

A Rising Priority for IFC

Yemen

Yemen is **the Middle East's poorest country**, one seeking to build new sources of income to replace dwindling oil reserves but whose private sector is still at a very early stage of development. To support the change in direction, we are using a three-part process: supporting investment climate reforms to create a more favorable overall business environment, providing advisory services to strengthen local entrepreneurship and access to finance, and increasing IFC's investment. While still in its early stages, it is an **integrated country program** that holds promise for one of the region's most challenging markets.

IFC's Approach

Investment Climate Reform

Excessive regulation and bureaucracy hold back private sector development, severely limiting the domestic entrepreneurship and foreign investment needed to create jobs and fight poverty. IFC's response:

- **Red Tape Reduction:** Since November 2006, IFC has been helping the government simplify its business registration process as a first step in implementing the reform agenda outlined in the annual IFC/World Bank *Doing Business* reports. A second project, cofinanced by the UK's Department for International Development, focuses on improving tax policy and administration.
- **Mining Policy Reform:** IFC and the investment climate program it operates with the World Bank, FIAS, are also helping the government create investor-friendly conditions in mining, one of Yemen's highest-potential industries.
- **Investment Promotion:** IFC is also helping build the government's policy, institutional, and investment capacity and driving a strategy to make better use of existing free zones and industrial estates in Yemen.



Yemen: IFC works on several fronts to spark job creation.

Micro, Small, and Medium Enterprise Development

- **Management Training:** More than 5,600 Yemeni entrepreneurs have taken seminars through *Business Edge*, IFC's global management training brand.
- **Microfinance:** Less than 3 percent of Yemenis have bank accounts today. To help fill the void, IFC and German development bank KfW are teaming to create the country's first commercial microfinance institution.
- **Leasing:** To increase access to finance for small and medium enterprises, IFC helped the government with new leasing legislation that was approved in early 2007.

Track Record

IFC's **\$132 million investment portfolio**, up from \$12 million in 2005, includes:

- **Arabian Yemen Cement Company:** the first cement plant in one of the country's poorest regions
- **Saudi German Hospital:** an advanced 300-bed hospital in Sana'a that introduced private health care in Yemen
- **Saba Islamic Bank:** partial guarantees of new trade finance transactions with smaller companies

Development Impact

- Improving the investment climate
- Helping build a stronger, more efficient financial sector that will be more capable of supporting local entrepreneurs and job creation
- Increasing the private sector's role in key parts of the economy

Attracting New Foreign Investors

Yemen has traditionally received little foreign investment outside the oil and gas sectors. But IFC is helping it attract sophisticated **new investors from Saudi Arabia**, financing projects in key sectors that are helping move the local economy forward.

Arabian Yemen Cement Company is a new cement plant being built in a remote part of Hadramout Governorate, one of the country's poorest regions. IFC provided a \$70 million loan and mobilized another \$55 million from commercial banks, helping Saudi Arabia's **Eastern Province Cement Company** and its investment partners bring state-of-the-art, energy-efficient technology to this remote region while also advising them on a community development plan. "As it is difficult to obtain long-term financing for such a large project in Yemen, IFC's support is a critical component of this project," said Abdullah Ahmed Bugshan, chairman of Arabian Yemen Cement Company.

Saudi German Hospitals Group, owned by Bait al Batterjee Medical Company, is the leading provider of private health care services in Saudi Arabia and is beginning a regional expansion intended to make it the industry leader throughout the Middle East and North Africa. IFC recently financed its first facility outside of Saudi Arabia, a new 300-bed hospital in Sana'a that has introduced several aspects of modern medicine to Yemen:

- Cancer treatment with the linear accelerator radiology that is so common in the United States and Europe
- Sophisticated cardiology using beating heart surgery
- Isotopic scanning equipment for tumor identification
- Hip and knee replacements
- Endoscopic surgery that allows a patient to be in the hospital for just one day, rather than 10 as before

The hospital currently has contracts that allow it to provide health care to 70 companies in Sana'a as well as individual patients. Its sponsors are working with IFC to open a new hospital in Cairo in 2009, continuing the regional expansion of their effective model that began in Saudi Arabia.



Saudi German Hospital: Raising the standards of health care in Yemen's capital.

