

## FEMIP:

Financing in Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and Turkey

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



## Overview of FEMIP 2005 Achievements

An overview of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) activities in 2005 shows that remarkable results were obtained with a total volume of signatures amounting to **EUR 2.2 bn** for 23 new operations in Mediterranean Partner Countries<sup>1</sup>, slightly over the already significant figure realised in 2004.

Following completion of the 2005 activities, the total volume of projects signed by FEMIP since its inception in 2002 rose to EUR 7.2 bn for 77 operations supporting the modernisation of economies, the establishment of a propitious climate for investment, the development of the private sector, and the creation of job opportunities.

Throughout this second full operational year since the reinforcement of FEMIP decided by the European Council in December 2003, lending activities and special “reinforced FEMIP” operations reached assigned targets, as ongoing economic and financial dialogue was further strengthened between European countries and Mediterranean partners.

### Consolidation of FEMIP operational activities

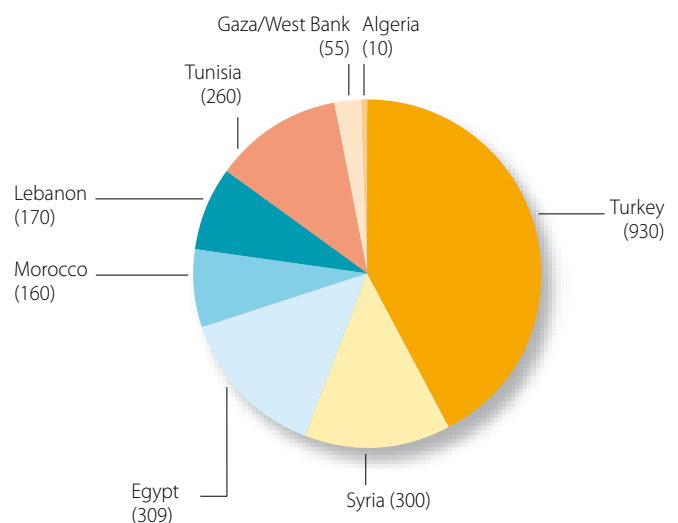
#### Lending and Risk Capital Activities

The FEMIP department has managed to bolster new commitments in favour of the **private sector** in the Mediterranean region, with more than **half of total projects signed** aimed at supporting SMEs and foreign direct investment. More specifically, lending to private sector projects represented 51% of total volumes signed in the year and around 60% of the number of projects signed in the region (14 private sector projects out of a total of 23).

A crucial and additional 2% of operations directly targeted the private sector in the form of equity and quasi-equity; undertaken most often through dedicated private funds, those operations rose to EUR 45 m, more than doubling last year’s amounts<sup>2</sup>.

### Lending Breakdown by Countries (in EUR million)

2005: EUR 2 194 million



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

<sup>2</sup> This does not take into account signatures occurring under Global Authorizations, which in accordance with customary Bank practice are not computed as “new” signatures. Such signatures amounted in 2005 to a total of approx. EUR 15 m, bringing de facto total new risk capital operations signed in 2005 to EUR 60 m.

In terms of sector allocation, the bulk of the lending was directed towards the infrastructure sector (EUR 1287 m or 59%), comprising transport (EUR 640 m or 29%), energy (EUR 547 m or 25%) and telecoms (EUR 100 m or 5%). Global loans and risk capital operations to support SMEs accounted for EUR 695 m (31%), while industry and environment took up EUR 122 m (6%) and EUR 90 m (4%) respectively.

In terms of geographical distribution, 42% (6 projects for a total of EUR 930 m) of signatures occurred in Turkey, reflecting the big boost in local and foreign investment in the country given by the prospect of future accession to the EU, 38% in the Near East (10 projects for a total of EUR 834 m) and 20% in the Maghreb (7 projects for a total of EUR 430 m). 2005 also saw the resumption of FEMIP operations in Gaza/West Bank, with two operations devoted to improving electricity infrastructure and providing support to SMEs.

A significant increase compared to 2004 was registered in disbursements, which rose from EUR 1.4 bn to EUR 1.7 bn in 2005. This marked increase in disbursements, representing approximately 80% of new annual commitments, can be seen as reflecting the special emphasis placed on project implementation.

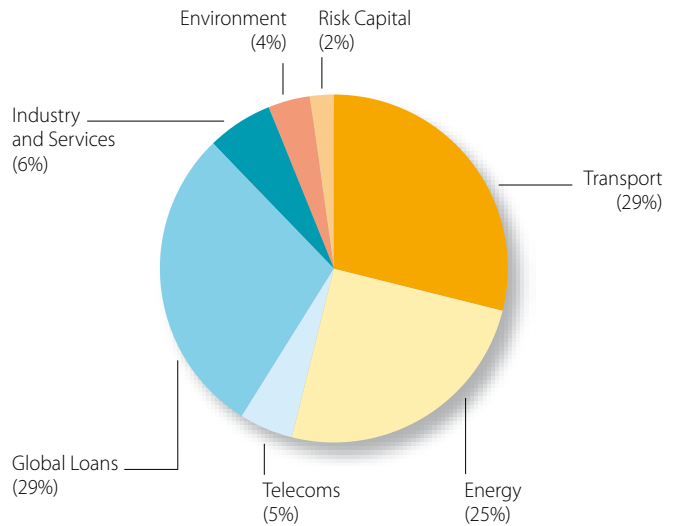
**Wider implementation of “Reinforced FEMIP” operational instruments**

2005 also saw the consolidation of the new operational instruments created within the framework of the “Reinforced FEMIP” over the course of 2004:

- By the end of the year, **26 technical assistance operations** for an overall value of EUR 21.3 m had been contracted under FEMIP Technical Assistance (TA). Geographically these funds were divided as follows: Maghreb 50%, Near East 35% and Turkey 15%. Over 60% of the funds were allocated to the infrastructure, environment, water and wastewater sectors, reflecting to a large extent the Bank’s traditional areas of activity in the region. Direct private sector support, mainly directed at strengthening the lending capacities of intermediary banks for global loans and setting-up new investment funds, continued to absorb 30% of all TA funds.
- 2005 was also the first full operational year for the **FEMIP Trust Fund (FTF)**. By year-end, the FTF had reached a total size of **EUR 33.5 m** in committed funds provided by 16 different donors (15 Member States, plus the European Commission). Over the course of the year, seven projects, for a total amount of EUR 3.4 m, were approved by the FTF Assembly of Donors.
- With the establishment of the **Special FEMIP Envelope (SFE)**, the first three operations in support of local counterparties without sovereign or international guarantee were approved in 2005 in Morocco, Jordan and Lebanon.

**Lending Breakdown by Sector**

2005: EUR 2 194 million



**Fostering Dialogue amongst Euro-Mediterranean Partners**

**Institutional Forum**

The FEMIP 5<sup>th</sup> Ministerial Meeting took place in Skhirat-Rabat, Morocco, on 20 June 2005 and reviewed the policy issues confronting Mediterranean Partner Countries in their quest for sustained and sustainable growth and development. Discussions between the 35 Euro-Mediterranean Finance Ministers addressed water and sanitation issues and the development of the region’s transport, banking and financial sectors. For the first time, the meeting was twinned with the Euro-Mediterranean ECOFIN Council established to commemorate the X<sup>th</sup> anniversary of the Barcelona process and provide a new impetus to the economic and financial dialogue.

On this occasion, the FEMIP Representative Office in Morocco was officially inaugurated with the objective of ensuring coordination with the local authorities, the banking sector and enterprises. This action further strengthened FEMIP’s direct presence in the field, with a total of three offices located outside the EU, in Cairo, Tunis, and Rabat.

Ministers also decided the agenda of the next FEMIP Expert’s Committee meeting to be held in Vienna on 21 and 22 March 2006 and the workshop on “Harmonisation of Procurement Procedures in the Mediterranean Region” held by the EIB on 21 November 2005 in Luxembourg. Their results will serve as a basis for the works of the 6<sup>th</sup> Ministerial meeting, which is scheduled to take place on 25 and 26 June 2006 in Tunis.

## Euro-Mediterranean Partnership

2005, which has been designated as the “Year of the Mediterranean”, concluded with the celebration of the Xth anniversary of the Barcelona Declaration during the **Euro-Mediterranean Summit in Barcelona** on 27-28 November. In a context in which demands for an enhanced political and social partnership emerged, the role of FEMIP as an efficient financial and cooperation tool was commended and confirmed in the “Five Year Work Programme” consistently with the Euro-Mediterranean ambitions for a free-trade area by 2010. Heads of State/Government welcomed “the EIB’s intention to provide a further tranche of financial assistance to the region in 2006” in the form of an **Interim Facility of EUR 1bn in 2006 and EUR 0.5 bn in 2007** if needed to sustain FEMIP’s activity pending the entry into force of new financial perspectives for the period 2007/2013.

Furthermore, FEMIP took part in several activities held on the margins of the Summit including:

- The “Euro-Mediterranean Cities Conference”, Barcelona, 25-26 November 2005
- The “Euro-Med Regional Conference”, Barcelona, 25-26 November 2005

FEMIP also actively contributed to the “First Euro-Mediterranean Ministerial Conference on Transport” held in Marrakech on 15 December 2005, which adopted the “Blue Paper on Transport in the Mediterranean region”.

On 21 November 2005, as a result of its substantial role in developing economic and financial dialogue between the two sides of the Mediterranean, the EIB was granted the status of permanent observer to the Euro-Mediterranean Parliamentary Assembly.

## Ongoing Dialogue with Partners from the Private Sector

A series of activities on specified subjects was promoted throughout the year in collaboration with other financing institutions and Mediterranean Partner Countries:

- The “Euro-Mediterranean Investment Summit” held in Marseille, on 13-14 January 2005, explored the concrete actions that could speed up progress in investments and exchanges in the Mediterranean region.
- On 17 March 2005, the EIB held a conference in Istanbul - “Investing in Turkey” - on the role of private and public sector promoters from Turkey and abroad with regard to Turkey’s EU Accession.
- On 28-29 November 2005, the “Regional Forum on the Investment Climate in the Southern Mediterranean Region and the Middle

East” was held in Cairo, jointly organised by the European Commission, the World Bank Group and the EIB in collaboration with the Egyptian Ministry of Investment.

## Reinforced Cooperation with International Financial Institutions

In the framework of the Strategic Partnership signed on 3 May 2004 between **the European Commission, the EIB and the World Bank** concerning their action in support of economic and social development in the Mediterranean Partner Countries, the EIB and the World Bank Institute decided to step up their cooperation in the field of the knowledge economy by signing the “Work Programme 2005-2006” in May 2005.

On 13 May 2005, a letter of intent was signed **by the EIB and the European Development Finance Institutions (EDFIs)** to promote joint financing of private sector projects, enhancement of institution-wide coordination, joint technical work and policy dialogue. The letter of intent confirmed the already strong cooperation existing between the EIB and the EDFIs formalised within the Framework Agreement on Financial Cooperation and Exchange of Services adopted in January 2003.

Following discussions which had started in 2004, **the EIB, the European Commission, and the African Development Bank Group (ADB)** signed a Memorandum of Understanding in August 2005 to enhance the effectiveness of their cooperation in supporting development programmes in African countries. Priority areas of cooperation include joint financing of projects supporting private sector and regional cooperation, and information exchange on debt relief, poverty reduction and macro-economic reform.

On 13 December 2005, **the EIB, Agence française de développement (AFD) and KfW Entwicklungsbank (KfW)** concluded an agreement designed to enhance their cooperation in the Mediterranean countries and African, Caribbean and Pacific States in which they operate. This agreement represents a milestone in the partnership policy promoted by the EIB aimed at coordinating the efforts of European development players.

# A strong financial partnership

ISBN 92-861-0436-7



ISBN 92-861-0436-7

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## Contacting FEMIP

Direct loans (with an investment cost of over EUR 25 million) and risk capital financing may 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 with which the EIB has concluded global loans. A list of the partner institutions in Mediterranean countries and other information on lending may be found on the Bank's website ([www.eib.org/femip](http://www.eib.org/femip)).

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