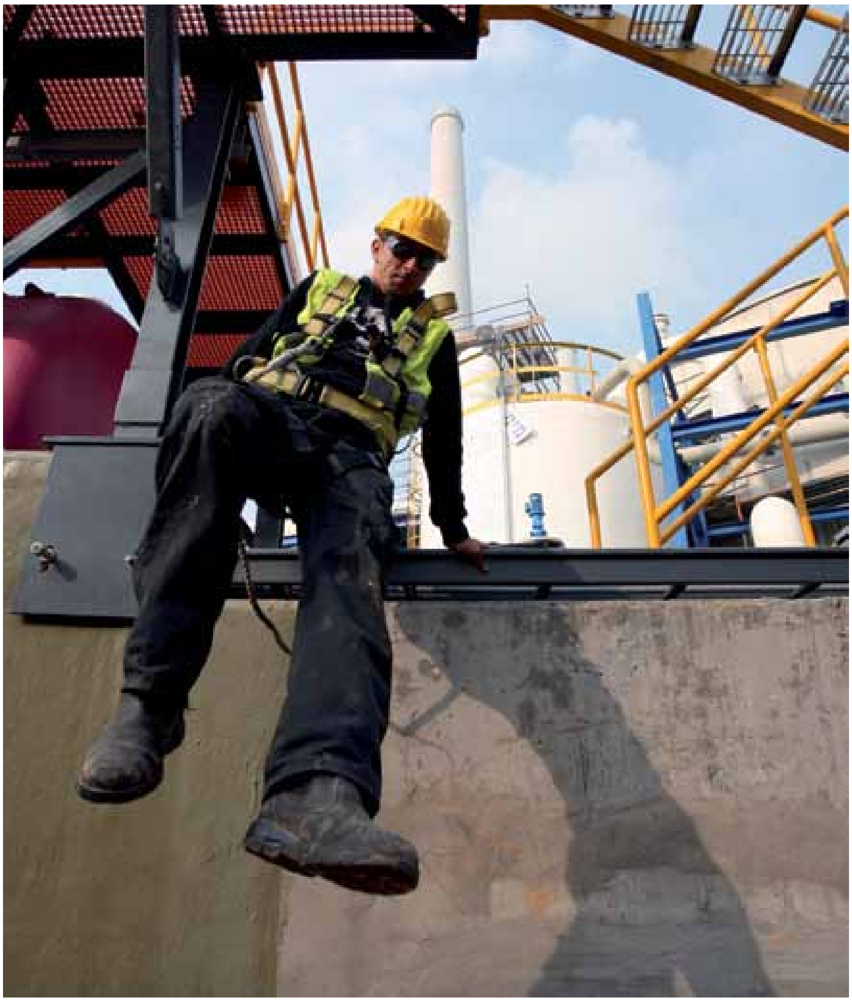
FEMIP
Promoting Public-Private Partnerships

Why focus on PPPs in the Mediterranean partner countries[1]?

With more than EUR 300 billion of investment required to modernise public infrastructure and utilities in the southern and eastern parts of the Mediterranean by 2030, the Mediterranean partner countries must develop their capacity to mobilise the private sector and attract foreign direct investment.

Public-Private Partnerships (PPPs) can contribute to achieving these objectives, as a number of successful examples have already demonstrated. PPPs are a particular form of partnership between the public and private sectors, built on a long-term contractual agreement covering the design, construction, financing and ongoing operation of an infrastructure asset. Many PPPs use the technique of 'project finance'. In this model, lenders take project risk and rely principally on the cash flows generated by the project for the repayment of loans. This is in contrast to 'corporate finance' where the general creditworthiness of the private sector borrower is paramount.

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



Against this background, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP), the financial arm of the European Investment Bank (EIB) devoted to the socio-economic development of the nine Mediterranean partner countries, has launched an ambitious programme to provide technical assistance to foster the use of PPPs and accelerate the transfer of know-how and technologies to these projects in the region. This is in parallel to initiatives promoting infrastructure development through the European Neighbourhood Policy and the Union for the Mediterranean. The PPP programme to be supported by the EIB will cover the period 2011-2013 and will be based on the findings of a study financed by the FEMIP Trust Fund.

The first step in the programme was to present the results of the study at an expert-level workshop held at the OECD on 10 February 2011. This will be followed by a high-level FEMIP Conference on 30 May 2011 in Casablanca, Morocco.

In a second phase, based on the interest expressed by their governments, four or five FEMIP countries will continue working with the EIB and its advisors to go forward in one or more priority sectors, for which operational recommendations and assistance to implement PPP policies will be provided in greater detail. By the end of this second phase, FEMIP will have established the terms of reference for further technical assistance with the definition and management of programmes of pilot projects for priority investment defined by national or sectoral PPP policies.

What are some of the key findings of the PPP study in the Mediterranean partner countries?

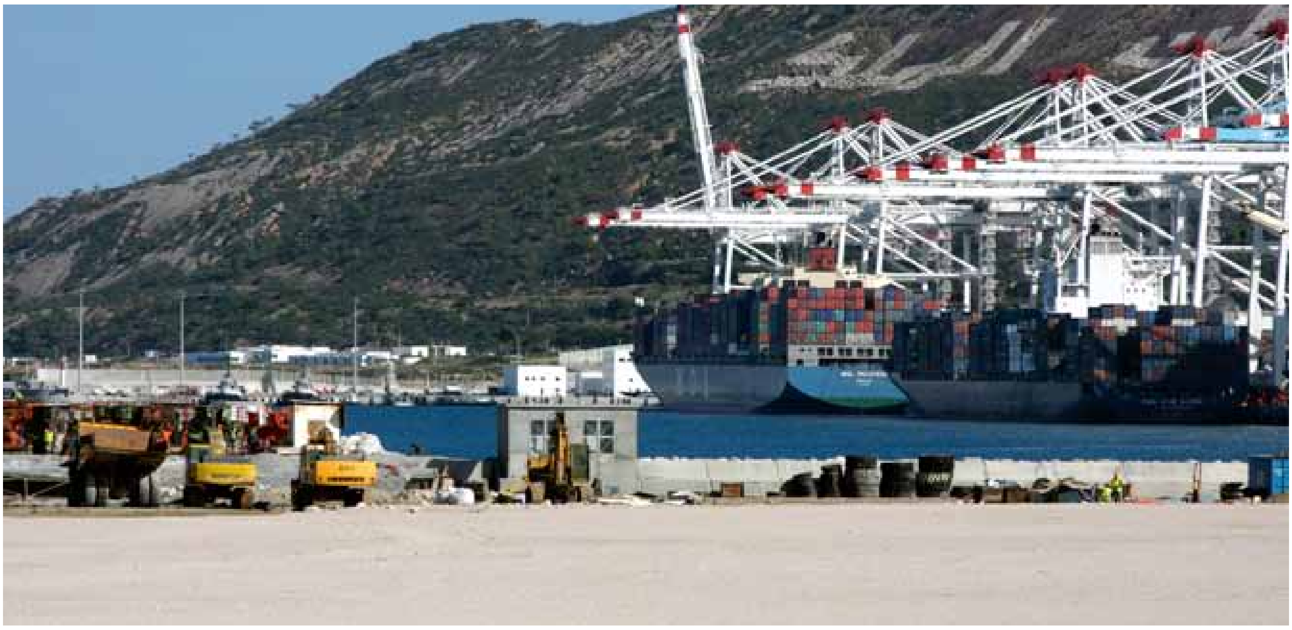
The study provides a comprehensive overview of the financial, regulatory and institutional frameworks governing the implementation of PPPs in the nine Mediterranean partner countries. It also offers concrete and practical recommendations aimed at removing barriers to PPP development [2] and presents an evaluation of the potential offered by PPPs in each Mediterranean partner country.

The study shows that PPPs can provide a cost-effective means of delivering infrastructure projects, with appropriate risk transfer for the benefit of the public sector. In many of the Mediterranean partner countries, the capacity to realistically undertake PPP payment obligations has been strengthened in recent years. In addition to a rapidly changing political environment in some countries, there are however a number of conditions which need to be met, as PPPs are not suitable for all projects currently seeking funding. Careful selection and delivery of projects in the context of a well understood and appropriate legal and regulatory and financial environment is essential.

The study concludes that certain changes may be needed to make PPPs a more effective delivery method. These include:

- The development of local financial markets to ensure sustainable local funding;
- The establishment of clear PPP laws which meet international norms and satisfy the expectations of the international investment community;
- The establishment of institutions to develop best practice, ensure consistency and guarantee a pipeline of projects;

2) The study is available on the FEMIP Trust Fund's website: www.eib.org/ftf



- The development of an approach to risk allocation which ensures value for money for the public sector by allocating to the private sector only those risks which it is best able to manage and addressing lenders' requirements for security packages and protection of their investments.

- A loan of USD 100 million by the EIB to a PPP in Jordan to finance the construction of a water pipeline which will bring 100 million m3 of water a year from Disi in the south of the country to Amman.

- A commitment of EUR 50 million in Inframed, a EUR 385 million infrastructure fund primarily investing in sustainable urban, transport and energy infrastructure, including through PPPs. Inframed is a joint initiative of the EIB and Caisse des Dépôts et Consignations (France), Cassa depositi e prestiti SpA (Italy), EFG Hermes (Egypt) and Caisse de Dépôt et de Gestion (Morocco).

Has the EIB already been involved in PPPs in the Mediterranean partner countries?

The European Investment Bank has encouraged greater private sector financing of public infrastructure by participating in several initiatives in the region, such as:

- The expansion of the container handling capacity of the Port of Tangiers in Morocco.

- The enlargement of a desalination plant in Hadera, Israel.

- A 40-year Build-Operate-Transfer (BOT) concession to build and operate a new airport in Enfidha and operate the existing Monastir Habib Bourguiba Airport in Tunisia.

About FEMIP

Operational since October 2002, FEMIP brings together the whole range of services provided by the European Investment Bank in the Mediterranean partner countries.

FEMIP has EUR 8.7 billion at its disposal 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.

Under the European Neighbourhood Policy and in the context of the Union for the Mediterranean, FEMIP encourages the modernisation and opening-up of the economies of the partner countries. Activities are focused on two priority areas: development of the private sector and the creation of an investment-friendly environment.

European Investment Bank

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ISBN 978-92-861-1395-6