



Facility for Euro-Mediterranean Investment and Partnership • Facility for Euro-Mediterranean Investment and Partnership

FEMIP for the Mediterranean Promoting Tourism Development

The European Investment Bank (EIB), an active supporter of tourism projects inside and outside the EU, recently completed an analysis of the tourism strategies and policies of the nine Mediterranean partner countries ¹ plus Turkey ².

Due to the region's natural and cultural resources, a desirable climate, and a location close to key markets, tourism is an important growth sector. The particular potential of tourism development has led to the creation of facilities and services by governments and private sector operators to meet a variety of market demands. However, there are large differences between the countries: while Egypt, Jordan, Turkey, Tunisia and Morocco experience substantial tourism development, Algeria, Gaza/West Bank, Israel and Lebanon are facing lower, or even negative, growth rates.

Despite political unrest in some of the Mediterranean partner countries, the total annual average growth rate in 2006 was 12%, measured in terms of tourist arrivals, with tourist expenditure increasing even faster. Although these growth rates are impressive (double the world average), the Mediterranean partner countries make up only 4.5% of the world tourist arrivals. Egypt, Syria, Tunisia and Morocco absorb 80% of all tourist arrivals and create 81% of tourist expenditures in the region.

About FEMIP

The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) brings together the whole range of services provided by the European Investment Bank in the Mediterranean partner countries.

Operational since October 2002, it is now the key player in the financial partnership between Europe and the Mediterranean, providing almost EUR 7.3 billion of financing between October 2002 and December 2007.

Over the period 2007-2013, FEMIP has at its disposal EUR 8.7 billion to support projects in the nine Mediterranean partner countries. These resources are augmented by EUR 2 billion under the Mediterranean Partnership Facility II and by EU budget resources for technical assistance and private equity activities.

FEMIP encourages the modernisation and opening-up of the economies of the Mediterranean partner countries. Activities are focused on two priority areas: development of the private sector and the creation of an investment-friendly environment.

¹ Algeria, Egypt, Israel, Gaza/West Bank, Jordan, Lebanon, Morocco, Syria and Tunisia.

² The study was financed by the FEMIP Trust Fund and is available on the EIB's website at <http://www.eib.org/publications>

	Tourist Arrivals in Millions 2006	Annual Average Growth % 2001 to 2006	Tourist Expenditures in Million USD, 2006	Annual Average Growth % 2001 to 2006	Tourist Arrivals in Millions 2010	Annual Average Growth % 2006 to 2010
Algeria	1.4	11.2	173.000	11.2	2.7	14.4
Egypt	9.1	14.8	6.896	8.9	12.2	7.5
Gaza/West Bank	Na	Na	Na	Na	Na	Na
Israel	1.8	13.3	1.912 ¹	8.9	2.4	10.7
Jordan	3.2	6.5	2.004 ¹	17.1	4.7	10.0
Lebanon	1.1	11.7	Na	Na	1.6	14.9
Morocco	6.6	8.5	6.276	18.8	10.0	19.4
Syria	8.0 ¹	24.0	2.332 ¹	23.0	12.6	16.3
Tunisia	6.6	5.4	2.193	5.1	8.7	7.0
Turkey	19.8	15.5	18.154	15.9	33.2	15.0
Total	57.6	12.2	39.957	13.0	88.1	11.6

¹ Data are from 2005.

Source: WTTC, Mediterranean partner countries' governments' forecasts for tourist arrivals in 2010.

Tourist arrivals and tourist expenditures in Mediterranean partner countries plus Turkey, 2001-2006, and predicted arrivals, 2006-2010

Tourism in the Mediterranean partner countries is often the biggest single source of foreign exchange and generates the largest private sector activity in the economy, especially for Egypt, Morocco, Syria and Tunisia. As tourism is an important creator of income and employment, the governments treat tourism as a priority economic sector.

The particular potential of tourism development has been understood by the governments as well as by private sector operators and investors. The development that has already taken place is just a beginning and tourism growth can be expected to accelerate in the coming years. According to governments' predictions, the number of tourist arrivals should almost double by 2010 and the region could achieve 5.5% of the world tourist arrivals. However, economic and political stability in the region as well as further development of tourism facilities are prerequisites to achieve this target.

All Mediterranean partner countries have product diversification as a key strategy, with the aim of increasing competitiveness and added value. The objective is to develop higher income market segments and increase tourism employment. Another important trend is the combination of real estate business and tourism, a practice fairly well developed in Egypt, Morocco, and recently in Algeria. However, there are still certain constraints to tourism growth which must be addressed. The study has identified seven action areas for tourism development:

Seven Action Areas

1. Training, professionalism and human resource development. Service and human resource development are key factors for the future tourism but require close collaboration between the public and private sectors.

2. Awareness-creation at three levels.

a) Governments and the political system, b) Potential employees/students, and c) The general public. Making the local public aware of the importance of tourism, and of creating a service culture, is difficult but essential to growth.

3. Tourism Services – International Standards. New tourist zone definitions should include guidelines and concepts for environmental sustainability products, branding, and the service level to be offered in the zone. Overall grading and classification systems to international norms need to be discussed.

4. SME Development – Rooting Tourism in the Local Economy. There is a risk of losing value added if SME development is ignored, particularly in connection with cultural and natural sites. Value chain analysis on the national, regional and local levels is a way forward in linking tourism to the local economies.

5. Marketing, Promotion and R&D in Tourism. Marketing and promotion strategies are often weak, with sub-optimal spending of limited funds. Research and proper statistics are needed to form the basis of marketing activities.

6. Institutional structures optimal for tourism development. Institutional systems and structures were identified as being the most important issues for tourism development, along with peace and safety.

7. Countries with limited growth. For four countries, the “peace dividend” would include rapid tourism development. These countries could learn from the experiences of the others and avoid the factors restricting tourism development.

Tourism continues to offer the Mediterranean partner countries substantial opportunities for economic and social development. However, while most countries have a number of tourism strengths, most countries also have a number of weaknesses which are limiting their ability to take advantage of these opportunities. What stands out from the findings is that overcoming these weaknesses will not mean major capital investment programmes. A reallocation of existing resources should be sufficient and, where new investment is required, it will be modest and shared between the public and private sectors. Solutions to many of the problems already exist within the region, and co-operation and collaboration between the Mediterranean partner countries would be to the benefit of all.

FEMIP’s support for the tourism sector

FEMIP supports tourism through a range of financial and non-financial products to meet the needs of viable projects across the region.

Firstly, FEMIP provides long-term loans for large-scale projects as well as indirect financing for small and medium-sized investment projects. In recent years, it has provided support to some 100 tourism projects across the region, either directly or through local financial intermediaries, and ranging from small cafés through to five star hotels.

Secondly, FEMIP provides financing in the form of private equity to foster private sector tourism projects. The impact of private equity operations is significant, especially as they all involve direct, unguaranteed financing for the private sector. In 2005, FEMIP took a EUR 5 million equity participation in *Société Immobilière de la Mer*, a tourism investment fund set in Morocco.

Thirdly, FEMIP assists promoters by providing technical assistance during different stages of the project cycle, such as project identification, preparation and implementation. Technical assistance operations are funded by the FEMIP Support Fund, which utilises non-repayable



aid granted by the European Commission in support of FEMIP investment activities.

Finally, FEMIP encourages a better understanding of the economic issues in the Mediterranean by funding upstream studies under the FEMIP Trust Fund.

A Trust Fund for the Mediterranean

The FEMIP Trust Fund was created in 2004, following a decision by the EIB and a number of donor countries to establish a fund dedicated to the Mediterranean partner countries.

The purpose of the FEMIP Trust Fund is to direct resources to operations in certain priority sectors in order to foster private sector development in the region. To attain this objective, two windows were defined: upstream technical assistance and support for private equity.

By December 2007, 15 Member States and the European Commission (EC) had contributed with EUR 34.5m. The FEMIP Trust Fund has been instrumental in financing upstream studies with a broad strategic view on economic and financial issues in the region.



Facility for Euro-Mediterranean Investment and Partnership



Contacting FEMIP

Direct loans (with an investment cost of over EUR 25 million) and private equity financing can be requested directly from the EIB. Applications for the financing of smaller-scale projects should be addressed directly to the financial institutions or commercial banks to which the EIB has granted credit lines. A list of the partner institutions in Mediterranean countries and other information on lending can be found on the Bank's website (www.eib.org/femip).

FEMIP products

- Long-term direct loans for large-scale projects (costing more than EUR 25 million)
- Credit lines to intermediary banks, which on-lend the funds to finance investment undertaken by small and medium-sized enterprises or local authorities
- Credit lines to microfinance institutions
- Private equity (direct equity or quasi-equity investments in unlisted companies, private equity funds and co-investments with local intermediaries)
- Technical assistance to strengthen the capacity of Mediterranean partner countries and promoters and to finance upstream studies and activities focusing on private sector development

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