

United Nations Global Compact Communication on Progress

June 2017

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Letter of Commitment

June 20, 2017

H.E. Ban Ki-moon
Secretary-General
United Nations
New York, NY 10017

Dear Mr. Secretary General,

We are pleased to confirm that Middle East Investment Initiative (MEII) reaffirms its support of the ten principles of the United Nations' Global Compact (UNGC) with respect to human rights, labor, environment, and anti-corruption.

In this annual Communication of Progress (COP), we report on the efforts we have taken in 2016 to incorporate the ten principles in our organization's strategy, culture, and day-to-day operations. We believe these actions have contributed to a stronger foundation for our organization and for our future growth. We are committed to engaging in collaborative projects, which advance the broader development goals of the United Nations, particularly the Millennium Development Goals. MEII is proud to share this commitment to our stakeholders and the general public.

We recognize that a key requirement for participation in the Global Compact is the annual submission of a COP that describes our company's efforts to implement the ten principles. We support public accountability and transparency, and therefore commit to report on progress annually according to the Global Compact COP policy. It is an honor to work with the UNGC in our collective mission, and we look forward to the progress we can make together over the course of 2017 and beyond.

Sincerely,

A handwritten signature in blue ink, appearing to read "James Pickup", is written over a light blue horizontal line.

James Pickup
President



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Introduction

MEII is an independent nonprofit organization founded in 2005 by the Middle East Strategy Group of the Aspen Institute. MEII is dedicated to stimulating economic growth and job creation in the developing world through sponsoring and managing development finance and related activities in the Middle East and North Africa (MENA). Financial inclusion, which encompasses the effective access to and use of available, affordable, convenient, quality and sustainable financial services, is central to poverty reduction and sustainable development. In fact, access to finance underpins the international community's development agenda as articulated in the United Nations Sustainable Development Goals for 2030. MEII is committed to the UN Sustainable Development Goals in addition to its own sustainability efforts. Also, UNGC principles fits into MEII's mission as it serves to work toward financial inclusion of people in developing countries.

The summary below presents the 10 principles and the corresponding MEII policies and procedures in each area and is followed by a description of actions and activities over the past year:

Human Rights

Principle 1 - Support and respect the protection of internationally proclaimed human rights.

Principle 2 - Ensure that they are not complicit in human rights abuses.

MEII has partnered with the most innovative, experienced and dedicated organizations and government agencies operating in the social and economic development field that advocate for human rights. To date, MEII has partnered with the Overseas Private Investment Corporation (OPIC), USAID, the International Finance Corporation (IFC), the Swedish International Development Agency (Sida), and the governments of Norway and The Netherlands, along with lending institutions, and other public and private organizations to facilitate small business development in the MENA region.

Policies

- The MEII Employee Manual was revised and has become a more comprehensive document of various policies that pertain to employees - **Employee/HR Manual (April 2017, Ver 5.5)**. The UN Global Compact Principles is described fully in **Annex 2**. The Manual clearly sets out employee rights in terms of conditions of employment, performance management, leave entitlements, recruitment, and employment termination procedures. MEII promotes a culture of integrity and rejects unethical practices at all levels of its operation. This is clearly stated in the Code of Conduct section 1.7 of the Employee Manual.
- MEII is committed to conducting business in an ethical and responsible manner. We respect and support international principles aimed at protecting and promoting human rights, as described in the United Nations' Universal Declaration on Human Rights and the International Labour Organization's (ILO) Declaration on Fundamental Principles and Rights at Work. In our own operations, MEII seeks to operate in compliance with all applicable laws wherever we do business (i.e. Jordan, Palestine, Tunisia and the United States). MEII's **Human Rights Policy** is stated in **Annex 8** of the Employee/HR Manual.
- MEII implements a **Whistleblower Policy** designed to provide an opportunity for employees to report to management any incident of unethical behavior, actual or suspected, fraud or violation of MEII's **Code of Conduct**. This can be communicated through both formal and informal channels. No director, officer or employee who in good faith reports a violation of the Code shall suffer harassment, retaliation or adverse employment consequences. MEII's Whistleblower Policy MEII's is stated in **Annex 10** of the Employee/HR Manual.

- MEII has a grievance mechanism in place (**section 2.14 Grievance Procedure/Resolution of Disputes**). The section clearly describes what steps the employee should take when submitting a grievance.
- The Manual and all its updates is circulated to all employees in all offices and a copy is on the shared server accessible to all at any time.

Implementation

- MEII is a small organization with less than 30 employees. Its open door policy continues to be effective as it encourages employees to raise any issue with any level manager at any time. This policy allows employees to report any human rights violations at MEII or observed at MEII's partners, or stakeholders or beneficiaries.
- We provide our employees with a decent fringe benefit package to include family health insurance, maternity leave, disability, travel insurance, and a pension or provident plan.
- To ensure our workforce's well-being and safety, each office distributes awareness and security emails about any safety and health issue.
- All workshops conducted by MEII in 2016 with employees and partner banks and stakeholders has raised awareness on MEII's human rights policy and the UNGC principles.
- MEII has assigned an M&E Officer and Compliance Manager to monitor and track and ensure that its human rights policies are being implemented.
- All partner banks are required to submit an annual Self-Monitoring Questionnaire (SMQ). The purpose of the SMQ is to measure the actual performance of the project with regard to economic, development, environmental and worker rights impacts on an annual basis. MEII works and assists its partner lenders to prepare the SMQ and crosschecks the data that is related to the lenders portfolio with the data produced from MEII's MIS.

Measurement of Outcomes

- All employees have signed and agreed to the revised Employee/HR manual and have supported MEII's Human Rights Policy.
- No incidents of human rights abuses were reported by our offices to the office managers to the or to the Compliance Manager or the Chair of the Audit Committee.
- No disciplinary actions were taken on any of our employees.
- Environment and Social Management System (ESMS) policies and procedures were adopted by all partner banks.
- Annual information and data collected through the Self-Monitoring Questionnaire (SMQ) form.

Labor

Principle 3 - Uphold freedom of association and effective recognition of the right to collective bargaining.

Principle 4 – Eliminate of all forms of forced and compulsory labor.

Principle 5 – Uphold the effective abolition of child labor.

Principle 6 – Eliminate discrimination in respect of employment and occupation.

Policies

- MEII adheres to all labor laws in the countries it operates (US, Palestine, Jordan, Tunisia), which are all in line with the International Labor Organization (ILO) standards, including provisions on issues such as freedom of association and collective bargaining; the elimination of forced and compulsory labor; the abolition of child labor; and the elimination of all forms of discrimination.

- MEII is an equal opportunity employer that seeks diversity in its workforce and makes employment decisions on the basis of merit. MEII is committed to complying with all applicable laws pertaining to treatment of employees and job applicants without regard to race, sex, color, national origin, religion, age, marital status, sexual orientation, disability or any other legally protected status.
- MEII has a **Whistle Blowing Policy** designed to provide an opportunity to employees to report to management any incident of unethical behavior, actual or suspected, fraud or violation of MEII's code of conduct. This can be communicated through both formal and informal channels.
- All employees have an employment agreement which clearly states their terms and conditions including pay rates and overtime pay arrangements.
- MEII is responsible for disposing obsolete assets in an environmentally safe manner and will not destroy the asset in a manner which is detrimental or dangerous to public health or safety. Asset Disposal Form recorded and documented.

Implementation

- Employees and their dependents are entitled for health insurance coverage. MEII also provides a provident fund or enrollment in a 401(k) plan.
- MEII believes that gender equality is important in the workplace. As of date our female employees represent more than 50% of all our staff.
- MEII uses a pay scale to determine salaries and thus provides equal pay for female and male employees at work of equal or comparable value.
- All partner banks are required to submit an annual Self-Monitoring Questionnaire (SMQ). The purpose of the SMQ is to measure the actual performance of the project with regard to economic, development, environmental and worker rights impacts on an annual basis. MEII works and assists its partner lenders to prepare the SMQ and crosschecks the data that is related to the lenders portfolio with the data produced from MEII's MIS.

Measurement of Outcomes

- A labor department inspector may be checking on all businesses and reporting back to the Ministry of Labor on any compliance issues.
- MEII requires partner banks to report periodically on the status of businesses that have loans guaranteed by MEII. Partner banks conduct site visits for the purpose of identifying any labor and social issues or violations (e.g. child labor).
- The Compliance Manager is responsible to manage and evaluate the Environmental and Social issues at MEII and stakeholders (e.g. partner banks, borrowers, vendors) for any noncompliance issues.
- No reports or cases of violation of human rights and non-compliance were reported
- Annual information and data collected through the Self-Monitoring Questionnaire (SMQ) form.

Environment

Principle 7 - Support a precautionary approach to environmental challenges.

Principle 8 - Undertake initiatives to promote greater environmental responsibility.

Principle 9 - Encourage the development and diffusion of environmentally friendly technologies.

Policies

- MEII adheres to the environmental laws in the countries it operates. MEII ensures that all projects are reviewed and evaluated against the OPIC Prohibited Activities and Category A projects.

- The MEII Employee and Safety and Security manuals include provisions for maintaining a safe and healthy workplace environment and conserving energy, whenever possible.
- Based on MEII's **Procurement Manual** preference is given to vendors and bidders who adhere to environmental friendly practices. Also preference is given to products and services that are environmentally friendly and energy efficient, and vendors and bidders are encouraged to participate in the UNGC. MEII has demonstrated its commitment to UNGC through its below statement in all of its vendor agreements, contracts, invoices, purchase orders, and email signatures as follows:

MEII is a member of the United Nations Global Compact (UNGC). The UNGC is a call to companies to align strategies and operations with universal principals on human rights, labor, environment and anti-corruption, and take actions that advance societal goals. MEII gives preference to partners who adhere to environmental friendly practices and encourages all its partners to participate in UNGC. For more information, <https://www.unglobalcompact.org/>

- MEII developed an **Environmental and Social (E&S) Policy Statement** (attached) to serve as a declaration of MEII's commitment to sustainable development and management of environment and social issues. The policy ensures that effective environmental and social management practices are being implemented by all MEII programs and that MEII does not support projects that unnecessarily harm the environment, public health and the community.
- MEII revised its **Environment and Social Management System (ESMS)**. The purpose of the manual is to outline procedures to ensure that credit decisions are supported by appropriate due diligence documentation and appropriate environmental representation, warranties and covenants incorporated in the loan agreements. Also, to establish an effective monitoring and evaluation plan in place.

Implementation

- In 2015, MEII advised its partner banks to develop an Environment and Social Management System (ESMS) including procedures a prerequisite for eligibility to join its Loan Guarantee Facility (LGF). As a result all banks adopted and developed ESMS procedures and policies and are in compliance with LGF. MEII is encouraging and advocating its partner banks to join UNGC. Two banks so far are signatories of the UNGC.
- MEII maintains a smoke-free policy in its offices at all times. Plants are placed in all offices to create a healthy work atmosphere. Printing on two sides and paper recycling is advised.
- All partner banks are required to submit an annual Self-Monitoring Questionnaire (SMQ). The purpose of the SMQ is to measure the actual performance of the project with regard to economic, development, environmental and worker rights impacts on an annual basis. MEII works and assists its partner lenders to prepare the SMQ and crosschecks the data that is related to the lenders portfolio with the data produced from MEII's MIS.

Measurement of Outcomes

- MEII has agreed with its partner banks' loan officers to conduct periodic site visits to the SMEs and meet with the owner of the business as part of the credit monitoring procedures as well as the environmental and social due diligence . The purpose of the site visit is to identify potential environmental and social issues that may present a risk to the borrower's business activities if left unmitigated, and to review the borrower's/SME compliance with the bank and/or LGF's environmental and social requirements. Site Visit Checklist is a checklist that participating bank loan officers should incorporate when
- Conducting a site visit to the SME for the purpose of identifying any environmental and social issues.
- Annual information and data collected through the Self-Monitoring Questionnaire (SMQ) form.

- No disciplinary actions were taken on any of our employees.

Anti-Corruption

Principle 10 - Work against all forms of corruption, including extortion and bribery.

Policies

- A new **Anti-Corruption Policy (October 2016, ver 1)** was developed and incorporated in the Employee/HR manual.
- MEII promotes a culture of integrity and rejects unethical practices at all levels of its operation. This is clearly stated in the Code of Conduct in the Employee/HR Manual.
- MEII has a **Whistle Blowing Policy** designed to provide an opportunity to employees to report to management any incident of unethical behavior, actual or suspected, fraud or violation of MEII's code of conduct.
- MEII has adopted a **Gift Acceptance Policy** to provide guidance to MEII's Board of Directors, management, and employees with respect to their responsibilities concerning gifts to MEII and to themselves as well as guidance to prospective donors when making gifts to MEII.

Implementation

- MEII and all its regional offices undergo periodic compliance and financial audits by external auditors.
- The external auditor provides external oversight for MEII and has an obligation to report any cases of fraud or presumptive fraud or wasteful or improper expenditure of MEII's or federal or donor's funds or other assets, thereby contributing to the objectives of this Policy. Upon finding evidence of fraudulent accounting, the external auditor must communicate their findings to the Chair of the Audit Committee. The external auditor also reports findings of procedures that could possibly put MEII at risk of possible fraud.
- As a nonprofit tax exempt organization, MEII is required to file the IRS Form 990 and have it available for public inspection or posted on the Guidestar website. The Form allows the IRS and the general public to evaluate MEII's operations and programs, its compliance with best business practices and regulations, its corporate governance and finances.
- MEII and its partner donors periodically review all its partners and vendors in terms of character vetting to ensure they are working within the defined guidelines of security and anti-corruption.
- MEII's partner banks maintain transparency and regulatory compliance, in accordance to international and regional standards, implementing international policies such as Anti Money Laundering (AML), Combating Terrorists Financing (CTF), and Know Your Customer (KYC).
- Fixed Assets Registry (FAR) inventory is performed on an annual basis to ensure that all assets are
- accounted for;
- Annual Conflict of Interest forms are completed and signed by all employees and members of the board of trustees and collected and submitted to the Chair of the Audit Committee.
- The proprietary MEII Management Information System (MIS) has several fail safe and security measures which ensure that no loan guarantee letter is issued without comprehensive data validation.

Measurement of Outcomes

- No reports or cases of fraud or wasteful or improper expenditure of MEII's or federal funds were reported or violations of Code of Conduct;
- No disciplinary actions were taken on any of our employees.

Environmental and Social (E&S) Policy Statement

Purpose

The E&S Policy serves as a declaration of MEII's commitment to sustainable development and management of environment and social issues. The policy ensures that effective environmental and social management practices are being implemented by all MEII programs and that MEII does not support projects that unnecessarily harm the environment, public health and the community. The principles and objectives in this Policy will guide MEII to achieve sound environmental and social performance and provide a framework for E&S screening, assessment and monitoring of loans.

Scope

The E&S Policy is an overarching policy which applies across MEII's offices and range of activities and programs. It applies to all those who are employed within MEII and to all stakeholders of MEII's projects, including employees of the participating banks and the businesses and borrowers it supports. Due to the moral hazard issue with MEII, the communication of the E&S policy can occur only through its partner banks.

Commitments

- Ensure compliance with the ten principles of the United Nations' Global Compact (UNGC) with respect to human rights, labor, environment, and anti-corruption;
- Ensure that all participating bank loans and projects approved by MEII have been reviewed and evaluated against environmental and social requirements and screened against donor agencies (e.g. OPIC, Sida) prohibited activities and exclusion lists and that environmental and social risks have been identified and assessed at an early stage;
- Ensure that all participating bank loans and projects approved by MEII are in compliance with applicable environmental and social laws and regulations, including labor laws, including those of the International Labor Organization (ILO);
- Ensure that credit decisions are supported by appropriate due diligence documentation and appropriate environmental representation, warranties and covenants incorporated in all consents and agreements;
- Ensure equal opportunity and diversity in the workforce at MEII and its stakeholders. Ensure compliance with all applicable laws pertaining to treatment of employees and job applicants without regard to race, sex, color, national origin, religion, age, marital status, sexual orientation, disability or any other legally protected status;
- Ensure the Grievance Mechanism is effectively implemented at MEII and its participating banks and stakeholders to identify risks of negative impacts and avoid escalation of disputes;
- Maintain a safe and healthy workplace environment and conserve energy, whenever possible;
- Honor the Whistle Blowing Policy that is designed to provide an opportunity to employees to report to management any incident of unethical behavior, actual or suspected, fraud or violation of MEII's code of conduct; and
- Ensure that management and employees, partners and supported businesses understand the E&S Policy commitments;