established in 2003 as a publicly owned investment company, which aims to strengthen the local economy through key strategic investments, while maximizing long-run returns for its ultimate shareholder; the people of Palestine. PIF has US$800 million of assets under management and is headquartered in Ramallah, Palestine. PIF’s investment focus includes the following strategic sectors: real estate, hospitality, finance, industry, telecommunications, power & energy. In the last few years PIF has launched a number of landmark projects including: US$700 million mobile company, Wataniya mobile, in partnership with Qtel; US$1.5 billion affordable housing program to develop 30,000 affordable housing units over the coming 5 years; US$400 million commercial real estate development in downtown Ramallah (“Ersal Center”), in partnership with the Land Holding, Saudi Arabia (a member of AlRajhi Investment Group); US$500 million mortgage finance program in partnership with US based Overseas Private Investment Corporation and the International Financial Corporation, amongst others. PIF works in partnership with international, regional and local partners, based on values of transparency, accountability, commitment and in line with its corporate social responsibility and sustainability objectives. PIF has a strong reputation across global markets as a trusted and responsible investment partner. PIF is supervised by an independent General Assembly and Board of Directors composed of seven leading public figures. Members of the General Assembly and Board of Directors are appointed by the President for a three-year term. Moreover, PIF has a world class team who demonstrate the highest levels of leadership, integrity and professionalism. For more details about PIF see www.pif.ps.

About Abraaj Capital: Abraaj Capital is the largest private equity group in the Middle East, North Africa and South Asia (MENASA). Since inception in 2002, it has raised about US$ 7 billion and distributed almost US$ 3 billion to investors. The group has made 36 investments in 11 countries and exited 21. It operates offices in six countries across the region, including Turkey, Egypt, Saudi Arabia and Pakistan, with its base in Dubai. More than 80 investment-related professionals work for Abraaj. Abraaj has holdings in 26 companies, including some of the region’s most prominent, such as Air Arabia, the region’s biggest low-cost carrier; Acibadem Healthcare Group, Turkey’s biggest privately owned operator of premium hospitals; and Al Borg Laboratory, the Middle East’s biggest privately owned medical-testing laboratory company. Abraaj has won many international awards, including ‘Middle Eastern Private Equity Firm of the Year’ from London-based Private Equity International four years in a row. Abraaj Capital Ltd., a member of the Abraaj Capital group, is licensed by the Dubai Financial Services Authority. The group is also an associate member of the European Venture Capital Association. Abraaj’s commitments to Corporate Social Responsibility include a US$ 10 million educational trust fund for Palestinian children who lost parents during conflict in Gaza in December 2008 and January 2009. The Abraaj Capital Art Prize, the world’s most generous art prize, is designed to support artists from the MENASA region. For more details about Abraaj, see www.abraaj.com.

This document is issued by the Abraaj Capital Group and the Palestine Investment Fund and is intended for general information purposes only. It does not constitute an offer or solicitation for any business transaction or investment advice.
For enquiries, please contact:

**Abraaj Capital**
James Cordahi
Mobile: +971 50 554 7635
Switchboard: +971 4 506 4400
Email: james.cordahi@abraaj.com

Dubai International Financial Centre (DIFC)
Gate Village 8, 3rd Floor
PO Box 504905
Dubai, United Arab Emirates
www.abraaj.com

**The Palestine Investment Fund**
Al-Hassan Hleileh
Switchboard: +972 2 297 4971
ahleileh@pif.com

The Palestine Investment Fund
PO BOX 413
Ramallah, Palestine
www.pif.ps