

Mediterranean Partner Countries

New dimension to the Euro-Mediterranean Financial Partnership : EUR 1.8 billion in 2002

In 2002, European Investment Bank (EIB) lending in the 12 Mediterranean Partner Countries (MPC) reached the record figure of **EUR 1.8 billion**, confirming the position of the EU's financing institution as a major player in promoting the region's economic development and stability.

This performance was achieved despite an economic climate marked by unrelenting political tension in the region and underlined the Bank's pivotal role in revitalising the Euro-Mediterranean Partnership initiated in 1995. Thus, at a meeting held in Barcelona on **18 October 2002** at the EIB's initiative, the Finance Ministers of the 15 EU Member States and 12 Mediterranean Partner Countries (MPC) launched the Bank's new **Facility for Euro-Mediterranean Investment and Partnership (FEMIP)**.

FEMIP: new dimension to EIB financing in the MPC

The "Facility for Euro-Mediterranean Investment and Partnership" represents a major step forward in economic and financial cooperation between the Union and the MPC. Its priorities are:

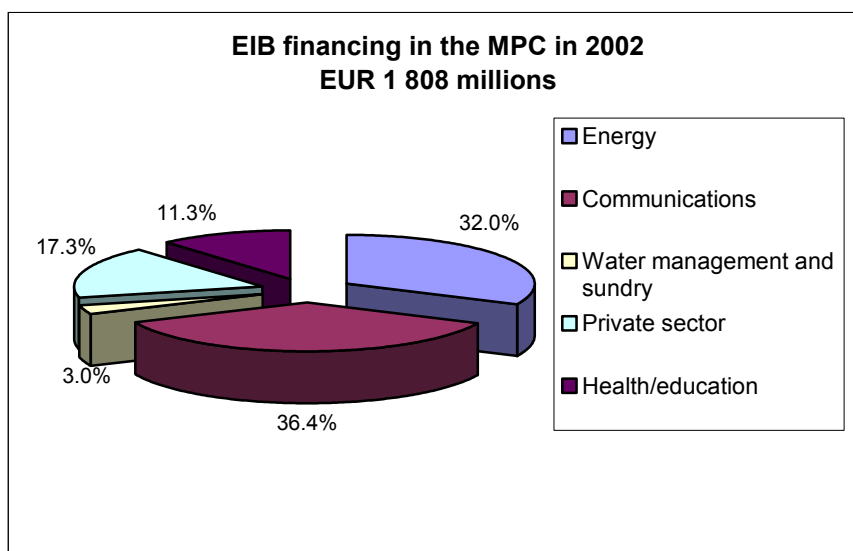
- **private-sector** development, involving both local enterprises and direct investment by EU companies in the MPC;
- enhanced support for **regional cooperation projects** and investment with a **social dimension**: health, education and environmental protection;
- assistance for the **process of economic reform and privatisation** in the MPC;
- provision of **innovative financial products**, risk capital and technical assistance with bringing projects to fruition.

One of the cornerstones of FEMIP is the **broad involvement of the MPC** in the deployment of EIB assistance through a Policy Dialogue and Coordination Committee (PDCC) bringing together representatives of the EU Member States and beneficiary Mediterranean countries twice a year. In addition, the Bank will establish closer links with economic operators and local authorities in the MPC by opening **regional offices**, the first of which in Cairo this year.

FEMIP is already operational: a number of contracts for initial operations in support of private sector development - the facility's top priority - have already been signed or are in the process of being so. Examples include financing for the expansion of a Toyota factory in Turkey, building of a natural gas liquefaction plant in Egypt (an interesting "North-South" joint venture between British Gas, Gaz de France, Edison and Egyptian operators in the hydrocarbons sector) and construction of the first private-sector cement plants in Tunisia and Algeria (the latter being a model project for "South-South" cooperation implemented by the Egyptian Group Orascom). In addition, a number of operations from risk-capital resources aimed at building up the equity of companies in Egypt and Algeria were mounted in 2002.

The EIB will implement FEMIP in close cooperation with all participants in the region's development: the European Commission, the banking community in Europe and the beneficiary countries, multilateral (World Bank, IFC, AfDB, etc.) and bilateral development finance institutions.

The decision of the Barcelona European Council (March 2002) to entrust the Bank with strengthening the financial component of the Euro-Mediterranean Partnership was grounded in the **EIB's 30 years' experience in the MPC**: between 1974 and 2001, the Bank lent a total of EUR 12.6 billion in these countries.



Under FEMIP, the Bank plans to inject **EUR 8 to 10 billion in the MPC by 2006**, i.e.: over EUR 7 billion from own resources, around EUR 250 million in risk capital entrusted to it from the EU budget, as well as some EUR 100 million in technical assistance provided by the Union in application of the decisions of the Barcelona European Council of March 2002.

2002: A RECORD YEAR

- In 2002, EIB lending activity in the MPC was characterised by ongoing financing of projects creating the **infrastructure for economic development** (EUR 1 440 million): power generation and distribution, communications, water management and environmental protection. Notable examples are loans for rebuilding infrastructure in Greater Algiers following the floods of November 2001 (EUR 45 million), for improving the sewerage systems of 7 towns in northern and central Morocco (EUR 20 million) and for upgrading key power distribution networks in Morocco, Tunisia and Egypt. EIB loans granted for environmental rehabilitation projects attract a 3% interest subsidy financed from EU budgetary resources.
- The Bank's second priority is to assist private enterprises, both large and small, through lines of credit. These received EUR 313 million, i.e. 17.3% of total lending. Specifically, **the first private-sector investment operations financed under FEMIP** were: a Toyota factory in Turkey and cement plants in Algeria and Tunisia promoted by the Egyptian Group Orascom and Ciments Artificiels Tunisiens respectively. Furthermore, some forty financial intermediaries established in the Mediterranean Partner Countries drew on EIB credit lines to strengthen the equity and finance the investment projects of SMEs. Such lines of credit also help to develop the domestic financial sectors of the countries concerned by bolstering their technical and financial capacities; their activities will therefore be fostered under FEMIP. Operations approved in 2002, but still awaiting signature, point to the fact that private-sector financing accounts for more than 30% of projects.
- In the field of **social welfare infrastructure** (EUR 205 million), loans were advanced for constructing a campus for the University of Nicosia in Cyprus, creating 6 800 IT classrooms in Turkish primary schools and rehabilitating and developing 18 hospitals in Syria.

PROJECTS FINANCED IN 2002

EIB financing in the region in 2002 broke down as follows:

Algeria: A total of EUR 226.8 million for the rehabilitation and development of urban infrastructure and the port of Greater Algiers, and for construction of a section of the East-West motorway and two cement plants, one of which promoted by the Egyptian private sector ("South-South" cooperation).

Cyprus: EUR 220 million: 65 million for the University of Nicosia; 55 million for air traffic control; 100 million for power distribution networks.

Egypt: A total of EUR 225 million for constructing a gas-fired combined-cycle power plant north of Cairo (150 million), extending line 2 of the Cairo metro (50 million) and financing SME ventures (25 million).

Morocco: A total of EUR 140 million for improving the environmental operating conditions of seven water treatment plants in northern and central Morocco, and for upgrading the country's power distribution networks and their interconnection with Spain.

Tunisia: A total of EUR 290 million for construction of a new motorway between M'Saken and Sfax (120 million), technical and environmental modernisation of a large cement plant in Tunis and upgrading of the power distribution network.

Turkey: A total of EUR 561 million for the creation of 6 800 IT classrooms in some 5 100 primary schools throughout Turkey (50 million), improvement of urban wastewater treatment and sewerage networks (40 million), modernisation of a Toyota factory, east of Istanbul (150 million), rehabilitation of two priority roads in western and north-eastern Turkey and an equity participation in a regional SME development fund.

Syria: EUR 100 million for the rehabilitation and development of 18 hospitals.

Lebanon: EUR 45 million for extension of the Port of Tripoli.