FEMIP
Annual Report 2008

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FEMIP

Facility for Euro-Mediterranean Investment and Partnership

Message from the Vice-President

This report is being distributed against a background of difficulties and uncertainty but also of opportunities. The economic and financial crisis has cut a swathe through whole sections of the global economy and, even though the Mediterranean partner countries have so far remained relatively untouched, the effects of the crisis are bound to make themselves felt here too. This period of turbulence and upheaval may, however, give rise to beneficial changes and opportunities for those in a position to seize them.

FEMIP stands alongside the partner countries to face this challenge and to build with them the post-crisis economies. In 2008, it provided finance totalling EUR 1.3bn in the form of loans and private equity to support, directly or indirectly, the development of the private sector. The EIB has also contributed to the evaluation work under the Euro-Mediterranean Charter for Enterprise carried out by the European Commission, which is intended to support policies to help small businesses. With that in mind, in March 2009 we organised a conference in Rabat on the needs of SMEs and will be publishing, with the European Commission and the Invest in Med network, a collection of business success stories that show that the Mediterranean region is a land of opportunities.

However, in order to benefit fully from its natural, human and economic wealth, the region must continue, more than ever, to modernise. Extending road, sea and rail networks, so that people and goods can move around more efficiently, supplying energy to meet the growing needs of households and industries, improving the management of water resources and access to drinking water: these are some of the areas in which FEMIP is working to improve people's quality of life in the partner countries and to turn the Mediterranean into a competitive, attractive, integrated region, playing its full part in the global economy. That is the purpose of FEMIP's mission and, more generally, of the Euro-Mediterranean project and the Union for the Mediterranean. It is against that background that the EIB was given the task, at FEMIP's 8th Ministerial Meeting, to coordinate three of the six key initiatives adopted at the July 2008 Paris Summit: motorways of the sea and on land, the Mediterranean Solar Plan and action to clean up the Mediterranean.

FEMIP is also supporting urban development in the Mediterranean and at the October 2008 Venice Conference launched the Medinas 2030 initiative. This initiative, which is intended to put the renovation of historical urban centres into a long-term economic and social perspective, will be examined in greater depth in 2009. FEMIP is also firmly committed in favour of human capital, which it supports by financing projects in the health and education sectors but also through its internship programme, which continues to attract and train young talent from the partner countries. In these two fields, and others as well, FEMIP was able to obtain support from its Trust Fund, which enables it to explore new areas in which it could make a useful contribution.

Building on the work done and the links of trust created, through its partnership policy, with the Mediterranean countries, trade associations and civil society, FEMIP will continue to provide its steadfast support for the construction of a Euro-Mediterranean area of shared prosperity.

Philippe de Fontaine Vive Curtaz
EIB Vice-President
in charge of FEMIP

Energy, a priority sector for the EIB in the Mediterranean region.

Contents

Note: FEMIP's private equity activities also include signatures under global authorisations, which are not usually booked as "new" signatures. Such operations have been included in the total amount for FEMIP's activities.

Overview

It all starts with a definition

A quick introduction to what this report is all about…

Mediterranean partner countries

The Mediterranean partner countries are Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria and Tunisia.

Following its reclassification to the status of an EU Accession Country, Turkey still participates in the institutional dialogue initiated under FEMIP. Operationally, however, activities carried out in Turkey come under the South-East Europe Department.

EIB

The European Investment Bank (EIB) is the European Union's long-term financing institution. Its shareholders are the 27 Member States of the EU. The bulk of its lending is for projects in the EU.

Outside the EU, the Bank supports projects that contribute to economic development in countries that have signed association or cooperation agreements with the EU (more information on the EIB is available on the following website: www.eib.org).

FEMIP

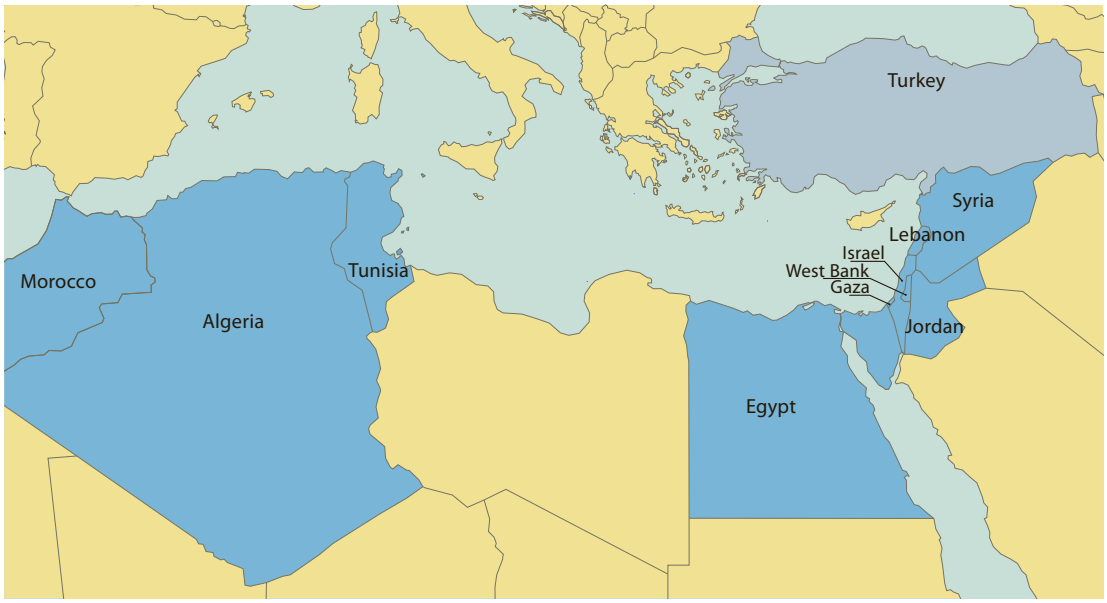
The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) brings together under one roof the whole range of services provided by the EIB in the southern and eastern Mediterranean countries. Operational since October 2002, FEMIP is now the key player in the financial partnership between Europe and the Mediterranean.

Its objective is to support the modernisation and opening-up of the Mediterranean partner countries' economies. FEMIP therefore has two priorities: supporting the private sector and creating an investment-friendly environment.

FEMIP also represents a forum for meetings and dialogue between the Euro-Mediterranean partners.

	Population (millions)	Real GDP growth (%)	Inflation (%)	Net foreign direct investment (% of GDP)
Algeria	34.8	3.0	5.8	1.0
Egypt	75.0	7.2	20.2	7.5
Gaza/West Bank	n.a.	2.0	7.0	n.a.
Israel	7.1	3.9	4.8	2.5
Jordan	5.9	6.0	9.6	9.7
Lebanon	3.8	8.5	6.4	7.1
Morocco	31.4	5.4	4.2	2.3
Syria	19.9	5.2	12.0	3.5
Tunisia	10.3	4.5	4.1	5.9

Source: IMF World Economic Outlook Database, April 2009.



FEMIP in figures

In 2008 FEMIP:

⇛ **provided EUR 1.3bn in loans and private equity** to support the implementation of **21 projects that will enhance the business climate and reinforce the private sector** in the Mediterranean partner countries;

FEMIP signatures in 2008

Figure 1: Breakdown by sector

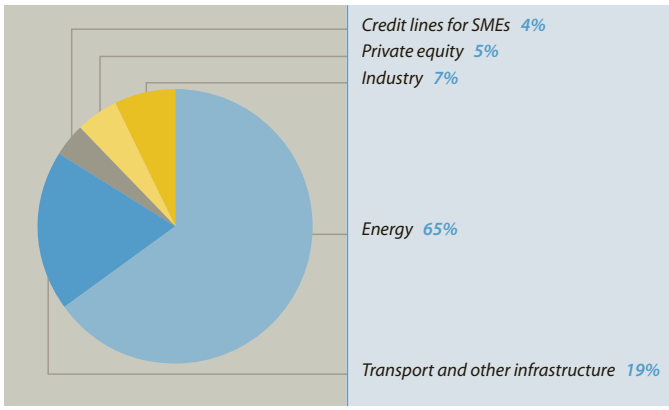
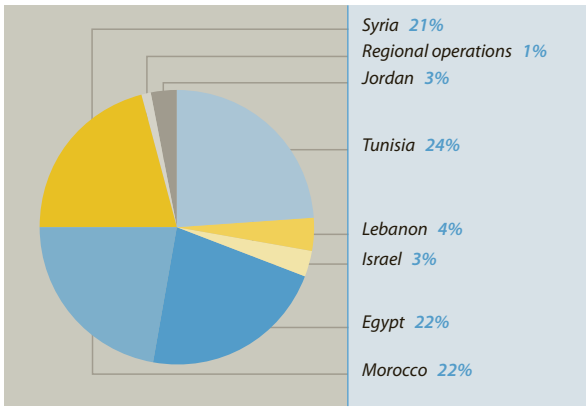


Figure 2: Breakdown by country



⇛ **provided EUR 16.9m in technical assistance** to assist the promoters in the day-to-day management of their projects;

⇛ **co-financed 50% of its projects** with other European and international financing institutions.

Over the period 2002-2008, FEMIP:

⇛ financed **125 projects totalling EUR 8.5bn in the Mediterranean;**

Figure 3: Annual trend in volume of signatures

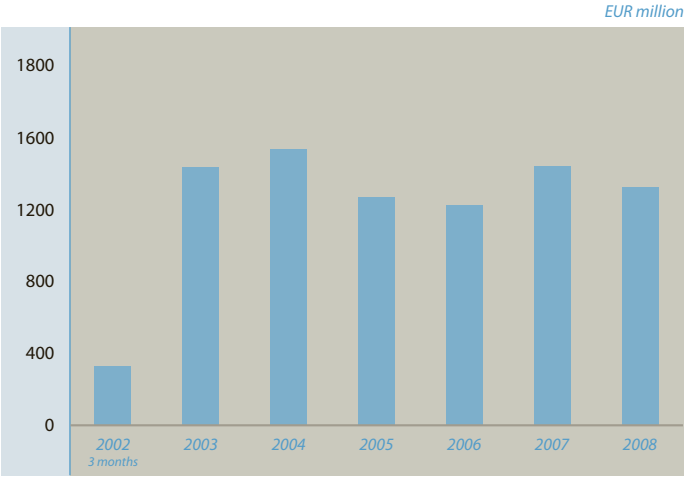


Figure 4: Breakdown by sector and country in EUR m

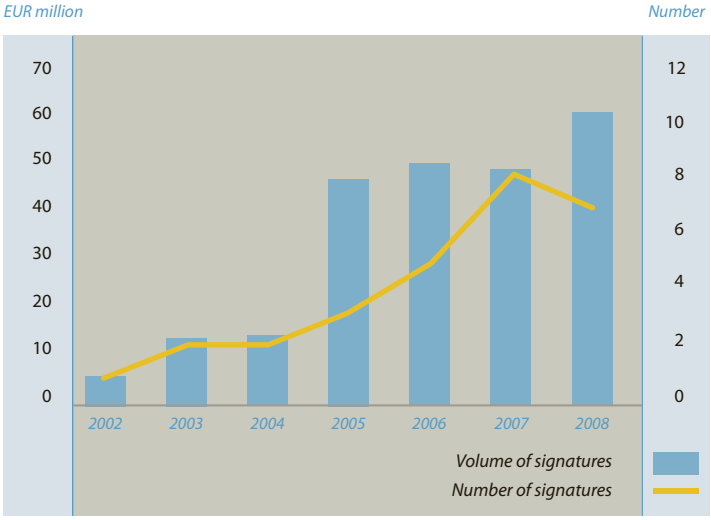
	Energy	Environment	Credit lines	Human capital	Industry	Transport	Risk capital	Total
Algeria	–	–	–	–	75	230	13	**318**
Egypt	1 647	–	100	–	200	290	51	**2 288**
Gaza/West Bank	45	–	–	–	–	–	10	**55**
Israel	–	320	75	–	33	–	–	**428**
Jordan	100	–	50	40	–	63	–	**253**
Lebanon	–	105	457	–	–	60	5	**627**
Morocco	690	170	30	100	–	605	70	**1 665**
Regional projects	–	–	–	–	–	–	94	**94**
Syria	675	45	120	–	–	150	2	**992**
Tunisia	500	74	555	110	170	400	5	**1 814**
Total	**3 657**	**714**	**1 387**	**250**	**478**	**1 798**	**250**	**8 533**

⇛ financed **1 770 SMEs and helped to create or save over 21 300 jobs** in the region;

⇛ **mobilised an additional EUR 18bn** in resources from the private sector and other international financing institutions and bilateral agencies;

⇛ intensified its **pioneering role in private equity** to support very small enterprises as well as medium-sized companies, **with a portfolio of over EUR 420m** that consists of 36 investment funds, 24 direct investments and 476 co-investments. Beyond funding, FEMIP has contributed to **raising overall governance standards** in the initiatives it supported;

Figure 5: New private equity operations signed between October 2002 and December 2008
(excluding signatures under global authorisations)



⇛ continued to promote the transfer of expertise by providing **88 new technical assistance operations** (excluding contract extensions) **amounting to EUR 71.6m;**

⇛ **funded 15 studies under the FEMIP Trust Fund** in order to ensure a **better understanding** of financial and economic issues in the Mediterranean.

What do they think about FEMIP?

Recipients of FEMIP financing cover a wide gamut, with promoters of large industrial projects, fund managers and CEOs at one end of the scale and clients of microfinance associations at the other end. Four of these business people talk about how they view working with FEMIP and the projects they have been able to take forward thanks to EIB support.

Aziz MEBAREK

"Since its inception, Tuninvest has been backed by the EIB both financially and in terms of assistance in setting in place sound governance meeting the highest standards. The EIB has also provided several of our customer firms with direct funding to round off finance from the local banking system, thereby accelerating the growth of companies actively involved in key strategic sectors such as health, agricultural food-processing and leasing. Besides the financial support provided to Tuninvest since its start-up, the EIB was the first institution to raise the profile of the private equity industry in the Maghreb countries. Thanks to the confidence that the public authorities have in the EIB, it was able to highlight the sector's development and job creation impact. This facilitated the establishment of a regulatory climate conducive to the emergence of the profession in our countries."

Aziz Mebarek, Founding Partner of Tuninvest, a regional investment fund operating in the Mediterranean partner countries.

Anas SEIFI

"With the loans from the SYRIAN SME FUND, Syral has been able to expand its business more quickly than would otherwise have been possible. The loans were used to purchase machinery from European manufacturers as well as to build an aluminium melt shop to recycle the aluminium waste into primary metal, which we re-use. This has enabled Syral to meet the ever-increasing demand for aluminium products from both the Syrian market and the regional markets."

Anas Seifi, Chairman of the Board of Directors of Syral. This SME has received two loans from the Syrian SME fund financed by the EIB.

Riadh HENTATI

"The provision of technical assistance by the EIB was a great help to us. Firstly, the support for the management unit enabled us to manage our deadlines and budget more effectively. And secondly, the oversight unit, which acted as an intermediary between ourselves and the company performing the work, was one of the strong points of the project. I found the combination of the two technical assistance operations to be an excellent idea as it served to optimise the project's environmental dimension, so ensuring the sustainable development of the formerly polluted site."

Riadh Hentati, CEO of SEACNVS, referring to the project to clean up the Taparura industrial site, near Sfax in Tunisia.

Khadija JABOR

"Over the past five years, I have benefited from a number of micro-loans from the Zakoura Foundation, which have enabled me to make use of my skills in traditional tapestry work in order to make and sell tablecloths and bedspreads to my neighbours. Over time, I have learnt to diversify my product offering and to increase my distribution network. Nowadays, I sell my products at my local 'souks' and in the national fair of regional crafts in the city centre."

Khadija Jabor, client of the Zakoura micro-loan association in Morocco. The association received a loan of EUR 10m from the EIB in 2003.

FEMIP in 2008: supporting the Union for the Mediterranean

There can be no doubt that 2008 will go down as a landmark year for the Euro-Mediterranean Partnership, seeing, as it did, the launch of the Union for the Mediterranean. This ambitious step, officially announced at the July 2008 Paris Summit gave fresh impetus to Euro-Mediterranean relations and underscored the European and Mediterranean States' readiness to commit to a partnership based on improved pooling of responsibilities, centred on specific projects. In its role as the region's leading investor, FEMIP was charged with coordinating and supporting the implementation of three of the six priority initiatives adopted in Paris.

At the operational level, despite the spreading financial crisis, FEMIP maintained a strong volume of commitments in the Mediterranean with close on EUR 1.3 billion advanced to finance development projects in the region. In addition, FEMIP continued to diversify the range of its instruments and to strengthen its partnership with the European Commission and other lenders active in the Mediterranean partner countries.

8th FEMIP Ministerial meeting: new challenges for the EIB

During the joint Ecofin Council/FEMIP Ministerial Meeting in Luxembourg on 7 October 2008, the EIB was entrusted with a mandate to act as coordinator for three priority initiatives flagged by the Heads of State or Government at the Union for the Mediterranean Summit. These entail:

– developing **land and sea motorways** designed to foster the growth of platforms for the establishment of state-of-the-art logistics facilities vital for equipping the partner countries with an efficient, integrated transport system;

– implementing the **Mediterranean solar energy plan**, devised with a view to coordinating capital investment programmes and projects scheduled for implementation in the Mediterranean region for the purpose of encouraging wider use of alternative forms of energy, a fundamental priority in the drive to promote sustainable development;

– **cleaning up pollution in the Mediterranean**, by building on the initial findings of the Horizon 2020 consolidated investment programme comprising a series of projects aimed at cutting back pollution in the Mediterranean, an initiative involving private sector participation.

The Finance Ministers also approved FEMIP's three-year 2008-2010 Action Plan and urged the EIB to step up its support for Mediterranean SMEs, with the emphasis on small and micro enterprises. They called on the Bank to give increased attention to fostering skills and professional training, factors decisive for economic competitiveness and growth.

FEMIP's commitment to seeing through the priority objectives spelled out for the Union for the Mediterranean was further endorsed by the Euro-Mediterranean Foreign Affairs Ministers at their meeting in Marseilles on 3-4 November 2008, and subsequently by the Euro-Mediterranean Ministers for Industry at their meeting in Nice on 6 November 2008.

Value added

FEMIP continued to conduct its operations pursuant to the guidelines laid down by the November 2006 Ecofin Council as well as at FEMIP's 7th Ministerial Meeting in

Joint ECOFIN Council/ FEMIP Ministerial Meeting, Luxembourg, October 2008.

May 2007, on which occasion FEMIP was asked to bolster the quality and quantity of its operations.

Loans from the Bank's own resources totalling in excess of EUR 1.2 billion went towards financing a series of projects directly impacting the partner countries' economies. These projects included the Tangiers-Med port project in Morocco, road infrastructure schemes in Jordan, Morocco and Tunisia, energy infrastructure in Egypt, Morocco, Syria and Tunisia, two pharmaceutical R&D ventures in Israel and small businesses in Lebanon.

Private equity activity financed with budgetary resources made available by the European Commission reached a particularly high level (EUR 67 million). Operations included six investment funds present throughout the region and Syria's first microfinance bank. Technical assistance operations totalled EUR 16.9 million.

In preparing the ground for its financing operations and pursuant to the guidelines handed down, at FEMIP's 7th Ministerial Meeting, with respect to widening the range of FEMIP instruments, the Bank pressed ahead with its study of guarantee facilities under the EIB's new external mandate covering the period 2007-2013 (see box article).

The Bank also joined forces with a consortium of ten European and Mediterranean banking institutions which, under a Memorandum of Understanding signed in July 2008 and completed in January 2009, pledged to facilitate, safeguard and develop migrant workers' remittances in the region. FEMIP had already given thought to this issue by financing a study on the topic, published in March 2006, and by contributing to the dialogue between banks, migrants and regulatory authorities at a conference on migrant workers' remittances held in Paris in March 2007. The consortium's think tank represents the first major private initiative taking its cue from the launch of the Union for the Mediterranean.

Heightened cooperation at European level

Another significant development in 2008 was the establishment of a new European financing mechanism, the Neighbourhood Investment Facility (NIF), and the EIB is playing an active part in its deployment. An innovative financial instrument, the NIF is designed to mobilise additional resources for funding neighbouring regions' infrastructural investment needs, especially in the transport, energy, environmental and social sectors. The Facility also provides support for the private sector, notably through SME finance.

Under the European Neighbourhood Policy, the NIF serves as an adjunct to loans furnished by Europe's public financial institutions in partner and neighbouring countries[1]. By virtue of its catalytic effect on joint European operations, the NIF is set to play a key role in concrete implementation of donor coordination, work-sharing and procedural harmonisation, factors conducive to honing the effectiveness and efficiency of European external cooperation.

[1] *Europe's partner and neighbouring countries comprise the nine Mediterranean partner countries, Armenia, Azerbaijan, Belarus, Georgia, the Republic of Moldova, Ukraine and the Russian Federation (EIB financing in Belarus is subject to a forthcoming Council decision). However, only those countries committed to an Action Plan under the European Neighbourhood Policy are eligible for NIF financing.*

FEMIP products

FEMIP's three main products are:
⇛ loans
⇛ private equity
⇛ technical assistance

Products		Objectives	Beneficiaries
Loans	**Credit lines**	To develop small and medium-sized enterprises (SMEs) via credit lines granted to EIB partners – commercial banks or development financing institutions, which then on-lend the funds to their own customers.	SMEs
	Individual loans	To develop the economic infrastructure of the Mediterranean partner countries, with special emphasis on private sector growth and the creation of a business-friendly environment.	Private and public sector promoters
Private equity		To promote the creation or strengthening of the equity base of productive enterprises, particularly those set up in partnership with EU-based companies.	– SMEs – Private mid-cap companies – Investment funds – Microfinance institutions
Technical assistance		To improve the quality and development impact of FEMIP operations by: – strengthening the capacity of Mediterranean partner countries and promoters, – financing upstream studies and activities directly or indirectly fostering private sector growth.	All FEMIP customers

A new product: guarantees

The focus of the Bank with regard to the Mediterranean area has shifted over the past few years away from lending predominantly to public sector borrowers towards private sector development. Thus one of the main objectives is the mobilisation of private funding in key sectors in the economy, ranging from infrastructure (energy, transport, telecommunication, water and sanitation) to financial sector development (including SME development and microfinance).

The new external mandates for the period 2007-2013 now allow the Bank to provide guarantees outside the European Union. Guarantees can play a useful role in support of the Bank's objectives in these countries, both by providing project credit enhancement for private investors and lenders, and by helping to mobilise resources of other investors and financial institutions for investment in productive projects, especially in countries where the financial markets are very liquid.

A new guarantee programme, focusing on specific products and objectives (SMEs, project finance, local capital markets, etc.) is being finalised for implementation in the course of 2009.

Financing facilities

Loans during the period 2007-2013 will chiefly come from the Bank's own resources in the framework of the Mandate conferred on it by the Member States under the European Neighbourhood Policy. These loans will be covered by the EU Guarantee Fund for political and, in some cases, commercial risks.

This package is supplemented by EUR 2bn under the Mediterranean Partnership Facility II, which is not covered by the Guarantee Fund. In addition, there will be EU budget resources for private equity and technical assistance operations as well as resources made available to FEMIP under the Trust Fund.

Name	Type of financing	Amount in EUR	Period	Objective
ENP-MED Mandate	Mandate conferred by the Member States, from the Bank's own resources	8.7bn	1 February 2007-31 December 2013	Contributing to the development of the private sector and infrastructure in the Mediterranean partner countries
Mediterranean Partnership Facility II	Own resources	2bn	2007-2013	Supporting well-defined priority projects of particular relevance to both the EU and the partner countries (regional development, sectoral policies, environment, support for EU enterprises, etc.)
Risk capital and technical assistance envelope [2]	EU budget	128m	2007-2010	Fostering the creation or strengthening of equity and quasi-equity resources for SMEs in the Mediterranean partner countries
Technical Assistance Fund	EU budget	105m	2003-2008	Helping the partner countries and private promoters to improve the preparation, management and supervision of their investment projects
FEMIP Trust Fund	Contributions from the Member States and the European Commission	34.5m	Operational since 2005	Gaining a deeper understanding of the region's major economic challenges by financing technical assistance and sectoral studies. Supporting the private sector by providing equity and quasi-equity finance for innovative operations or operations with an unusual risk profile.

[2] *Additional resources are expected to be provided from reflows from previous operations. The risk capital and technical assistance envelope will be re-examined in 2010 as part of the mid-term review of the Mandate.*

Investment climate in the Mediterranean

Following several years of robust growth, underpinned by a favourable external environment, the macroeconomic performance of the Mediterranean partner countries remained strong in 2008. However, the deepening of the financial crisis since the last quarter of the year and its wider economic fallout are expected to be felt quite significantly throughout the region in 2009 as the slowdown in global demand takes its toll on exports, commodity prices, tourism and workers' remittances, while tightening credit conditions dampen investment. On the structural front, gradual reforms have continued: trade-related improvements are contributing to increasing the integration of the Mediterranean partner countries with the rest of the world, while important measures have been taken to enhance the business climate and governance. Starting up a business has become easier, although additional efforts are needed to enhance contract enforcement and facilitate access to credit. Several countries in the region have made big strides to strengthen their banking sectors, but more needs to be done to deepen the financial system at large. Continued efforts to create a simple, transparent, reliable and enforceable framework for investment and business remain crucial to successfully tackling the main challenges ahead: further promoting the development of the private sector and boosting job creation.

Macroeconomic Developments

Following several years of robust growth, underpinned by a favourable external environment, high oil prices and some notable reform efforts (particularly in Egypt), the Mediterranean partner countries posted another hefty growth rate of 4.9% in 2008, despite the deepening of the financial crisis in mature economies

Figure 6: Real GDP Growth

	2007	2008	Forecast 2009		
			as of Apr. 08	*as of Oct. 08*	*as of Apr. 2009*
Algeria	3.0	3.0	4.9	4.5	2.1
Egypt	7.1	7.2	7.1	6.0	3.6
Israel	5.4	3.9	3.4	2.8	-1.7
Jordan	6.6	6.0	5.8	5.3	3.0
Lebanon	7.5	8.5	4.5	5.0	3.0
Morocco	2.7	5.4	5.7	5.5	4.4
Syrian Arab Republic	4.2	5.2	4.8	5.2	3.0
Tunisia	6.3	4.5	5.9	5.0	3.3
Gaza/West Bank	-1.2	2.0	…	3.7	5.0
World	*5.2*	*3.2*	*3.8*	*3.0*	*-1.3*

Source: IMF – April 2009 WEO. [3]

[3] *Data on West Bank and Gaza are taken from 'Macroeconomic and Fiscal Framework for the West Bank and Gaza: Third Review of Progress', IMF Staff Report, February 2009.*

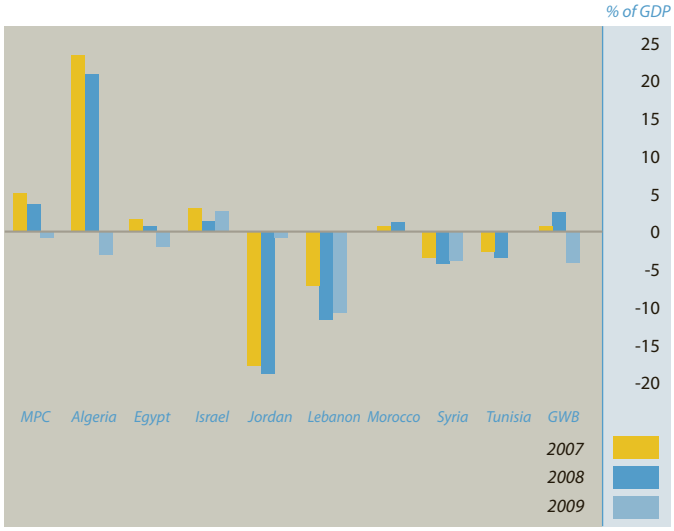
in the autumn of 2008. Economic activity remained vibrant, mainly on account of domestic demand, notably investment financed by buoyant FDI inflows. However, the impact of the global economic and financial crisis will be felt quite significantly in 2009: real GDP is currently expected to slow to less than 2% and risks remain slanted to the downside as the crisis unfolds and continued uncertainty surrounds the real magnitude and length of the economic slowdown. Figure 6 eloquently shows that world growth projections have been consistently revised downward and they may be further reduced. Rather than focusing on quantitative estimations of growth rates, which remain subject to a great deal of volatility at this stage, the analysis has centred on the possible channels of transmission of the crisis to the Mediterranean partner countries and on the main sources of vulnerability (see p.26). While, on average, the Mediterranean partner countries display a relatively well-diversified economic base, the roller-coaster decline in hydrocarbon prices is affecting terms of the trade and fiscal and external developments in oil-exporting countries in the region (Algeria). Moreover, adverse developments in the global economy are expected to hinder investment activity in Mediterranean countries through a decline in FDI, with exports (including tourism) and remittances also projected to fall significantly.

Strong domestic demand and surging commodity prices through the first half of 2008 pushed regional inflation up to 8.9% at the end of 2008, from 4.8% in 2007. This year the outlook is set to improve markedly, with inflation heading down to 4.4%, as the sharp drop in oil and food prices is expected to prompt a significant decline in price pressures even in countries, such as Egypt and Jordan, where it spiked to double digit levels last year.

In 2008, fiscal balances across the region ranged from a surplus of 11% of GDP in Algeria to a deficit of 10% of GDP in Lebanon (Figure 7). In general, the fiscal situation in the region has only slightly improved with respect to 2007, mainly on account of the large gains recorded in Algeria on the back of booming oil prices. Lebanon, Morocco and Tunisia also posted moderate

Figure 7: Fiscal Balance

Figure 8: Current Account Balance



Note: MPC average is GDP-weighted.
Source: IMF – April 2009 WEO and Regional Economic Outlook for the Middle East and Central Asia.

Figure 9: Net Private Capital Flows and FDI

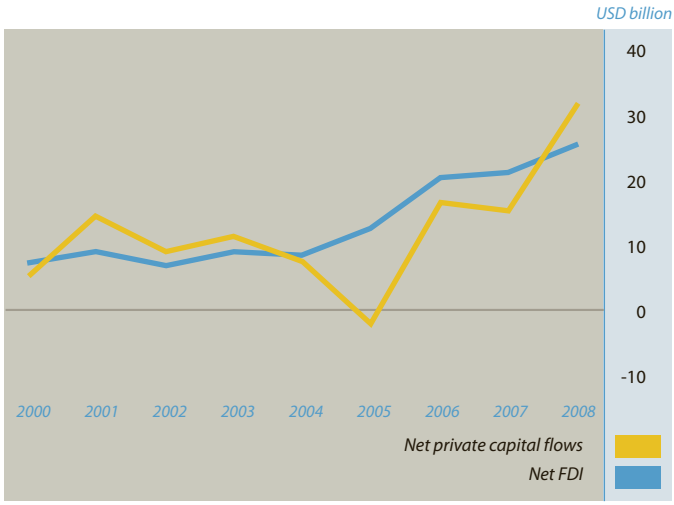
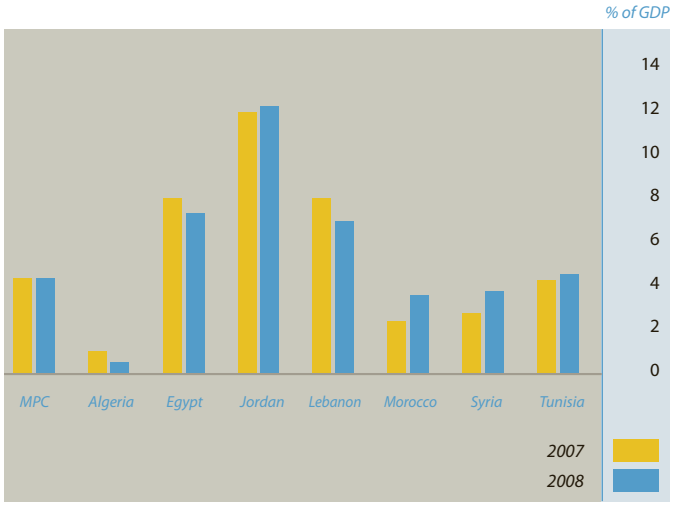


Figure 10: FDI



Notes: (1) In Figure 9, data do not include Israel and GWB.
(2) MPC is a GDP weighted average.
Source: IMF – April 2009 WEO database.

improvements while the fiscal outlook for Gaza and West Bank (GWB) brightened considerably on account of strong donor support and spending restraint on the part of the authorities. However, as the global crisis continues to unfold and growth decelerates, fiscal revenues are set to decline, thus worsening the fiscal and debt position of the region. Algeria is projected to be hit particularly hard by the collapse in oil prices, while the downturn in economic activity is projected to deal a severe blow to Israel's budget deficit. Against the backdrop of lower liquidity and heightened risk aversion, the cost of servicing Lebanon's high public debt is also set to rise and further weaken the country's fiscal position.

In 2008 a general, albeit contained, worsening of current account balances took place in most Mediterranean partner countries owing to strong domestic demand and FDI-financed capital imports. With the deepening of the crisis, the external balance of the region is expected to deteriorate significantly this year, mainly as a result of the large swing in Algeria's current account position, which is projected to record a deficit for the first time in 10 years. On the other hand, oil-importing countries are projected to benefit from lower oil prices and their current account balances to improve.

Net Foreign Direct Investment (FDI) has continued to perform relatively well, increasing by 17% in nominal terms in 2008 and reaching USD 24 billion as energy, real estate and the financial sector have continued to attract foreign investors (as a ratio of the region's GDP, net FDI declined marginally from 4.5% in 2007 to 4.4% in 2008). FDI inflows from Gulf Cooperation Countries (GCC) have noticeably increased over the last few years (reaching respectively 25% and 14% of total FDI flows to Egypt and Morocco in 2007), especially in infrastructure, real estate and tourism. However, reflecting the increasingly challenging international environment, a major decline in capital inflows is expected to take place with net FDI decreasing by 44% and shrinking to USD 14 billion in 2009, i.e. 2.4% of the regional GDP, while net private capital inflows are forecast to more than halve from USD 30 billion in 2008 to USD 14 billion this year.

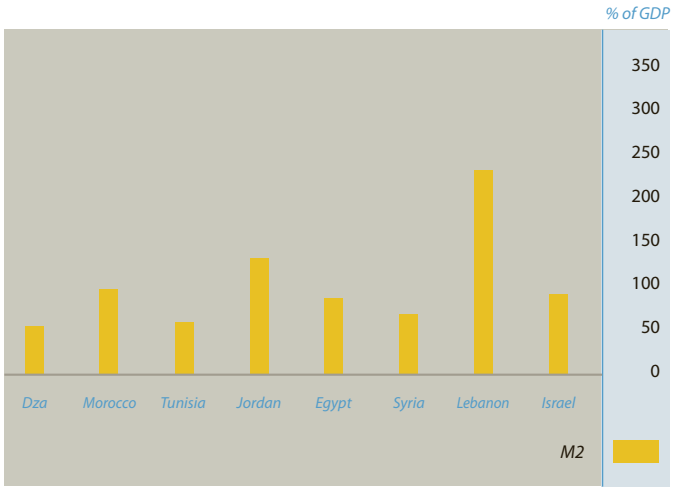
The Financial Sector

The financial landscape of the Mediterranean partner countries is heavily dominated by the banking system, which has reached, over the last few decades, a fair degree of development. Macroeconomic indicators of size, liquidity and level of intermediation support this view (Figure 11). Broad money (M2), a standard measure of liquidity and depth, exceeded on average 100% of GDP in 2007 and is well above the average for middle income countries (74%). Bank deposits are also quite high, averaging over 70% of GDP in 2007 (94% when Lebanon is also accounted for). More generally, banking activity has been expanding over the last few years: increased oil-related liquidity in the broader North Africa and Middle East region has had positive spillovers for the Mediterranean partner countries and has contributed to spurring both deposit and credit growth.

However, banking intermediation has developed unevenly across the countries of the region, with Israel, Jordan and Lebanon featuring well-developed banking sectors, while Syria and Algeria lag behind. Somewhere in between, Egypt, Tunisia and Morocco have made big strides in recent years to promote financial sector development.

Despite significant improvements in recent years, the banking sector has yet to become an effective tool for channelling resources towards productive use (see p.28).[5] Investment climate surveys conducted throughout the region by the World Bank show that access to finance, and the cost of this finance, is often cited as a major constraint to investment and growth. While this phenomenon is less puzzling in countries where the vast majority of banks are in public hands and the role of the state in the economy is pervasive, it is quite surprising to find that in countries such as Egypt or Morocco, with a relatively high level of credit penetration, banks only provide some 20% of new investment finance. Moreover, while bank assets as a share of GDP have been increasing, lending has not followed suit and the ratio of loans to total assets has decreased over the last decade and is now slightly above 60%. This 'divide' between banks and the real economy is even more acute when it comes to small enterprises.

Figure 11: M2



Source: World Bank – World Development Indicators.[4]

[4] *All data refer to 2007, unless otherwise specified, with the exception of Syria, for which the latest available series refers to 2006.*

[5] *For an in-depth analysis of the 'disconnect' between the financial sector and the real private economy in MENA, refer to the World Bank 2006 Economic Developments and Prospect – Financial Markets in a New Age of Oil.*

The improvement of banking intermediation will benefit medium-sized and small enterprises.

Figure 12: Stock Market Capitalisation and Turnover Ratio

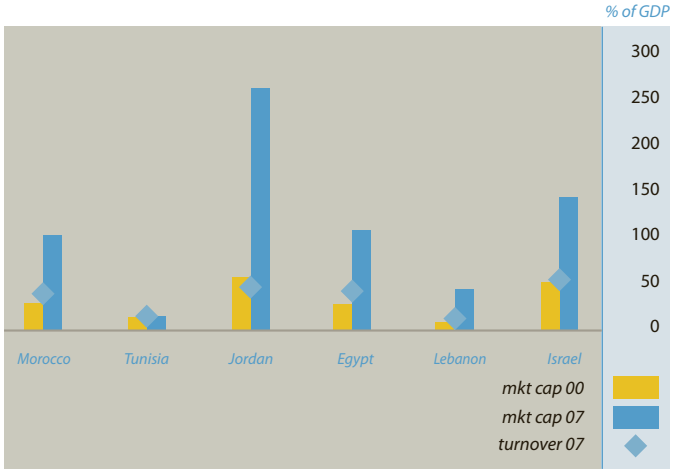
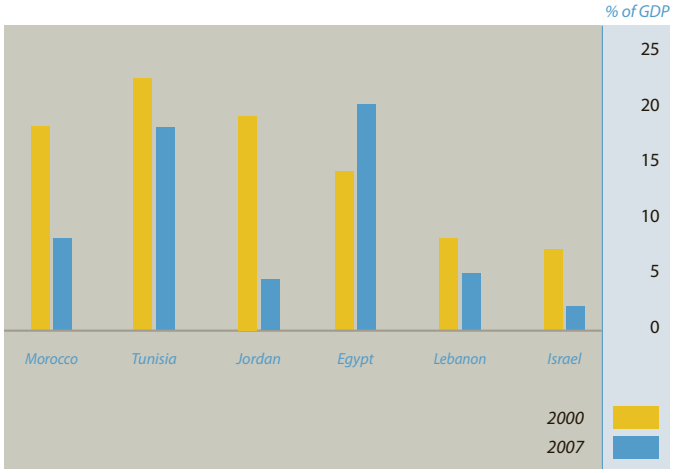


Figure 13: Non-Performing Loans (% of total gross loans)



Source: World Bank – World Development Indicators; IMF – Article IV Reports.

The dominant position of state-owned banks has undoubtedly played a role, not only because a substantial share of credit has been directed to the public sector, leaving small room for private sector lending, but also because it has hindered competition and the development of a strong credit culture: high risk aversion and centralised credit allocation are common features of state-owned banks, which have traditionally found it easier to lend to a few large borrowers capable of providing solid collateral rather than venturing into the more dynamic, but also more uncertain, domain of SME financing. For their part, banks in the region argue that the lack of reliable financial information and, most importantly, of high-quality investment opportunities are the main causes behind limited enterprise financing.

The underdevelopment of the non-bank financial sector is another factor behind difficult access to finance. While buoyant economic activity and abundant capital inflows from oil-rich neighbouring countries have contributed to boosting stock markets across the region – market capitalisation as a ratio of GDP surged in most countries from an average of 32% in 2002 to 113% in 2007 – stock exchanges in Mediterranean partner countries tend to be characterised by few listings, typically of large privatised companies. Bond markets, and the corporate bond market in particular, are still dormant while the venture capital industry remains small both in size of investment and in number of players. All in all, in spite of recent gains, non-bank finance does not represent a vehicle for smaller firms to raise capital. Further developing financial intermediation will not only inject a healthy dose of competition into a bank-dominated system, but will also provide new avenues for enterprise financing.

Structural Reforms

Trade Reforms

Mediterranean partner countries are cognizant of the importance of achieving greater integration in the world economy and they have been taking important steps in this direction. Egypt, Jordan Morocco and Tunisia are WTO members while Algeria and Lebanon are currently negotiating. Remarkable progress towards trade liberalisation has been achieved, with average tariffs decreasing from 20% in 2000 to 13% in 2007 – the biggest regional decline observed during this period – with Egypt, Jordan and Lebanon posting the largest tariff cuts. Figure 14 shows that, on average, Mediterranean partner countries have outperformed all regions except high-income OECD countries in terms of trade-reform progress, with Egypt and Morocco leading the way.[6] The progress is even more remarkable when taking into account average tariff reductions between 2000 and 2007: Egypt slashed average tariffs from 21.4% to 6.9%, amongst the world top reformers in this respect, while Jordan cut its own tariffs from an average of 23% to 11%. Despite these successes, non-tariff barriers remain high and there is ample room for enhancing trade logistics, improving the quality of customs and the efficiency of transport facilities.

Trade integration with the EU proceeds in the context of the Association Agreements with the Mediterranean partner countries. While Association Agreements have been signed with Algeria, Morocco, Jordan, Lebanon and Egypt adding to the existing ones with Tunisia and Gaza and West Bank, the goal of achieving a free-trade area by 2010 has been delayed. Action Plans under the European Neighbourhood Policy (ENP), which aims for a deeper political relationship and economic integration, have also been agreed with Egypt, Jordan,

Figure 14: Trade Policy in 2007

Country/Region	Average Tariff	Average time for export clearing (days)	Average time for import clearing (days)	Overall trade policy (percentile ranking)	Trade reform progress 2005-07 (change in ranking)
Algeria	18.7	17.0	23.0	58.0	14.4
Egypt	6.9	15.0	18.0	72.0	29.2
Jordan	11.5	19.0	22.0	50.0	3.0
Lebanon	7.0	27.0	38.0	13.0	-48.0
Morocco	22.3	14.0	19.0	64.0	26.0
Syria	19.6	19.0	23.0	32.0	14.0
Tunisia	26.8	17.0	22.0	56.0	5.0
MPC	16.1	18.3	23.6	49.3	6.2
East Asia and Pacific	8.3	25.0	26.0	49.0	-7.0
Europe and Central Asia	6.7	29.0	31.0	50.0	-1.0
Latin America and Caribbean	8.9	22.0	26.0	60.0	3.0
South Asia	14.2	31.0	32.0	23.0	-18.0
Sub-Saharan Africa	13.0	36.0	44.0	29.0	-5.0
High-income OECD	4.0	10.0	11.0	82.0	12.0
World	9.4	26.0	30.0	50.0	0.0

Note: Regional averages are simple averages.
Source: World Bank, Economic Developments and Prospects, MENA Region, 2008 and 2006.

[6] *The World Bank has developed a trade policy index based on four trade-related indicators (average tariff, non ad-valorem duties and average time for import/export clearing), which provides a worldwide ordering of each country's standing, with 100 being the highest score in terms of trade openness and 0 the score attributed to countries with the most closed trade policies.*

Figure 15: Doing Business (change in ranking 2006-08; + sign means improvement)

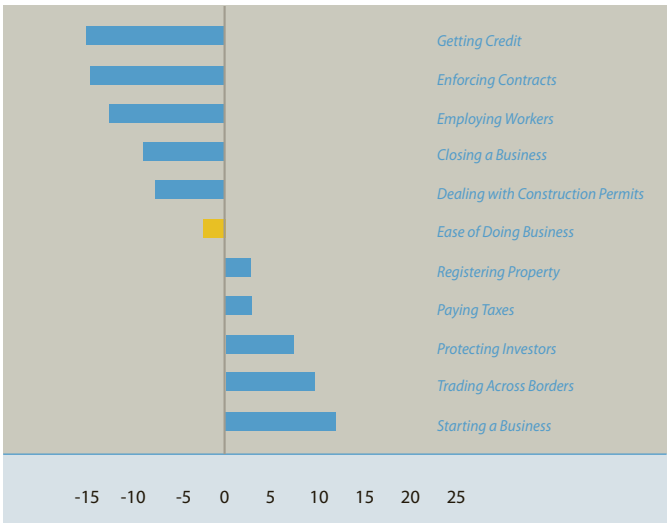
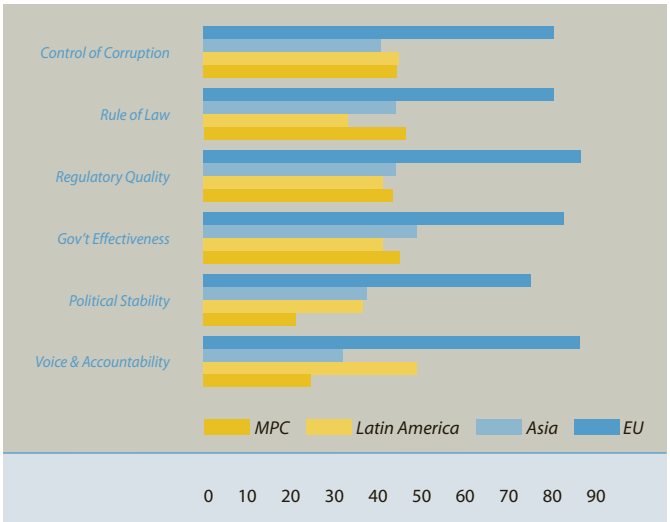


Figure 16: Governance Indicators 2007



Source: World Bank – Doing Business Report 2009 and World Governance Indicators 2007.

Lebanon, Morocco, Tunisia and Gaza and West Bank[7]. Negotiations have not yet started with Algeria, while no ENP can be envisaged with Syria until the Association Agreement, upon which the ENP builds, is signed (it has only been initialled).

Business Climate and Governance Reforms

Enhancing the business climate and creating a simple, transparent, reliable and enforceable framework for investment and business are key ingredients to promote the development of the private sector and boost job creation. Over the past few years, the Mediterranean partner countries have moved ahead with reforms aimed at creating a more business-friendly economic and institutional environment. In 2007/8, 19 positive reforms were passed and for a third time, Egypt turned out to be one of the world's top ten reformers (it was number one in 2006/7). Over the past two years, Egypt has made improvements in all of the ten areas covered by the World Bank Doing Business Report, thus advancing by 51 positions in the global ranking on the ease of doing business. The region's other leader in reforming regulations is Tunisia, which advanced by seven places over the last two years. The most popular area for reform is business start-up, with six out of the nine economies in the region making improvements. Investor protection and measures to facilitate trade were also enhanced. Despite these successes, the business climate in Mediterranean partner countries can still be significantly improved. Enforcing a contract, for instance, takes on average over two years and requires 42 separate procedures. Getting credit and starting a business remain difficult in Syria and Algeria; dealing with construction permits is still problematic in Egypt, Lebanon and Israel, where registering property is also another crucial area of difficulty in doing business; and

[7] *Action Plans consist of an agreed agenda of economic, political and institutional reforms with the aim of promoting a deeper political relationship and economic integration between the Mediterranean partner countries and the EU.*
The ENP provides for greater financial and technical assistance from the EU and enhanced market access.

Morocco suffers from high hiring costs and a significant lack of investor protection.

The Mediterranean partner countries have also taken important steps to address the region's deficiencies in governance. Many of these efforts have focused on reforming public administration in order to improve efficiency in the delivery of public services by fighting corruption, streamlining bureaucracy, strengthening the judiciary and enhancing property rights[8]. Between 2004 and 2007, Algeria and Egypt managed to reinforce political stability and Algeria also made big strides in improving control of corruption. Syria and Jordan enhanced government effectiveness, while regulatory quality was notably improved in Egypt and Israel. However, no progress was achieved in terms of enhanced voice and accountability and Jordan was the only country to advance on the rule of law front. All in all, the Mediterranean partner countries have not kept pace with the rest of the world in reforming governance. In particular, they still lag behind Asia in almost all aspects of governance (Figure 16), while in terms of government effectiveness, regulatory quality and rule of law they perform better than Latin America.

SME financing is crucial to sustainable development in the region (juice factory, Lebanon).

[8] *For a more detailed analysis, refer to the World Bank's 2008 Economic Development Prospects – MENA Region*

⇛ How vulnerable are Mediterranean partner countries to the global economic crisis?

Unlike previous episodes of turbulence in emerging markets, the ongoing financial crisis originated in mature economies. When the sub-prime debacle erupted in the US in 2007, emerging countries, including Mediterranean partner countries, were thought to be immune to the turbulence on account of their limited exposure to sub-prime assets and their improved macroeconomic fundamentals and policy frameworks. However, support for the 'decoupling hypothesis' waned last September when the crisis entered a deeper phase following the collapse of Lehman Brothers. Risk aversion towards emerging markets spiked and the turmoil violently spread through emerging countries hitting equity, bond and currency markets. The virtual seizure of the international inter-bank markets dried up access to short-term finance and, as a consequence, many banks in emerging economies faced increasing funding difficulties despite the fact that they had little or no exposure to the US sub-prime market. Deleveraging by hedge funds and other institutional investors added to the credit squeeze while the headlong plunge of commodity prices hit commodity-exporting countries [9].

Against this backdrop, two questions naturally arise: How vulnerable are the Mediterranean partner countries to the ongoing global crisis? And, what are the likely channels of contagion?

[9] *For a more in-depth analysis, refer to 'Capital Flows to Emerging Market Economies', Institute of International Finance, January 2009, Washington DC.*

The Financial Sector Channel: As mentioned above, banks in Mediterranean partner countries tend to follow a rather conservative approach with respect to funding, asset management and lending; hence, their direct exposure to toxic assets is likely to be very limited. Moreover, most Mediterranean partner countries have not experienced the housing and mortgage lending booms that took place in the US, Europe and a number of emerging economies, particularly the Baltics. Even in countries, such as Egypt and Lebanon, where the property market has grown considerably, the banking sector has not generated the type of structured finance instruments that are held responsible for the financial crisis in mature economies. At this stage, the main risk for the banking sector of Mediterranean partner countries is represented by the possible deterioration of the quality of loan portfolios that could follow a prolonged economic slowdown.

The Trade Channel: the global economic crisis is making its way through the Mediterranean partner countries via lower demand for their exports: growth forecasts for 2009 have been revised downwards accordingly and by considerable margins in some cases. Oil-exporting countries will be hit particularly hard, but even more diversified economies are set to suffer as exports of their goods and services, including tourism, weaken. As a result, income growth and domestic demand will also cool down. Investment, one of the main drivers of growth in Mediterranean partner countries in recent years, is projected to drop quite remarkably in response to the tightening of financing conditions (for the whole MENA region, the World Bank forecasts a decline in investment from 20% in 2008 to 7% in 2009). This leads us to another crucial channel of contagion.

The Capital Inflows Channel: The most immediate consequence of the crisis is that financing on international capital markets has become more difficult and costly. To give a sense of the sheer magnitude of this phenomenon, the Institute of International Finance (IIF) forecasts that net private capital flows to emerging economies will shrink to USD 165 billion in 2009 from a peak of USD 930 billion in 2007. Unsurprisingly,

The global crisis is impacting on the partner countries through lower demand for their exports.

net bank lending will record the biggest drop but FDI, which is usually considered to be relatively stable and which represents the lion's share of capital inflows to Mediterranean partner countries, is also projected to decline significantly. In this connection, it is worth recalling that GCC countries have become important investors in Mediterranean partner countries, supporting the energy sector, as well as infrastructure, real estate and tourism-related projects. The sharp decline in oil prices is set to hold back investment activities by GCC countries (based on IIF projections, capital exports from GCC countries will experience the sharpest drop among emerging, capital-exporting countries).

The Remittances Channel: Remittance flows are set to be affected by the growth slowdown in mature economies. Remittance flows play an important role in sustaining consumption levels across the region – reaching about 20% of GDP in Jordan and Lebanon, and close to 10% of GDP in Morocco.

The Fiscal Channel: Weaker economic activity generally implies lower fiscal revenue and a deterioration of fiscal balances and debt ratios. This is all the more worrisome for governments with a weak initial position as it leaves them with no room for fiscal manoeuvre to address the impact of the crisis on their economy. Among the Mediterranean partner countries, Egypt, Jordan and Lebanon have a particularly problematic fiscal starting position with pre-crisis fiscal deficits above 5% of GDP. While coming from a comfortable level, Algeria's fiscal position is especially hard hit as its revenues are closely linked to oil exports.

On average, the Mediterranean partner countries' main weaknesses under the present circumstances are represented by their fragile fiscal position and by the risk of a reversal of capital inflows and remittances. All in all, they are expected to suffer the fallout from the crisis, but to a lower extent than other developing/emerging regions.

⇛ Euro-Mediterranean Charter for Enterprise

One of the aims of the Barcelona process is to build a Euro-Mediterranean region of shared prosperity through an economic and financial partnership and the gradual establishment of a free trade area. To meet this goal, the Mediterranean partner countries have engaged in industrial cooperation with the EU. Industry ministers adopted the Euro-Mediterranean Charter for Enterprise in 2004, and by endorsing the Charter, the Mediterranean partner countries committed themselves to use it as a tool to implement economic reforms in enterprise policy and to boost the competitiveness of their enterprises.

The Charter covers the following areas: simple procedures for enterprises, education and training for enterprises, improved skills, easier access to finance and investment-friendly taxation, better market access, innovative companies, strong business associations, quality business support schemes and services, strengthening Euro-MED networks and partnerships, and clear and targeted information.

In 2007, the Mediterranean partner countries agreed to launch a pilot project for an in-depth evaluation of government policies for the ten dimensions of the Charter. This evaluation was conducted by the respective countries, the European Commission, the OECD, the European Training Foundation and the EIB. The report on the implementation of the Euro-Mediterranean Charter for Enterprise was published in 2008 and presented at the Euro-Mediterranean Ministerial Conference on Industry in Nice.

The EIB contributed to the assessment of access to finance for enterprises, where the assessment framework was derived from the Charter and focused on areas where government policy could promote and facilitate access to finance. Ten access-to-finance indi-

SME, Syria.

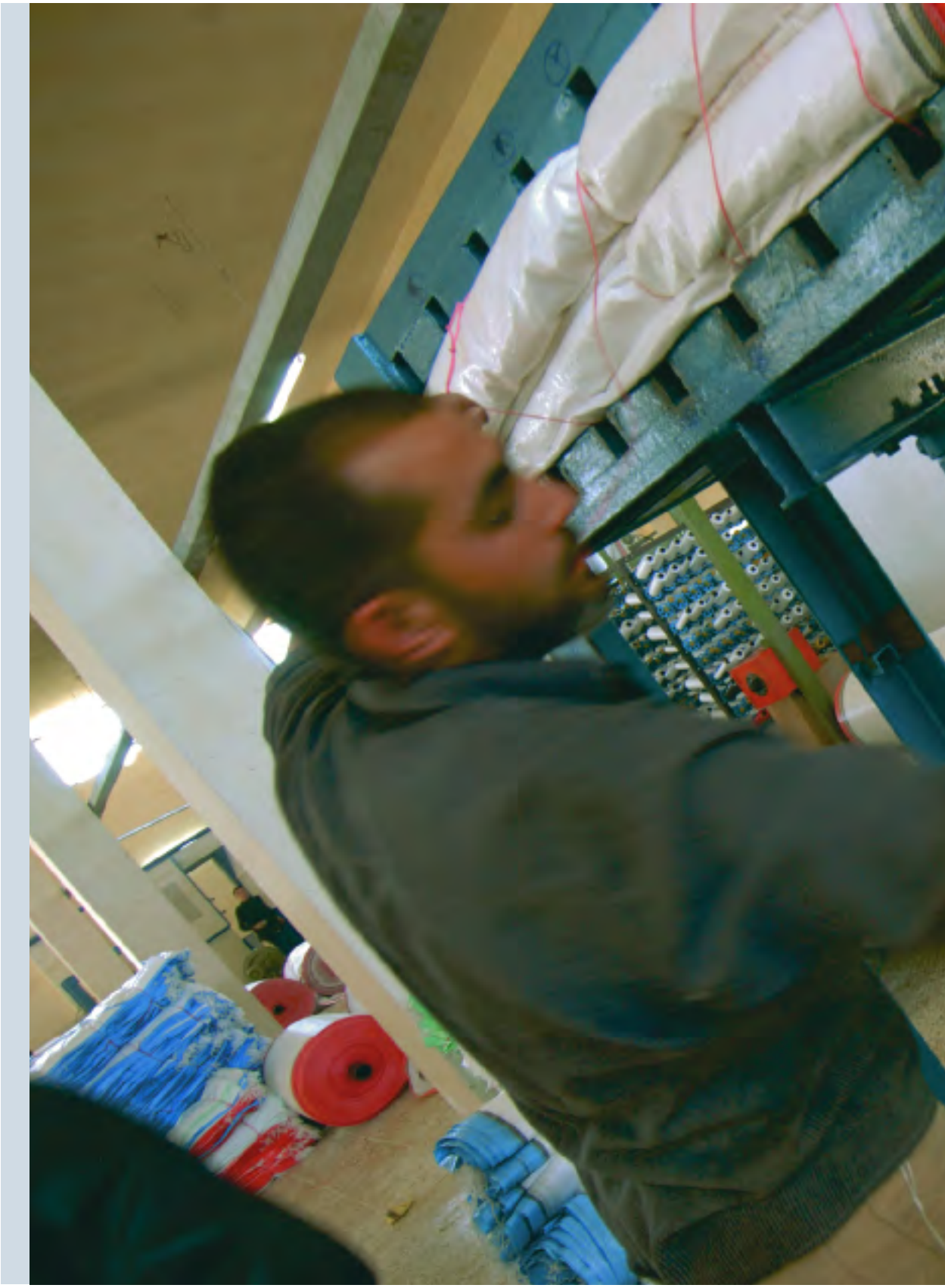
cators were used in the assessment and grouped into two areas: credit environment and financial facilities for enterprises. The first group included collateral and provisioning requirements, cadastres, law on distressed companies and bankruptcy, registration of movable assets and credit information services. The second group covered credit guarantee schemes, risk capital, capital markets, microfinance and leasing.

The assessment shows that financial sectors in Mediterranean partner countries continue to be dominated by the banking sector, while financial markets remain underdeveloped in most countries. While progress has been made in broadening and deepening the financial markets in Mediterranean partner countries, access to finance remains one of the key constraints on private sector growth and development, especially for micro, small and medium-sized enterprises.

In particular, the regulatory and legislative framework lags behind financial market developments. In this respect, government policy could improve the functioning of registries, especially the registry of claims on movable assets, which together with a better functioning cadastre would facilitate the use of assets as collateral. In addition, there is room for improvement in credit information services and with respect to laws on bankruptcy and distressed companies. Such improvements in the credit environment would make it easier for banks to lend to enterprises.

In order to help deepen and broaden the financial markets, government policies should ensure that the legal and regulatory framework is conducive to market development. In this regard, the promotion of best international practices could help develop non-bank financial institutions such as equity funds.

FEMIP has financed numerous projects in the industrial sector (Syria, Lebanon and Egypt).



Activities in 2008

FEMIP events: the year in review

The Union for the Mediterranean's launch year proved to be a highly active twelve months for FEMIP in the course of which various meetings were organised under the partnership at three levels: Ministerial Meeting, Consultative Committee and FEMIP conferences.

March – Berlin Tourism Conference

FEMIP's opening conference in 2008 took place in conjunction with the Berlin International Tourism Fair (Internationale Tourismus Börse). Held on 6 March 2008, this 3rd FEMIP conference brought together over 200 politicians, tourism professionals and private investors to debate tourism in the partner countries.

FEMIP took this opportunity to publish a study financed from its Trust Fund entitled "Analysis of tourism strategies and policies in the FEMIP countries and proposals for sub-regional tourism development". The study is the first of its kind to provide an overview of the tourism industry throughout the Mediterranean. It traces the growth of tourism in the region since 2001, offers projections up to 2010, identifies problem areas in the different countries and suggests ways to make up for one region's weaknesses with another's strengths.

April – UNESCO Paris Forum 2008

Organised around the theme of "A Union for the Mediterranean: why and how?", the Fourth Paris Forum welcomed FEMIP as a privileged partner by devoting a plenary session to the Facility given over to the question "What would a Mediterranean economic area consist of?". This round table, led by a dozen policymakers, businessmen and bankers from both sides of the Mediterranean before an audience numbering close on a thousand, addressed ways and means of deepening regional integration across the Mediterranean and identified the priorities for the new Union due to be launched at the 13 July Paris Summit.

The Paris Forum is a focal meeting-point for those debating issues crucial to Euro-Mediterranean relations; in entrusting FEMIP with organisation of one of its key events, the Forum not only highlighted FEMIP's

FEMIP Conference on microfinance, Tunis, May 2008.

Looking Back: "The EIB in the Mediterranean", Exhibition at EIB Headquarters, Luxembourg, November 2008.

expertise on economic and social development issues in the Mediterranean but strengthened FEMIP's links with different institutional business and civil society groupings gathered together for three days among the 3 500 or so participants attending the UNESCO-hosted Forum.

May – Microfinance Conference in Tunis

Entitled "Microfinance in the Mediterranean: what impact?", the 4th FEMIP Conference took place in Tunis on 5 May in partnership with Sanabel, the network of microfinance institutions in the Arab countries.

Apart from discussing the potential impact, the purpose of the conference was to debate factors conducive to fully-fledged development of microfinance throughout the region. There were more than 420 attendees from the world of banking and finance, academia and civil society.

Against this backdrop, and as a logical extension to FEMIP studies already conducted on migrant workers' remittances and tourism, the Facility carried out a study entitled "The economic and social impact of microfinance in the Mediterranean region". This work, financed by the FEMIP Trust Fund, provided material for discussions pointing up the leading role of microfinance and its impact on growth and social cohesion.

September – FEMIP Committee Meeting in Malta

The FEMIP "Steering Committee" established in 2007 held four meetings in 2008, most of these at the EIB's Luxembourg Head Office, the sole exception being the September extra-mural meeting in Malta, where the Bank's Board of Directors was also in session.

With FEMIP's ministerial meeting only a few weeks away, the Committee's deliberations were given over to preparing the ground for ministers, notably with respect to mulling over the main courses of action for FEMIP within the context of the Union for the Mediterranean.

October – 8th FEMIP Ministerial Meeting in Luxembourg

For the third time in a row, FEMIP's ministerial meeting was held in tandem with the Euro-Mediterranean Ecofin Council meeting. Convened in Luxembourg on 7 October 2008, this was the first ministerial meeting organised on the heels of the Paris Summit.

Against the backdrop of a grave financial crisis, the European and Mediterranean ministers debated the challenges ahead and confirmed their determination to continue to do all they could to sustain economic growth. They also pledged their commitment to implementing the concrete regional projects enumerated in the Paris Summit declaration.

At the Luxembourg meeting, ministers endorsed the conclusions of FEMIP's 3rd and 4th Conferences and agreed on the topics to be entered on the agenda for FEMIP's 2009 conferences, namely SME development and the challenges of a Mediterranean water strategy.

The "Medinas 2030" Conference, Venice, October 2008.

October – "Medinas 2030" Conference in Venice

Bringing together around one hundred town planners, architects, economists, sociologists and experts from organisations such as UNESCO and the World Bank, this conference arranged in collaboration with

FEMIP Conference on tourism, Berlin, March 2008.

Venice's Iuav University, was held on 30 October 2008 within the framework of Venice's Biennale Architettura. It was the starting-point for debating ways and means of setting in place an investment programme to rehabilitate the old historic centres of cities in the southern Mediterranean.

The "Medinas 2030" initiative looks at the revival of these historic districts against the background of the economic, social and urban planning changes which the Mediterranean partner countries are due to undergo over coming years. The aim is to bring the integrated rehabilitation of medinas to a successful conclusion, while preventing city centres from deteriorating further and being transformed into theme parks for tourists.

November – Human Capital Seminar in Luxembourg

Organised under the aegis of the FEMIP Internship Programme, this seminar was attended by some 70 participants addressed by a panel of experts and professionals from the human capital sector. The main thrust of the seminar, held in the EIB's Head Office in Luxembourg on 18 and 19 November and structured around two half-days of discussions, centred on how best to match skills and market needs.

FEMIP Seminar on human capital, Luxembourg, November 2008.

Addressing this issue is vital for the future of the southern Mediterranean where 60% of the population is under the age of 25. Whereas so many economies are faced with substantial problems related to their ageing populations, the converse represents an unprecedented asset, provided that the economy can offer sufficient employment opportunities. Unfortunately, the southern Mediterranean region is currently experiencing high rates of unemployment, calling for the creation of some 20 to 60 million new jobs between now and 2020 merely to stabilise these rates at their present level.

Building on the FEMIP Trust Fund

The purpose of the FEMIP Trust Fund is to provide upstream support for the development of private sector projects. More than four years after its launch, the Trust Fund is fully playing its role as a think tank for exploring new areas in which FEMIP can make meaningful contributions.

Donors' contributions to the FEMIP Trust Fund

Member States	TOTAL (EUR '000)
Austria	1 000
Belgium	1 000
Cyprus	1 000
European Commission	1 000
Finland	1 000
France	4 000
Germany	2 000
Greece	2 000
Ireland	1 000
Italy	2 500
Luxembourg	1 000
Malta	1 000
Netherlands	2 000
Portugal	1 000
Spain	10 000
United Kingdom	3 016
Total at 31 December 2008	**34 516**

Introduced in 2004 following a decision by the Ecofin Council, the FEMIP Trust Fund is resourced by voluntary contributions from Member States and the European Commission. At end-2008, total paid-in contributions amounted to EUR 34.5 million.

Trust Fund operations fall under two "windows": technical assistance and the financing of sectoral studies; and support for private equity operations. Partner countries, Member States and promoters alike are free to submit study, technical assistance or private equity projects for passing on by the EIB to the Assembly of Donors, which is completely independent in its decision-taking.

In 2008, the fourth full year of activity of the FEMIP Trust Fund, a total of six projects for an overall amount of EUR 4.8m were approved by the Assembly of Donors, which met twice during the year.

As of December 2008, the Assembly of Donors had approved 25 operations net of cancellations, of which 12 operations are completed. In total, EUR 11.7 million equating to almost one third of the available resources, was committed to finance upstream studies and technical assistance (EUR 9.7 million) and one private equity operation (EUR 2 million). A list of the approved FEMIP Trust Fund operations is provided in the annexes.

Strategic overview of the region's key economic issues

The studies financed by the FEMIP Trust Fund help to provide a better understanding of partner countries' financial and economic problems, as illustrated by the following studies: "Improving the efficiency of workers'

In a context of growing energy issues, the Trust Fund finances a number of studies on renewable energy.

remittances in Mediterranean countries", "Analysis of tourism strategies and policies in the FEMIP countries and proposals for sub-regional tourism development", "The economic and social impact of microfinance in the Mediterranean region", "Climate change and energy in the Mediterranean" [10].

The FEMIP Trust Fund also exploits studies financed on the occasion of themed conferences or local workshops providing for an exchange of views and good practice between representatives of the public and private sectors on both sides of the Mediterranean.

Potential for the development of a logistics platform network

Launched in 2006, the study on logistics platforms in the Mediterranean was completed in 2008. It proposes to establish a network of Euro-Mediterranean logistics platforms covering all the partner countries with the aim of supporting the development of a private sector-friendly environment.

This proposal, which forms part of the EuroMed Transport programme, provides for the creation of centres of excellence in logistics management, with the public authorities playing a support and coordination role. These centres of excellence are expected to have a catalytic effect in terms of upgrading the transport and logistics system of the partner countries. Furthermore, integrating them into a dedicated telecom network and establishing a unified training system in order to set up a single market for professionals in the sector will create synergies between the logistics platforms. Feasibility studies must now identify and define each of the specific projects that can be financed by FEMIP.

[10] *These studies are posted on the EIB's website: **http://www.eib.org/publications.***

FEMIP interns with EIB Vice-President, Philippe de Fontaine Vive, Luxembourg, 2008

Supporting trade finance in the Mediterranean

The FEMIP Trust Fund launched a study in April 2007 that aims to analyse the trade flows to and from the Mediterranean partner countries, the capacity of local banks in trade finance and the adequacy of trade finance instruments used.

The study was completed in 2008. Though the availability of trade instruments was considered to be sufficient, the review underlined the impact of the financial crisis on confidence and liquidity. It concluded that providing support to trade facilitation programmes could be an effective tool in maintaining and increasing trade limits and trade volumes, generating liquidity, maintaining order and pricing in the market.

Private equity and human capital

Complementing other instruments at the EIB's disposal, the FEMIP Trust Fund is designed to support pilot private equity operations by providing equity or quasi-equity capital to microfinance institutions or seed funds. In 2007, the Trust Fund financed the "Phenicia Seed Fund", the first privately-managed investment fund specialised in launching innovative firms in Tunisia.

Through its support for developing human capital, the FEMIP Trust Fund has also financed an Internship Programme at the EIB offering students and young graduates from the Mediterranean partner countries training opportunities in its offices.

Moving forward through partnerships

The partnership with the European Commission and European financing institutions took a step forward in 2008, notably through the signature of a Memorandum of Understanding that further enhances interaction between the EIB and the Commission and through the launch of the Neighbourhood Investment Facility (NIF). Coordination with other multilateral financing institutions and bilateral agencies has also gone a step further as shown by the increase in the number and volume of co-financed projects.

Leveraging the European aid funds

In its decision concerning the EIB's external lending mandate for the period 2007-2013, the Council underlined the need for a stronger dialogue, strategic planning and coherence between the Commission and the EIB, and specifically requested early mutual consultation with respect to policy matters, preparation of papers of mutual significance and project pipelines outside the EU.

To provide the necessary framework for such enhanced cooperation, a specific Memorandum of Understanding was signed between the Commission and the EIB on 26 May 2008. This MoU defines the terms and conditions of the reinforced cooperation with a view to maximising the synergies between EU budget-based instruments and EIB financing and optimising the privileged partnership between the Commission and the EIB.

Transport project in Northern Morocco co-financed with AFD.

At another level, a new instrument, the Neighbourhood Investment Facility (NIF), was formally launched by the European Commission in May 2008. The NIF is a practical instrument made available to countries committed to an Action Plan under the European Neighbourhood Policy. Six of Europe's Mediterranean partner countries are entitled to benefit from this facility: Egypt, Gaza/West Bank, Jordan, Lebanon, Morocco and Tunisia. The other countries falling within the ambit of the European Neighbourhood Policy can also lay claim, on a case-by-case basis, to NIF financing, provided that their project has a transnational or regional dimension and is of particular interest to the EU and its partners.

Projects are submitted to an informal committee, the Group of eligible financial institutions, for its opinion. In its capacity as the EU's bank and as the Group's Vice-President and Deputy Secretary, the EIB actively contributes to drawing up indicative project lists. 2008's list foresaw six projects in all totalling EUR 1.6 billion for the EU's southern neighbours, notably Egypt, Morocco and Tunisia.

For the period 2007-2013, the European Commission has endowed the NIF with EUR 700 million. Given that the NIF is open to direct voluntary contributions from Member States, this amount will be added to from the latter's resources. A Trust Fund managed by the EIB was set in place in January 2009 to accommodate these additional contributions. As of end 2008, EUR 37 million of additional contributions had been pledged by

Four energy projects in Tunisia, Morocco and Syria were co-financed in 2008.

15 Member States to complement the EUR 100 million already provided by the EC Budget in 2007 and 2008.

The NIF contributes to projects by providing grants and technical assistance. Operations are managed by a European financing institution which will finance the investments within a consortium. In 2008, one operation led by the EIB in Morocco in the transport sector benefited from a NIF contribution.

Coordination meetings

Alongside regular participation in donor coordination meetings at field level, coordination with development finance institutions continued through a series of meetings at department and top management levels:

- A series of trilateral meetings with Agence Française de Développement (AFD) and KfW development bank was held throughout the year in Frankfurt, Luxembourg and Strasbourg.
- In addition, the EIB hosted the annual meeting of EDFIs and Interact members (EIB, AFD, KfW) in Luxembourg on 8-9 May 2008.
- Coordination meetings on sector issues between the EIB, the European Commission and the World Bank Group were held throughout the year in Luxembourg, Tunis and Brussels.
- A bilateral meeting with representatives from the African Investment Bank Steering Committee was held in Luxembourg on 19 September 2008.
- The EIB attended the Multilateral Development Banks' roundtable on Trust Funds and Co-financing, which was organised by the African Development Bank in Tunis on 4-5 December 2008.

Co-financed projects

The number and amount of FEMIP co-financed projects rose in 2008 compared to 2007. Half of the signed projects, totalling almost EUR 720 million, were financed with international financing institutions or bilateral agencies. The co-financed projects are the following:

- **Two energy projects and two transport projects financed with multilateral and bilateral financial institutions**

Figure 17: EIB co-financed projects in 2008 in EUR m

Project Name	Country	Sector	EIB	IFC	KfW	AFD	IBRD	ADB	AFESD	ADFD
BELTONE MIDCAP FUND	EGYPT	PRIVATE EQUITY	13	14						
SPHINX TURNAROUND FUND	EGYPT	PRIVATE EQUITY	13	13						
AMMAN RING ROAD B	JORDAN	TRANSPORT	37				26		33	
ROUTES RURALES III	MOROCCO	TRANSPORT	60			60				
ONE - RESEAUX ELECTRIQUES II	MOROCCO	ENERGY	170			50	92	110		
ALTERMED B	REGIONAL	PRIVATE EQUITY	3	15						
DEIR ALI II POWER PLANT	SYRIA	ENERGY	275						119	70
FIRST MICROFINANCE INSTITUTION SYRIA	SYRIA	PRIVATE EQUITY	2	2	2					
STEG II	TUNISIA	ENERGY	60			20				
STEG CENTRALE DE GHANNOUCH B	TUNISIA	ENERGY	86						70	

The STEG power plant in Tunisia was financed with AFD while the Amman ring road in Jordan was financed with the IBRD and AFESD. In Morocco, both the rural roads and upgrading of power transmission projects were financed with AFD. The power transmission project was also funded by the IBRD and ADB.

⇛ **Two energy projects financed with Arab financial institutions**

The Ghannouch power plant in Tunisia and the Deir Ali II power plant in Syria were financed with AFESD. The latter was also financed with the ADFD.

Amman Ring Road project, co-financed with IBRD and AFESD, Amman, Jordan.

⇛ **Four private equity projects out of a total of seven financed with multilateral and bilateral financial institutions**

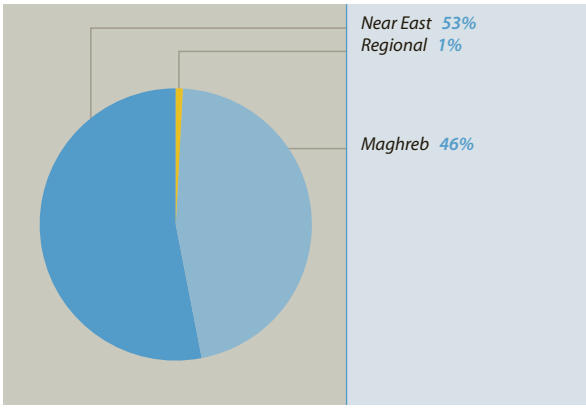
The setting-up of two investment funds in Egypt and one regional fund in Morocco and Tunisia were financed with IFC. The creation of the first microfinance institution in Syria was financed with IFC and KfW.

Projects to improve living conditions in the partner countries

Several innovative projects were signed in 2008 such as the first PPP project in Morocco, R&D activities in the pharmaceutical industry and the first carbon credit fund in the region. Similarly to 2007, half of the signed operations were contracted with new promoters. In total, 21 operations were signed in 2008 for an overall amount of EUR 1.3 billion, comprising 20 new operations and one under the global authorisation procedure[11].

While 13 of the new projects in 2008 were financed with EIB own resources, eight private equity operations were financed with budgetary resources provided by the Commission. Out of the 13 own resource loans, 11 operations totalling EUR 1.26 billion were signed under the ENP-MED Mandate and two operations totalling EUR 33 million were signed under the EUR 2 billion Mediterranean Partnership Facility II.

Figure 18: FEMIP signatures in 2008
Technical breakdown by region



[11] *A global authorisation is an amount approved by the EIB's Board of Directors in accordance with the normal procedure. Following the Board authorisation, this amount is used to undertake certain small-scale investments meeting predefined criteria. While global authorisations are regarded as "new" signatures under the Bank's customary practice, signatures occurring under global authorisations are not treated in the same way.*

One EUR 52 million operation in Lebanon was signed under the Special FEMIP Envelope (SFE) that was set up for private sector operations with a higher risk profile than those accepted under "standard" EIB operations. This brought the total volume of signed SFE operations to EUR 497 million since the creation of the envelope in 2005.

Split by sector and region

In terms of sector allocation, the majority of the lending was put towards the infrastructure sector. Energy (oil and gas production and distribution projects in Egypt, Morocco, Syria and Tunisia) and transport projects in Jordan, Morocco and Tunisia accounted for EUR 841 million (65%) and EUR 247 million (19%) respectively.

Financing for the industrial sector in Israel and Tunisia amounted to EUR 88 million (7%) while SMEs received a total of 9% of EIB financing, split between private equity operations mainly in Egypt, Morocco and Syria (EUR 67 million or 5%) and credit lines to local intermediary banks in Lebanon (EUR 52 million or 4%).

With regard to the environment sector, it should be noted that a EUR 55 million project accounted for under the industrial sector concerns the upgrading of existing production facilities in Tunisia and thus directly contributes to improving environmental protection in the region.

In terms of geographical distribution, 53% of the total volume was allocated to projects in the Near East region (10 projects for a total of EUR 679 million), 46%

SMEs received in 2008 almost EUR 120 million, split between credit lines to intermediary banks and private equity operations.

to projects in the Maghreb (9 projects for a total of EUR 600 million) and 1% (2 private equity projects for a total of EUR 16 million) to regional projects.

Private equity operations on the rise

Private equity operations amounted to EUR 67 million (5% of total 2008 signatures) for seven new operations totalling EUR 62 million and one EUR 5 million signature under a global authorisation. This figure represents a substantial increase compared to the volume of signatures in 2007. One co-investment with a local intermediary was also undertaken under a global authorisation.

The 2008 private equity operations were characterised by:

- Innovation: operations included several "firsts" in terms of investment policy: first equity investment in a microfinance institution, first investment in a Mediterranean Partner Country-based fund dedicated to carbon finance and first participation in a turnaround fund.
- Diversification in terms of final beneficiaries of the funds: the turnaround fund targets distressed companies in need of restructuring, the carbon fund supports companies investing in clean technology, three generalist funds address high-growth companies in need of development/expansion capital and companies in the process of being privatised, the mid-cap fund focuses on the mid-market segment while the microfinance institution addresses the lower end of the market.
- Increased geographical coverage: the scope of risk capital operations was broadened in 2008 to include Syria. All the Mediterranean partner countries, with the exception of Israel, are now included in the risk capital investment portfolio.
- Regional integration: operations targeting regional initiatives account for over 25% of the total signed amount.

Disbursements

Disbursement volume is a tangible indicator of the actual implementation of investment projects on the ground. In 2008, a total number of 95 disbursements amounting to EUR 927 million were recorded in the Mediterranean partner countries with 30 disbursements on loans in the Maghreb region amounting to EUR 324 million, 35 in the Near East totalling more than EUR 586 million and 30 disbursements for private equity operations totalling over EUR 17 million.

⇛ FEMIP Technical Assistance

In addition to loans and private equity, FEMIP provides technical assistance to support promoters during all stages of the project cycle. These operations are financed by the FEMIP Support Fund, which uses non-repayable aid granted by the European Commission.

The year 2008 was the fifth full operational year of the FEMIP Support Fund. Eight new service contracts and six contract extensions amounting to EUR 16.9 million were signed in 2008, compared to 17 new service contracts and five contract extensions amounting to EUR 17.5 million in 2007.

In total, at the end of 2008, 51 technical assistance activities had been completed and 37 others were ongoing. Disbursements under the FEMIP Support Fund amounted to EUR 41 million.

Under the FEMIP Support Fund, all technical assistance operations have a link to ongoing or future investment projects. In 2008, four new FEMIP operations were complemented by technical assistance. In total, one third of the FEMIP operations are accompanied by one or several technical assistance activities.

Implementation of technical assistance per sector and country

The figures of technical assistance operations contracted so far and the contract forecast for 2009 based on the provisional pipeline are as follows:

Figure 19: Technical assistance contracts signed in 2004-2008 and forecast for 2009

	2004	2005	2006	2007	2008	2009	Total
Amount (EUR m)	7.3	16.4	13.5	17.5	16.9	17.0	88.6
Number of TA contracts	15	24	24	17	8	8	96

Note: the balance of EUR 4.4 million will be contracted in 2010.

As shown in Figure 20, 80% of the Support Fund is allocated to the infrastructure, environment, water/wastewater sectors and human capital, reflecting to a large extent the Bank's traditional areas of activity in the region. Direct private sector support, mainly strengthening the lending capacities of intermediary banks for global loan operations to SMEs and the setting-up of new investment funds, absorbs one fifth of FEMIP Support Fund resources.

Figure 20: Volume of technical assistance portfolio and pipeline per sector and region (EUR m)

	Maghreb	Near East	Total
Environment/Water	18.3	16.7	35.0
Human Capital	10.2	1.7	11.9
Infrastructure	10.8	17.1	27.9
Industry/Finance	5.0	13.2	18.2
Total	**44.3**	**48.7**	**93.0**

With regard to the geographical split, allocation is equally spread between the Maghreb and Near East region, but three countries – Morocco, Syria and Tunisia – absorb approximately 70% of available resources. The allocation of TA funds is determined by the fact that it is demand driven and by the absorption capacity of sectors and countries.

Figure 21: Volume of technical assistance portfolio and pipeline per country

	EUR m
Algeria	6.2
Egypt	6.4
Gaza/West Bank	2.6
Jordan	4.2
Lebanon	2.6
Morocco	21.1
Regional	7.3
Syria	29.4
Tunisia	13.2
Total	**93.0**

Technical assistance is a key instrument for improving the quality of lending operations.

Three examples of ongoing technical assistance operations are provided below.

Project: Technical assistance for the preparation of a municipal infrastructure project

Country: Syria

The Ministry of Local Administration and Environment (MLAE), the authority responsible for local affairs and environmental protection in Syria, requested the assistance of the EIB in exploring the possibility of establishing a line of credit for the co-financing of municipal infrastructure projects in small to medium-sized municipalities, with special emphasis on projects aimed at the protection and preservation of the urban environment.

To assess the feasibility of this project and prepare the ground for a possible appraisal by the EIB, the Bank commissioned a first preparatory technical assistance operation, which commenced in 2008. The overall objective of this TA is to prepare a pipeline of municipal infrastructure projects to be co-financed under the envisaged EIB municipal infrastructure credit line. The TA should also assist in creating an effective framework for further project preparation and identify key issues and needs with respect to the further design and implementation of the EIB credit line. Results will be measured by the decrease in pollution loads.

Project: Feasibility study for establishing a seed capital and venture capital fund
Country: Jordan

The successful modernisation and development of SMEs in Jordan is currently being hampered by the lack of access to the necessary financial resources to effectively expand and grow businesses.

To bridge this financing gap, the Government of Jordan, under the aegis of the Ministry of Planning and International Cooperation and the Jordan Enterprise Development Corporation, is considering the establishment of a Seed Capital Fund and a Venture Capital Fund.

In view of the innovative character of private equity financing and, specifically, seed capital in Jordan, a feasibility study was required to assess a number of aspects. The size of the two proposed Funds will be determined as a result of the FEMIP technical assistance assignment based on the needs of the market and the interests of private sector investors in participating in the Funds together with the Government and the EIB. The EIB will participate with up to 25% of the total capital of the Funds.

Project: Implementation of hospital investment programme
Country: Morocco

The Moroccan Government initiated in 2007 a reform of the health sector that focuses on strengthening the autonomy of hospital management as well as upgrading hospital instrastructure and improving the delivery of medical services. A medium-term Health Sector Policy Strategy document, "Vision Santé 2020", published in 2007, was the starting point of the reform process.

FEMIP is contributing to this project by providing support for modernisation of the infrastructure of 17 hospitals. The project is accompanied by two technical assistance programmes designed to support the infrastructure upgrading and consolidate the management of the structures. The hospitals targeted by the investment programme require upgrading, renovation or reconstruction and equipment supply to various degrees.

The design and the implementation of the works as well as the acquisition of equipment follows a 'Plan d'Etablissement Hospitalier' approved by the Ministry of Health that was drawn up with support from former technical assistance also financed by the FEMIP Support Fund.

⇛ Support for SMEs

Improving SMEs' access to finance lies at the heart of FEMIP's mission. SMEs play a key role in the partner countries' economies, accounting for nearly 90% of firms and employing two thirds of the local active population.

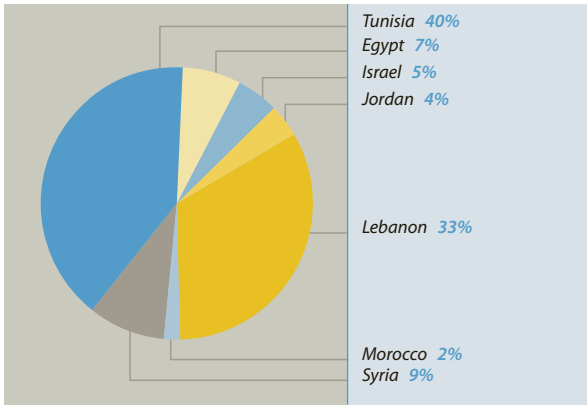
Between October 2002 and December 2008, FEMIP made available more than EUR 1.6 billion to SMEs through two instruments: credit lines and private equity operations.

Credit lines are arranged in cooperation with local intermediary banks, which onlend the funds to small businesses in sectors as diverse as industry, agri-food, construction, health, education, tourism, information technology and high-tech services.

With regard to private equity, FEMIP operations comprise three types of financial instrument: direct investments (acquisition of equity or quasi-equity instruments in private companies); private equity funds (investments in dedicated financial vehicles, themselves taking equity stakes in private companies); and co-investments with pre-selected local intermediaries. FEMIP also provides local currency loans for investments in microfinance institutions.

FEMIP supports SME development through technical assistance operations and the financing of sectoral studies. Alongside the European Commission and other partners, it also helps to evaluate the implementation of the Euro-Mediterranean Charter for Enterprise, which aims to ensure that the needs of small businesses are factored into national strategies and priorities to a greater extent (see above).

Figure 22: FEMIP credit lines for SMEs (October 2002-December 2008)
Breakdown by country



At their meeting in Luxembourg in October 2008, the Euro-Mediterranean Finance Ministers called on the Bank to step up its support for SMEs, especially small and micro enterprises. Against this backdrop, FEMIP is seeking to tailor its products more closely to very small firms and to develop new instruments such as guarantees and local currency loans.

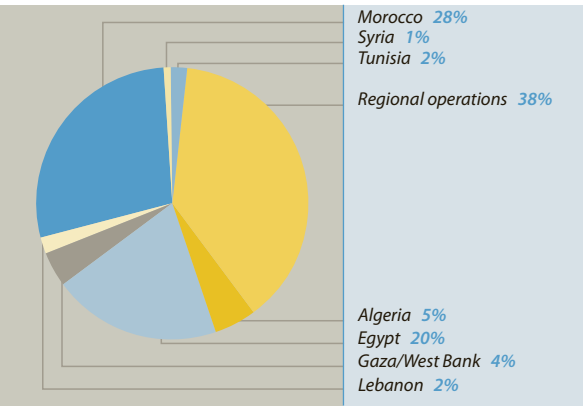
Egypt

⇛ Operation: SPHINX TURNAROUND FUND
⇛ **Amount: EUR 13 million**
⇛ **Fund investing in companies in difficulty**

FEMIP contributed EUR 13 million towards launching the Sphinx Turnaround Fund, a closed-end private equity fund, incorporated in Luxembourg, which will target private sector firms in Egypt.

Figure 23: Private equity operations (October 2002-December 2008)

Breakdown by country



The Fund's remit is to acquire holdings in Egyptian companies in distress or default with the aim of creating value by restructuring and rehabilitating firms that would otherwise most probably be wound up. Although this instrument meets a serious need in Egypt, private equity investors have yet to be won over owing to its ground-breaking nature and inherent risks. Co-financed with the IFC.

⇛ **Operation: BELTONE MIDCAP FUND**
⇛ **Amount: EUR 12.5 million**

FEMIP acquired a EUR 12.5 million start-up stake in the Beltone MidCap Fund, a multisectoral private equity fund aimed at medium-sized Egyptian companies crucial to economic growth.

The target size of the Fund is EUR 80 million. 20% of the total number of investments will be in companies with revenues of less than USD 5 million, to ensure a wider impact of the Fund on smaller companies.

The purpose of the operation is to foster an investment-friendly business environment and to give medium-sized companies greater access to financing, thereby boosting Egyptian productivity and competitiveness and providing a fillip to employment. Co-financed with the IFC.

⇛ **Operation: BELTONE CAPITAL II**
⇛ **Amount: EUR 5 million**
⇛ **Financed under global authorisation**

The EIB committed EUR 5 million towards co-financing private-sector Egyptian companies through a broad spectrum of equity and quasi-equity capital instruments.

Textile factory, Lebanon.

This is the follow-up operation to "Beltone Capital I", acquisition of a 9% EIB stake in the eponymous Egyptian investment fund.

Despite the fact that Egypt is currently enjoying fairly buoyant economic growth, access to financing is still considered to be the major stumbling block for SMEs. This operation should bolster Egypt's private sector and encourage the local financial sector to make greater use of risk capital.

Lebanon

⇛ **Operation: PRIVATE SECTOR FACILITIES II**
⇛ **Amount: EUR 52 million**

In 2008, the EIB made a EUR 52 million credit line available to the following three Lebanese banks: the Bank of Beirut, Crédit Libanais and IBL Bank.

Amounts drawn down under this facility will take the form of long-term financing for small and medium-scale ventures. It follows on from an initial loan signed in 2007 in support of five private Lebanese banks.

The aim of the operation is to foster development of the private sector, including those SMEs that make a substantial contribution to the country's economic growth. Its favourable terms and conditions are tailored to the needs of SME recipients.

Morocco

⇛ **Operation: CARBON CAPITAL FUND**
⇛ **Amount: EUR 6.5 million**
⇛ **Innovative fund based on Clean Development Mechanism**

The EIB acquired a stake in a new fund designed to support capital investment in clean technology projects in Morocco through the purchase of carbon credits.

SMEs employ two-thirds of the local active population.

The fund is to take the form of a limited company incorporated and domiciled in Morocco. It will be managed by Accès Capital Atlantique SA, a holding company registered in Morocco.

This operation promotes use of the Clean Development Mechanism[12] in Morocco and the region as a whole and will foster the development of the greenhouse gas reduction market. At the same time, it is set to underpin investment in key sectors such as renewable energy, waste management and energy efficiency.

⇛ **Operation: MASSINISSA FUND**
⇛ **Amount: EUR 12 million**

The EIB acquired a EUR 12 million holding in the Massinissa Fund, an investment fund created with a view to meeting the equity and quasi-equity capital needs of Moroccan enterprises.

The Fund effectively consists of two companies: one registered in Morocco and serving that country's investors, the other, registered in Luxembourg, designed to cater for foreign investors. It will take stakes in unlisted Moroccan companies offering distinct growth and profitability potential in sectors where the country has recognised know-how and a competitive advantage.

The EIB has been the first financing institution to join forces with the major Moroccan banking consortia in helping to endow the country's SMEs with added equity. It is currently one of the Moroccan private sector's most committed investors.

[12] *Introduced under the Kyoto Protocol, the CDM authorises an industrialised country committed to the objective of limiting greenhouse gas emissions to invest in an emission-reduction project in a developing country not bound by this objective, thereby earning saleable credits corresponding to the resultant reduction levels.*

Syria

⇛ Operation: First Microfinance Institution Syria
⇛ **Amount: EUR 2 million**
⇛ **Maiden risk capital operation in Syria**

The EIB's EUR 2 million investment consisted of a 16% stake in First Microfinance Institution Syria.

This accredited microfinance institution is the first of its kind in Syria, offering a wide choice of financial services to the most underprivileged sectors of the population. The operation consists of the transformation of MCF, the main microfinance provider in Syria, into a licensed microfinance institution with virtually the status of a bank.

Financed jointly with the IFC and KfW, the operation will help to combat rural and urban poverty and to develop the financial sector at grass-roots level by rolling out new financial services, such as savings and insurance products, specifically targeting people with little or no access to facilities of this kind. Beneficiaries are individuals, in particular women, willing to set up a micro-enterprise, or in need of education, health or housing loans.

Regional financing

⇛ Operation: EUROMENA II FUND
⇛ **Amount: EUR 13 million**
⇛ **Fund fostering the emergence of regional champions**

FEMIP committed EUR 13 million towards setting up the Euromena II Fund, successor to the original Euromena Fund, the recipient of an initial loan for EUR 10 million provided in 2004.

The Fund is to be administered by a management team based in Beirut. Its purpose is to acquire equity and quasi-equity holdings in Mediterranean companies.

The Fund aims to foster development of the region's financial sector. Its remit is to bring together national companies from the same industry across the region, thereby contributing to increased south-south integration of the region's manufacturing and service sectors.

⇛ Operation: ALTERMED B
⇛ **Amount: EUR 3 million**

The EIB acquired a EUR 3 million stake in the AlterMed B Fund dedicated to promoting SMEs with high growth potential at the development and transmission stage in the Mediterranean region, notably in Morocco and Tunisia.

Co-financed with the IFC, this Fund offers a number of innovative features tailor-made for the Mediterranean region: in Morocco, AlterMed MAGHREB will focus on leveraged buy-outs, occupying a niche sector less than fully covered by other funds operating there; in Tunisia, AlterMed APEF will support companies due for listing on the local alternative market, thereby giving a substantial boost to the capitalisation of Tunisia's as yet relatively undeveloped stock market. This operation follows on from an initial equity participation of EUR 8 million in 2007.

⇛ Energy

Since October 2002, FEMIP has devoted more than EUR 3.6 billion to this sector – over 40% of its total financing over the period.

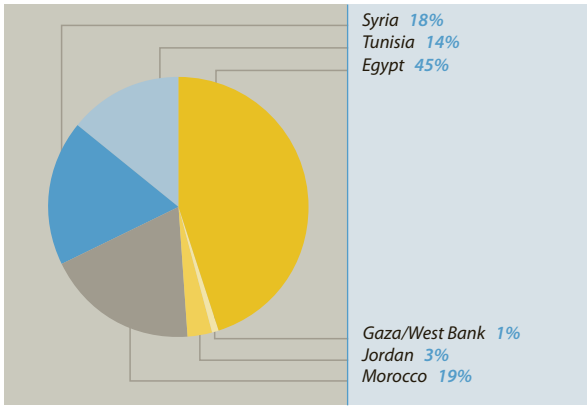
FEMIP's activity has three main facets: improving the local population's access to energy; integrating the Euro-Mediterranean energy markets; and diversifying the sources of supply, particularly through the use of renewables.

This third area is of growing importance for FEMIP. At the FEMIP Ministerial Meeting in October 2008, the EIB was tasked with coordinating implementation of the Mediterranean solar energy plan, one of the six key initiatives of the Union for the Mediterranean. This assignment was subsequently confirmed by the Euro-Mediterranean Industry Ministers at their conference in Nice in November 2008, when they called on the EIB to draw up an investment plan for the development of solar energy in the Mediterranean region.

FEMIP supports the energy industry with a wide range of instruments: loans, technical assistance and sectoral studies. In 2008, it also launched its maiden private equity operation in the sector to finance the first fund in the region based on the Clean Development Mechanism (see above).

Figure 24: FEMIP financing for the energy sector (October 2002-December 2008)

Breakdown by country



Egypt

⇛ **Project: EGAS GAS GRID REINFORCEMENT**
⇛ **Amount: EUR 250 million**
⇛ **Regional project**

This EUR 250 million loan made available to Compagnie Égyptienne de gaz naturel (EGAS) targets expansion of Egypt's high-pressure gas transmission grid. The project will supply new local markets in Upper Egypt with natural gas and boost export capacity to neighbouring Jordan, Syria, Lebanon and Israel.

The EIB coordinates the implementation of the solar energy plan in the Mediterranean.

One of the priority, common-interest trans-European energy network projects, the EGAS investment comprises the design, construction and commercial operation of five high-capacity gaslines with an overall length of around 835 km.

In extending the natural gas grid to new regions of the country, the project will not only spur Egypt's economic growth, but will make for reduced dependence on petroleum products and, by drawing on indigenous resources, cut energy supply costs.

Morocco

⇛ **Project: ONE ELECTRICITY GRID II**
⇛ **Amount: EUR 170 million**
⇛ **1st phase of a programme sponsored by the Moroccan Government**

In December 2008, the EIB granted a loan of EUR 170 million to Office National de l'Électricité du Maroc for the purpose of upgrading the power supply grid to cater for heavy domestic and business demand.

With Morocco's electricity grid close to saturation, the FEMIP loan will help implement the Moroccan Government's ambitious 2008-2015 investment plan. This schedules major works on overhead lines and transformer stations throughout the country designed to stabilise the grid, reduce transmission losses and guarantee domestic as well as business supply needs. The present, initial phase of the programme is being financed jointly with the IBRD, AFDB and AFD.

Nubariya power plant, Egypt.

Syria

⇛ **Project: DEIR ALI II POWER PLANT**
⇛ **Amount: EUR 275 million**
⇛ **The largest project financed by the EIB in Syria**

Also in December 2008, FEMIP advanced a EUR 275 million loan to Syria for the extension of one of the country's main power stations, financing the addition of a second combined-cycle unit at the Deir Ali plant to the south of Damascus.

The third contract signed by the EIB in favour of Syria's electricity sector, this latest operation confirms FEMIP support for a key area of the economy. The project will help to cater for marked growth in the country's demand for electricity over the period 2008-2012.

The Deir Ali power plant is programmed to generate electricity at a competitive cost and with a relatively low environmental impact. In producing lower levels of CO_2 emissions and airborne pollutants than fossil fuel-based alternatives, the plant aligns with Syrian and European policies on energy efficiency and efforts to combat climate change. Co-financed with AFESD.

Tunisia

⇛ **Project: STEG GAZ II**
⇛ **Amount: EUR 60 million**
⇛ **Support for one of the Tunisian Government's priority programmes**

A loan for EUR 60 million went to Société Tunisienne d'Électricité et du Gaz (STEG) in support of an investment programme targeting development of the country's natural gas grid.

The project is designed to expand gas supplies in areas traversed by the main transmission network, notably in the Greater Tunis area, Nabeul, Sousse, Monastir, Sfax, Gabès, and on Djerba, as well as to link the Gafsa mining basin and eleven neighbouring areas to the main transmission grid.

The loan also has an environmental dimension inasmuch as the project is designed to wean industrial and domestic consumers off imported petroleum products by motivating them to connect up to the more environmentally-friendly natural gas grid. Co-financed with AFD.

⇛ **Project: STEG-GHANNOUCH POWER STATION**
⇛ **Amount: EUR 86 million**

Another FEMIP operation concluded in December 2008 in favour of Société Tunisienne de l'Électricité et du Gaz (STEG) was a EUR 86 million loan for construction of a natural gas-fired, combined-cycle power station at Ghannouch in the Gabès region.

This project ties in with the Tunisian Government's priority programme to modernise STEG's generating facilities with a view to catering for the country's ever-increasing demand for electricity. As well as serving to reduce transmission losses, it will improve the generating system's thermal efficiency.

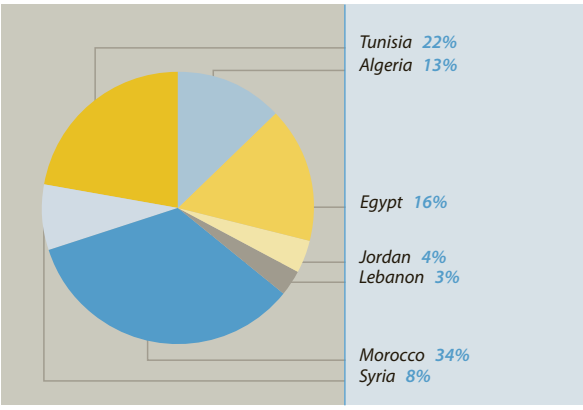
The operation will also serve to reduce the level of the plant's greenhouse gas emissions and airborne pollutants. The Ghannouch facility will be equipped with new energy-efficient gas turbines designed to run on natural gas and having relatively little impact on the environment.

This is the fifth loan granted by the EIB in support of Tunisia's electricity sector, bringing total financing advanced in this area since 1995 to EUR 310 million. The project is being financed jointly with the AFESD.

⇛ Transport

Figure 25: FEMIP financing for the transport sector (October 2002-December 2008)

Breakdown by country



Improving transport networks between the EU Member States and the partner countries is a priority for the Mediterranean region. Building an integrated and efficient transport system will serve to boost trade with the EU and within the region – a prerequisite for the Mediterranean's economic development.

Since the creation in 2005 of the high-level group on trans-European networks and the Euro-Med Transport Forum, this goal has figured high on the agenda of the Euro-Mediterranean partnership. In 2008, the Union for the Mediterranean reaffirmed the primacy of this objective by including "land and sea motorways" among the six key initiatives adopted at the Paris Summit.

For the EIB, which has been entrusted with coordinating this initiative, transport accounts for over 20% of its business in the Mediterranean. Between October 2002 and December 2008, the Bank provided nearly EUR 1.8 billion in support of road, sea, urban and rail transport in the region.

Through its Trust Fund, FEMIP likewise financed a study on logistics platforms in the Mediterranean designed to help develop a multimodal transport system, including land and sea motorways, through the provision of high-quality labelled logistics facilities (see above).

FEMIP is also encouraging increased private sector involvement in the construction of transport infrastructure, especially through public-private partnerships (PPPs). In 2008, it signed its first PPP operation in the transport sector.

Transport project, Tunisia.

Jordan

⇛ **Project: AMMAN RING ROAD**
⇛ **Amount: EUR 37 million**
⇛ **Purpose: upgrading transport infrastructure in and around the capital**

This EUR 37 million loan was made available to Jordan in November 2008 for building the Amman ring road.

The project centres on construction of the first section of the 116 km orbital highway and entails setting in place requisite infrastructure for a logistics platform to accommodate Jordan's substantial road haulage traffic plying national and international trunk routes. This first section has been dubbed the "Amman Development Corridor" because of its potential for supporting the conurbation's rapid future growth.

The project will also contribute to improving the quality of urban life in the capital by allowing traffic along the main north-south border link and the port of Aqaba to by-pass Amman, thus reducing congestion in the fast-expanding Jordanian capital. This is a joint EIB/IBRD/AFESD financing operation.

Transport project, Tamesna, Morocco.

Morocco

⇛ **Project: TANGIERS-MED PORT – SECOND CONTAINER TERMINAL**
⇛ **Amount: EUR 40 million**
⇛ **Major Moroccan maritime infrastructure**

Signed in June 2008, this loan is part-financing construction of a second container terminal at the Tangiers-Med port, which occupies a unique strategic position on the Strait of Gibraltar at the junction of major east-west and north-south shipping lanes.

The project consists of constructing and equipping a quay for container vessels plus establishing storage and handling facilities. The new terminal stands to impact both the regional economy, by catering for international shipping, and the local economy, by promoting development of Morocco's northern regions.

In addition to facilitating trade flows between Atlantic markets (Northern Europe, Africa and the Americas) and Mediterranean ports, the project will open up a more direct route for Moroccan imports from and exports to a large number of points worldwide.

⇛ **Project: RURAL ROADS III**
⇛ **Amount: EUR 60 million**
⇛ **Purpose: to open up rural areas**

This project involves construction of over 15 000 km of rural roads in Morocco by 2012 with a view to spanning the entire territory. In helping to provide access to rural areas, it will reduce economic and social disparities. The works are also bound to have a beneficial impact on road traffic as well as on vehicle maintenance costs.

The precursor to this programme, also financed by the Bank, was implemented in the north of the country over the period 2000-2007. The second programme was launched in 2005 with the aim of building new rural roads over the period 2005-2015. Prompt implementation has made it possible to bring the completion date forward to 2012. The EIB's loan of EUR 60 million is intended for this second programme covering most of Morocco's provinces. The project is being co-financed with the AFD and has benefited from a NIF contribution (grant and technical assistance).

Tunisia

⇛ **Project: PRIORITY ROADS V**
⇛ **Amount: EUR 110 million**
⇛ **Purpose: to facilitate traffic flows**

FEMIP granted a EUR 110 million loan to Tunisia for upgrading the country's road infrastructure. The works financed will ease traffic flows and improve road safety conditions in Greater Tunis, as well as in the five towns of Grombalia, Kasserine, Gasfa, Nabeul and Kef.

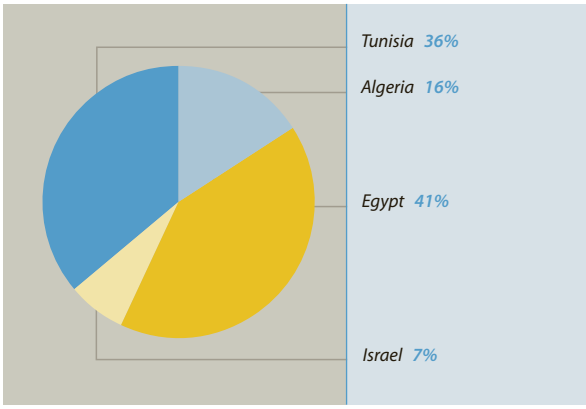
Tunisia's road infrastructure has to be constantly adapted to the steady growth in vehicle traffic. The purpose of this programme is to equip the Greater Tunis area with an efficient network of by-pass and relief roads limiting congestion as much as possible and separating the different traffic categories.

Transport constitutes one of FEMIP's priority sectors in Tunisia. Since 1994, the EIB has provided seven loans totalling EUR 286 million for road infrastructure in this country.

⇛ Industry

Figure 26: FEMIP financing for industry (October 2002-December 2008)

Breakdown by country



Between October 2002 and December 2008, FEMIP granted loans totalling EUR 470 million for major industrial projects in Algeria, Egypt, Israel and Tunisia. Industries targeted included the cement, steel, chemicals and high-tech sectors (electronics, agri-food, pharmaceuticals and biotechnology).

FEMIP support also takes the form of credit lines, equity participations in small industrial companies and technical assistance operations.

Helping industrial firms is a key component of the Bank's support for the private sector in the Mediterranean. In this sense, FEMIP particularly seeks to foster competitiveness, innovation and sustainable industrial development in the region, in line with the recommendations of the 7th conference of Euro-Mediterranean Industry Ministers held in Nice on 5 and 6 November 2008.

Israel

⇛ **Project: EUROPEAN PHARMA R&D (RSFF)**
⇛ **Amount: EUR 29.73 million**

The EIB has established a EUR 200 million loan facility for Research & Development projects to be carried out by the private sector in Israel, Hungary, the Netherlands and the United Kingdom. The TEVA company in Israel will be drawing EUR 29.73 million from this facility.

FEMIP seeks to foster competitiveness and innovation in the region.

FEMIP has provided EUR 470 million to the industrial sector.

TEVA Pharmaceutical Industries is one of the top twenty pharmaceutical companies in the world. This operation will serve to finance activities paving the way for production of new generic and biosimilar drug compounds. It includes investment in R&D, clinical trials and procedures necessary to obtain regulatory approvals.

⇛ **Project: MEDINVEST (MFPR)**
⇛ **Amount: EUR 3.33 million**

The EIB made a loan of EUR 3 33 million available to Israel for financing R&D activities in the country's medical technologies sector.

The loan falls under an investment facility totalling EUR 230 million and covering several other countries: Austria, France, Germany, Hungary, Italy, the Netherlands, Sweden and the United Kingdom. It covers clinical trials, regulatory approval procedures and pre-launch marketing of new medical devices. Whereas most of the R&D is to be conducted in Israel, the other project components will be handled in Europe, the United States and Asia.

Ageing populations and the increased incidence of certain grave diseases is bound to lead to ever greater demand for innovative medical solutions. The devices under development should both address this need and improve patients' quality of life.

Tunisia

⇛ **Project: GCT ENVIRONMENTAL REHABILITATION**
⇛ **Amount: EUR 55 million**

The EIB granted a EUR 55 million loan to Groupe Chimique Tunisien for capital investment geared to eliminating or reducing the environmental pollution caused by its operations.

The project is designed to lessen the impact of existing installations on the environment by cutting back airborne emissions of sulphur dioxide, developing phosphogypsum landfill sites and halting hydrofluoric discharges into the sea at M'Dhilla and Skhira.

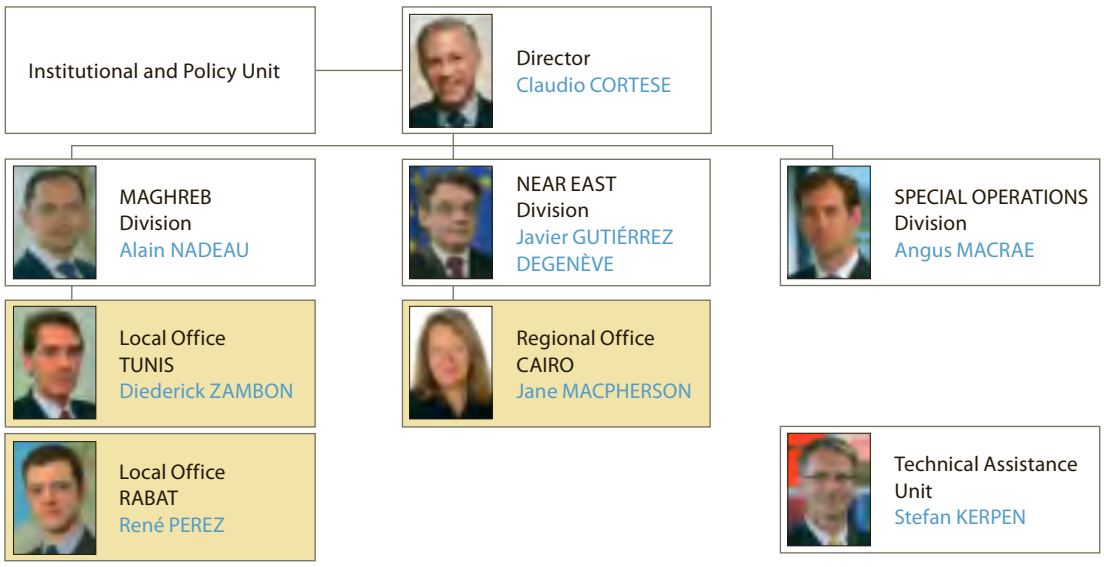
This operation underlines EIB support for pollution abatement in the Tunisian phosphates sector.

Organisation and Staffing

FEMIP human capital

The watchword in 2008 was continuity with the previous year in terms of the size and structure of the human resources dedicated to FEMIP operations. The sole major change took place early in 2009 with the move of the FEMIP team from the Findel building to the expanded EIB headquarters in Kirchberg where most EU institutions in Luxembourg are located.

Organisation chart of the FEMIP team



The FEMIP team is part of Europe's Neighbour and Partner Countries (ENPC) Department, which is attached to the EIB's Directorate for Lending Operations outside the European Union. 43 EIB staff members are directly responsible for FEMIP operations (including in external offices). They work closely with the Projects, Legal Affairs, Risk Management and Finance Directorates and the Development Economics Advisory Service.

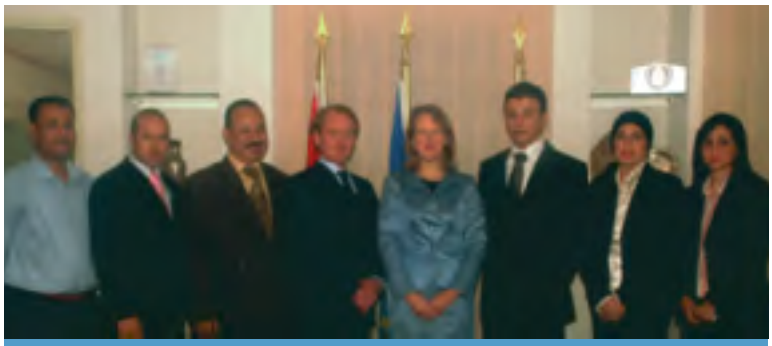
Operations are managed by two geographical divisions covering the Maghreb and the Near East regions and one horizontal division in charge of private equity operations throughout the Mediterranean partner countries.

Policy and institutional affairs are handled by a unit in charge of partnership relations with the Mediterranean countries and liaison with the European Commission and other development finance institutions.

Exchanges of staff and secondments continued to be promoted as a means to further strengthen cooperation with other financing institutions and the Member States. In 2008, the FEMIP team was reinforced with two seconded staff from AFD and the Spanish Ministry of Economy and Finance respectively and one FEMIP staff member was seconded to AFD.

Local presence

FEMIP has established a network of field offices in Cairo, Rabat and Tunis. The external offices help to raise the development profile of the Bank. Their role is to enhance coordination with local public authorities, entrepreneurs, commercial banks, donors and professional associations. They play a vital role in identifying new project opportunities and facilitating the implementation of monitoring and technical assistance operations.



The Cairo office's team

The Tunis office's team

The Rabat office's team

Annexes

List of operations signed (01/10/2002–31/12/2008)

Country	Region	Project Name	Amount signed EUR m	Public/ Private	Nature of Operation	Sector	FEMIP TA	Interest Subsidy
1 October to end-2002								
Algeria	Maghreb	ALGERIAN CEMENT COMPANY	66.0	Private	Loan & Private equity	Industry		
Morocco	Maghreb	ONE-INTERCONNEXIONS II	120.0	Public	Loan	Energy		
Morocco	Maghreb	ONEP IV PROTECTION DE L'ENVIRONNEMENT	20.0	Public	Loan	Environment		X
Tunisia	Maghreb	AUTOROUTE DU SUD	120.0	Public	Loan	Transport & other infrastructure		
Egypt	Near East	EGYPTIAN DIRECT INVESTMENT FUND	5.9	Private	Private equity	Financial Sector		
TOTAL			**331.9**				**NA(*)**	**1**
2003 Signatures								
Algeria	Maghreb	RECONSTRUCTION APRES TREMBLEMENT DE TERRE	230.0	Public	Loan	Transport & other infrastructure	X	
Morocco	Maghreb	AUTOROUTES DU MAROC IV	110.0	Public	Loan	Transport & other infrastructure		
Morocco	Maghreb	ASSAINISSEMENT VILLES MAROCAINES-OUJDA	30.0	Public	Loan	Environment	X	X
Morocco	Maghreb	FORMATION PROFESSIONNELLE MAROC	30.0	Public	Loan	Human Capital		
Morocco	Maghreb	PORTS DU MAROC II	14.0	Public	Loan	Transport & other infrastructure		
Morocco	Maghreb	ASSOCIATIONS DE MICRO-CREDIT	10.0	Private	Private equity	Financial Sector		
Tunisia	Maghreb	ENTREPRISES TUNISIENNES PG III	150.0	Private	Loan	Financial Sector		
Tunisia	Maghreb	SANTE TUNISIE	110.0	Public	Loan	Human Capital		
Tunisia	Maghreb	STEG GAZ TUNISIE	55.0	Public	Loan	Energy		
Tunisia	Maghreb	STT- METRO LEGER DE TUNIS II	45.0	Public	Loan	Transport & other infrastructure		
Tunisia	Maghreb	TUNISACIER STEELWORKS	35.0	Private	Loan	Industry		
Egypt	Near East	IDKU LNG PLANT - ARTICLE 18 FACILITY	304.5	Private	Loan	Energy		
Egypt	Near East	NUBARIYA COMBINED CYCLE POWER PLANT II	150.0	Public	Loan	Energy		
Egypt	Near East	REGINA FOR FOOD INDUSTRIES	0.6	Private	Private equity	Financial Sector		
Jordan	Near East	JORDAN EDUCATION	39.7	Public	Loan	Human Capital		
Jordan	Near East	AMMAN RING ROAD	26.2	Public	Loan	Transport & other infrastructure	X	
Syria	Near East	PORT OF TARTOUS	50.0	Public	Loan	Transport & other infrastructure	X	
Syria	Near East	SME FUND	40.0	Private	Loan	Financial Sector	X	
Regional	Regional	AVERROES FINANCE	3.5	Private	Private equity	Financial Sector		
TOTAL			**1 433.5**				**5**	**1**
2004 Signatures								
Algeria	Maghreb	ALGERIAN CEMENT COMPANY - PHASE II	12.5	Private	Loan	Industry		
Morocco	Maghreb	ONE PARC EOLIEN DE TANGER	80.0	Public	Loan	Energy		
Morocco	Maghreb	INFRASTRUCTURES LOGEMENT SOCIAL	71.0	Public	Loan	Transport & other infrastructure	X	
Morocco	Maghreb	ONE- DEPOLLUTION CENTRALE MOHAMME-DIA	40.0	Public	Loan	Environment	X	X
Morocco	Maghreb	ASSAINISSEMENT VILLES MOYENNES (Safi)	20.0	Public	Loan	Environment	X	X

Country	Region	Project Name	Amount signed EUR m	Public/ Private	Nature of Operation	Sector	FEMIP TA	Interest Subsidy
Morocco	Maghreb	ASSAINISSEMENT VILLES MAROCAINES-FES	20.0	Public	Loan	Environment		X
Morocco	Maghreb	ASSOCIATIONS DE MICRO-CREDIT II	10.0	Private	Private equity	Financial Sector		
Morocco	Maghreb	WELDOM MAROC	0.5	Private	Private equity	Financial Sector		
Tunisia	Maghreb	VOIRIES PRIORITAIRES III	65.0	Public	Loan	Transport & other infrastructure		
Tunisia	Maghreb	VOIRIES PRIORITAIRES IV	40.0	Public	Loan	Transport & other infrastructure		
Tunisia	Maghreb	ASSAINISSEMENT DU SITE DE TAPARURA	34.0	Public	Loan	Environment	X	
Tunisia	Maghreb	PRET GLOBAL CPSCL	25.0	Private	Loan	Financial Sector		
Tunisia	Maghreb	SNCFT IV	20.0	Public	Loan	Transport & other infrastructure		
Egypt	Near East	EGYPTAIR II	290.0	Public	Loan	Transport & other infrastructure		
Egypt	Near East	DAMIETTA LNG PLANT - EUROMED II FACILITY	188.4	Private	Loan	Energy		
Egypt	Near East	TALKHA & EL KURIEMAT POWER PLANTS	160.0	Public	Loan	Energy		
Egypt	Near East	GL PRIVATE SECTOR DEVELOPMENT	60.0	Private	Loan	Financial Sector	X	
Jordan	Near East	REGIONAL GAS PIPELINE	100.0	Public	Loan	Energy		
Lebanon	Near East	APEX GL MULTI-SECTOR	60.0	Private	Loan	Financial Sector		
Lebanon	Near East	SOUTH LEBANON WASTEWATER	45.0	Public	Loan	Environment	X	X
Syria	Near East	DEIR ALI POWER PLANT	200.0	Public	Loan	Energy		
Regional	Regional	AFRICINVEST FUND	4.0	Private	Private equity	Financial Sector		
TOTAL			**1 545.4**				**6**	**4**
2005 Signatures								
Algeria	Maghreb	PROJET MAGHREB LEASING	10.0	Private	Private equity	Financial Sector		
Morocco	Maghreb	ADM IV TRANCHE B	70.0	Public	Loan	Transport & other infrastructure		
Morocco	Maghreb	ROUTES RURALES II	60.0	Public	Loan	Transport & other infrastructure	X	
Morocco	Maghreb	PRET GLOBAL BMCE BANK	30.0	Private	Loan	Financial Sector		
Morocco	Maghreb	CAPITAL NORTH AFRICA VENTURE FUNDS	5.0	Private	Private equity	Financial Sector		
Morocco	Maghreb	AGRAM INVEST	4.6	Private	Private equity	Financial Sector		
Morocco	Maghreb	ATLAS EDEN	0.2	Private	Private equity	Financial Sector		
Morocco	Maghreb	SOCIETE IMMOBILIERE DE LA MER	5.0	Private	Private equity	Financial Sector		
Tunisia	Maghreb	TECHNOPOLES	80.0	Private	Loan	Industry	X	
Tunisia	Maghreb	PG ENTREPRISES TUNISIENNES IV	120.0	Private	Loan	Financial Sector	X	
Tunisia	Maghreb	PG TECHNOPOLES TUNISIE	60.0	Private	Loan	Financial Sector	X	
Egypt	Near East	IDKU LNG PLANT II	234.4	Private	Loan	Energy		
Egypt	Near East	GASCO GAS PIPELINES III	50.0	Public	Loan	Energy		
Gaza/West Bank	Near East	CREDIT GUARANTEE FUND	10.0	Private	Private equity	Financial Sector	X	
Gaza/West Bank	Near East	ELECTRICITY NETWORK UPGRADING	45.0	Public	Loan	Energy	X	

Country	Region	Project Name	Amount signed EUR m	Public/ Private	Nature of Operation	Sector	FEMIP TA	Interest Subsidy
Lebanon	Near East	LEBANESE HIGHWAYS	60.0	Public	Loan	Transport & other infrastructure	X	
Lebanon	Near East	BYBLOS BANK GL	50.0	Private	Loan	Financial Sector		
Lebanon	Near East	GREATER BEIRUT WASTEWATER	60.0	Public	Loan	Environment		X
Syria	Near East	DEIR AZZOUR POWER PLANT	200.0	Public	Loan	Energy	X	
Syria	Near East	RURAL TELECOMS	100.0	Public	Loan	Transport & other infrastructure	X	
TOTAL			**1 254.2**				**9**	**1**
2006 Signatures								
Morocco	Maghreb	ASSAINISSEMENT DU BASSIN DE SEBOU	40.0	Public	Loan	Environment	X	X
Morocco	Maghreb	MOROCCAN INFRASTRUCTURE FUND	10.0	Private	Private equity	Financial Sector		
Morocco	Maghreb	ONE ELECTRIFICATION RURALE II	170.0	Public	Loan	Energy		
Morocco	Maghreb	SANTE	70.0	Public	Loan	Human Capital	X	
Tunisia	Maghreb	ONAS IV	40.0	Public	Loan	Environment	X	X
Tunisia	Maghreb	STEG CENTRALE GHANNOUCH	114.0	Public	Loan	Energy		
Tunisia	Maghreb	ENDA	0.8	Private	Private equity	Financial Sector	X	
Egypt	Near East	EGYPTIAN POLLUTION ABATEMENT (EPAP) II	40.0	Private	Loan	Financial Sector/ Environment	X	X
Egypt	Near East	EL ATF AND SIDI KRIR POWER PLANTS	130.0	Public	Loan	Energy		
Egypt	Near East	EMX METHANOL PLANT	200.0	Private	Loan	Industry		
Egypt	Near East	UPPER EGYPT GAS PIPELINE	50.0	Public	Loan	Energy		
Egypt	Near East	HORUS AGRIFUND	8.5	Private	Private equity	Financial Sector		
Egypt	Near East	BELTONE	5.6	Private	Private equity	Financial Sector		
Israel	Near East	BANK HAPOALIM GL	75.0	Private	Loan	Financial Sector		
Israel	Near East	ENVIRONMENTAL PROGRAMME LOAN	200.0	Public	Loan	Environment	X	
Syria	Near East	DAMASCUS RURAL WATER AND SANITATION	45.0	Public	Loan	Environment	X	X
Regional-Mediterra-nean	Regional-Mediterra-nean	EUROMED FUND	10.1	Private	Private equity	Financial Sector		
Regional-Mediterra-nean	Regional-Mediterra-nean	EUROMENA FUND	10.0	Private	Private equity	Financial Sector		
Regional-North Africa	Regional-North Africa	MAGHREB PRIVATE EQUITY FUND II	10.0	Private	Private equity	Financial Sector		
Regional-Mediterra-nean	Regional-Mediterra-nean	SGAM KANTARA FUND	10.0	Private	Private equity	Financial Sector		
TOTAL			**1 238.9**				**7**	**4**
2007 Signatures								
Algeria	Maghreb	ALGERIAN FRUIT JUICE COMPANY	3.0	Private	Private equity	Financial Sector		
Morocco	Maghreb	AUTOROUTES DU MAROC V - (MAROC)	180.0	Public	Loan	Transport & other infrastructure		
Morocco	Maghreb	ONE - PROJETS HYDROELECTRIQUES II	150.0	Public	Loan	Energy	X	
Morocco	Maghreb	CAPMEZZANINE MAROC	6.0	Private	Private equity	Financial Sector	X	
Tunisia	Maghreb	TRANSMED PIPELINE EXPANSION	185.0	Private	Loan	Energy		
Tunisia	Maghreb	PG ENTREPRISES TUNISIENNES V	200.0	Private	Loan	Financial Sector		
Tunisia	Maghreb	FONDS D'AMORCAGE TUNISIEN	2.0	Private	Private equity	Financial Sector	X	
Tunisia	Maghreb	PROJET ENDA INTER ARABE	2.0	Private	Private equity	Financial Sector	X	

Country	Region	Project Name	Amount signed EUR m	Public/ Private	Nature of Operation	Sector	FEMIP TA	Interest Subsidy
Egypt	Near East	EL ATF AND SIDI KRIR POWER PLANTS	130.0	Public	Loan	Energy		
Israel	Near East	HADERA DESALINATION PLANT	120.0	Private	Loan	Environment		
Jordan	Near East	HBTF GLOBAL LOAN	50.0	Private	Loan	Financial Sector		
Lebanon	Near East	PRIVATE SECTOR FACILITIES	195.0	Private	Loan	Financial Sector		
Lebanon	Near East	SME RECONSTRUCTION FACILITY	100.0	Private	Loan	Financial Sector		X
Lebanon	Near East	THE BUILDING BLOCK EQUITY FUND	5.0	Private	Private equity	Financial Sector		
Syria	Near East	SME FUND II	80.0	Private	Loan	Financial Sector	X	
Regional-Mediterra-nean	Regional-Mediterra-nean	ALTERMED	8.0	Private	Private equity	Financial Sector		
Regional-Mediterra-nean	Regional-Mediterra-nean	BYBLOS PRIVATE EQUITY FUND	7.5	Private	Private equity	Financial Sector	X	
Regional-Mediterra-nean	Regional-Mediterra-nean	FUND FOR THE MEDITERRANEAN REGION	15.0	Private	Private equity	Financial Sector		
TOTAL			**1438.5**				**6**	**1**
2008 Signatures								
Egypt	Near East	EGAS GAS GRID REINFORCEMENT	250.00	Public	Loan	Energy		
Egypt	Near East	BELTONE MIDCAP FUND	12.50	Private	Private equity	Financial Sector		
Egypt	Near East	SPHINX TURNAROUND FUND	13.00	Private	Private equity	Financial Sector		
Egypt	Near East	BELTONE CAPITAL II	5.00	Private	Private equity	Financial Sector		
Israel	Near East	EUROPEAN PHARMA R&D (RSFF)	29.73	Private	Loan	Industry		
Israel	Near East	MEDINVEST (RSFF)	3.33	Private	Loan	Industry		
Jordan	Near East	AMMAN RING ROAD B	36.92	Public	Loan	Transport & other infrastructure	X	
Lebanon	Near East	PRIVATE SECTOR FACILITIES II (BOB)	52.00	Private	Private equity	Financial Sector		
Morocco	Maghreb	ONE - RESEAUX ELECTRIQUES II	170.00	Public	Loan	Energy		
Morocco	Maghreb	FONDS CAPITAL CARBONE MAROC	6.50	Private	Private equity	Financial Sector	X	
Morocco	Maghreb	MASSINISSA FUND	12.00	Private	Private equity	Financial Sector		
Morocco	Maghreb	PORT DE TANGER-MED - DEUXIEME TERMINAL	40.00	Private	Loan	Transport & other infrastructure		
Morocco	Maghreb	ROUTES RURALES III	60.00	Public	Loan	Transport & other infrastructure	X	X
Regional - Mediterra-nean	Regional - Mediterra-nean	ALTERMED B	3.00	Private	Private equity	Financial Sector		
Regional - Mediterra-nean	Regional - Mediterra-nean	FONDS EUROMENA II	13.00	Private	Private equity	Financial Sector		
Syria	Near East	DEIR ALI II POWER PLANT	275.00	Public	Loan	Energy	X	
Syria	Near East	FIRST MICROFINANCE INSTITUTION SYRIA	2.00	Private	Private equity	Financial Sector		
Tunisia	Maghreb	STEG - CENTRALE DE GHANNOUCH B	86.00	Public	Loan	Energy		
Tunisia	Maghreb	STEG GAZ II (TRANSPORT & DISTRIBUTION)	60.00	Public	Loan	Energy		
Tunisia	Maghreb	GCT MISE A NIVEAU ENVIRONNEMENTALE	55.00	Private	Loan	Industry		X
Tunisia	Maghreb	VOIRIES PRIORITAIRES V	110.00	Public	Loan	Transport & other infrastructure		
TOTAL			**1 294.99**				**4**	**2**

* The FEMIP TA Support Fund actually became operational in the second half of 2003.

List of technical assistance operations signed in 2008

Country	TA operation	Promoter	Contract volume ('000) EUR
GAZA & WEST BANK	TA for electricity network upgrading	Palestinian Energy and Natural Resources Authority (PENRA)	200
JORDAN	FS for establishing a seed capital fund	Fund	55
LEBANON	TA to the Lebanese Highways	Council for Reconstruction and Development (CDR)	275
MOROCCO	Hospital refurbishment and reorganisation programme – Investment component	Health Ministry	6694
MOROCCO	Sebou basin sanitation – TA to PMU	ONEP	1391
MOROCCO	Sebou basin sanitation – support for planning and takeover of centres sanitation service	ONEP	1048
MOROCCO	Contruction of new terminal at Marrakesh-Ménara airport – Feasibility study and environmental and social impact study	Office national des Aéroports (ONDA)	162
SYRIA	Support to Syria's national cancer strategy: Feasibilty study for the Aleppo and Homs Cancer Centres	Ministry of Health	1338
SYRIA	Support to the PMU of the Syrian Telecommunication Establishment (STE)	STE	1000
SYRIA	SME Credit Facility II	Financial Intermediaries	2800
SYRIA	Technical Assistance for Preparation of a Municipal Infrastructure Project	Ministry of Local Administration and Environment	197
TUNISIA	Project management unit – SEACNVS	SEACNVS	714
TUNISIA	Works supervision – SEACNVS	SEACNVS	320
TUNISIA	TA with construction and development of 5 technology parks	Ministry of Higher Education, Research and Technology	690
Total volume			**16 884**

List of operations approved under the FEMIP Trust Fund

Country	Name of operation	Budget in EUR ('000)	FTF Assembly date of approval	Sector	Type
Algeria	Examining the access of small firms to sustainable forms of external finance	200	September 2005	Finance	Study
Jordan	Highway master plan study	1 750	September 2008	Transport	TA
Lebanon	Securitisation of workers' remittances: test case in Lebanon	150	March 2007	Finance	Study
Morocco	Long term savings	180	November 2005	Finance	Study
Morocco	Private type management and operation of the Public Irrigation systems in FEMIP countries: a test case in Morocco	1 000	December 2006	Environment & water	TA
Regional	Improving efficiency of workers' remittances	200	January 2005	Finance	Study
Regional	Financial mechanism for the development of renewable energy and energy efficiency	200	May 2005	Energy	Study
Regional	Financial sector support programmes – METAC	500	May 2005	Finance	TA
Regional	Logistic needs in the MPCs: Potential for the development of a logistic platform network	600	May 2005	Transport	Study
Regional	CDM Project Identification in FEMIP countries	200	March 2006	Energy	Study
Regional	FEMIP Internship Programme	470	March 2006	Finance/Training	TA
Regional	Analysis of tourism strategies and policies in FEMIP countries	200	July 2006	Tourism	Study
Regional	Review on existing trade finance services for Euromed trade	80	July 2006	Finance	Study
Regional	Potential for biofuel production	200	December 2006	Energy	Study
Regional	Identification and removal of obstacles to the extended use of wastewater in agriculture	200	March 2007	Environment & water	Study
Regional	Study programme with the Blue Plan	180	March 2007	Energy & environment	Study
Regional	A Review of the Economic and Social Impact of Microfinance	70	November 2007	Microfinance	Study
Regional	Strategies for the regeneration of medinas in the Mediterranean area	185	November 2007	Urban Development	Study
Regional	Dissemination window for FTF studies	450	March 2008	All sectors	Seminars
Regional	Financial sector support programmes – METAC II	500	March 2008	Finance	TA
Regional	PPP legal framework in the Femip Region	750	March 2008	All sectors	Study
Regional	Study Programme with the Blue Plan	850	September 2008	Energy/Tourism	TA
Tunisia	Seed capital fund	2 000	July 2006	Finance	Private equity
Tunisia	TA related to seed capital fund	150	July 2006	Finance	TA
Tunisia	Adaptation of financial products to workers' remittances	500	June 2008	Finance	TA
Total		**11 765**			

Publications[13]

Activity reports

- FFEMIP Annual Report 2007, May 2008.
- FEMIP Annual Report 2006, May 2007.
- FEMIP Annual Report 2005, June 2006.
- FEMIP Trust Fund Activity Report 2005, June 2006.
- FEMIP Annual Report 2004, June 2005.

Brochures

- FEMIP instruments, February 2009.
- FEMIP for the Mediterranean, February 2009.
- FEMIP Trust Fund, December 2008.
- FEMIP for the Mediterranean: 2006 results, March 2007.
- Overview of FEMIP 2005 Achievements, March 2006.
- Europe and the Mediterranean, June 2004.
- EIB set to increase cooperation with the Mediterranean partner countries, April 2002.

Country fact sheets

- Financing provided by the EIB in Algeria, February 2008.
- Financing provided by the EIB in Egypt, February 2008.
- Financing provided by the EIB in Gaza and West Bank, February 2008.
- Financing provided by the EIB in Israel, February 2008.
- Financing provided by the EIB in Jordan, February 2008.
- Financing provided by the EIB in Lebanon, February 2008.
- Financing provided by the EIB in Morocco, February 2008.
- Financing provided by the EIB in Syria, February 2008.
- Financing provided by the EIB in Tunisia, February 2008.
- European Investment Bank loans in Turkey, March 2005.

[13] *These publications are also available on the EIB's website: http://www.eib.org/publications, under the heading MED/FEMIP.*

Thematic fact sheets

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Glossary of terms and abbreviations

ADFD:	Abu Dhabi Fund for Development
AFD:	Agence française de développement
AfDB:	African Development Bank
AFESD:	Arab Fund for Economic and Social Development
CEO:	Chief Executive Officer
Ecofin Council:	Economic and Foreign Affairs Council
EDFI:	European development finance institution
EGAS:	Egyptian Natural Gas Holding Company
EIB:	European Investment Bank
ENP:	European Neighbourhood Policy
ENP-MED mandate:	mandate entrusted to the EIB by the EU Member States for operations conducted from the Bank's own resources in support of the Mediterranean partner countries over the period 01.02.2007-31.12.2013.
EU:	European Union
FDI:	foreign direct investment
FEMIP:	Facility for Euro-Mediterranean Investment and Partnership
FEMISE:	Forum euro-méditerranéen des instituts économiques
FTF:	FEMIP Trust Fund
GCC:	Gulf Cooperation Council
GCT:	Groupe Chimique Tunisien
GDP:	gross domestic product
IBRD:	International Bank for Reconstruction and Development
IFC:	International Finance Corporation
IFS:	Institutional Finance Service
IIF:	Institute of International Finance
KfW:	Kreditanstalt für Wiederaufbau
MENA:	Middle East and North Africa
MPC:	Mediterranean partner country
NGO:	non-governmental organisation
NIF:	Neighbourhood Investment Facility
OECD:	Organisation for Economic Cooperation and Development
ONE:	Office national de l'électricité (Morocco)
PPP:	public-private partnership
RSFF:	Risk Sharing Finance Facility
R&D:	research and development
SA:	société anonyme (limited company)
SFE:	Special FEMIP Envelope
SMEs:	small and medium-sized enterprises
STEG:	Société tunisienne de l'électricité
TA:	Technical assistance
TENs:	trans-European networks (major transport, energy and telecommunications infrastructure underpinning the European Union's development and integration objectives).
UNESCO:	United Nations Educational Scientific and Cultural Organisation
WTO:	World Trade Organisation

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