A trust fund for the Mediterranean region

Whilst substantial investment is required in the Mediterranean partner countries (MPCs), there is not always sufficient local capacity to prepare and implement operations, and investors are often unwilling or unable to finance preparation or seed capital to develop major investment projects. The FEMIP Trust Fund (FTF) aims to address these gaps by directing resources to operations in priority sectors which can be enhanced through the provision of technical assistance or made financially viable via risk capital.

To reinforce complementarities between the various players in the FEMIP region, third-party contributions can also be channelled through the FTF, as is, for example, the case with the MENA Transition Fund, which has channelled over EUR 21m (USD 25.2m) to projects via the FTF.

Flexibility and complementarity

In order to provide a flexible solution to the region’s needs, the EIB-managed FTF was established in 2004, following a decision of the European Council. By the end of 2015, a total of 16 EU Member States and the European Commission had contributed the sum of EUR 53.9m to the Fund.

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1 Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine, Syria (currently suspended), Tunisia and Libya (in the near future).
2 The Middle East and North Africa (MENA) Transition Fund is a financial instrument for supporting the implementation of the Deauville Partnership, which was launched at a G8 meeting in May 2011 to promote political and economic reform in the region. The Fund provides Egypt, Tunisia, Morocco, Libya, Jordan and Yemen with advisory services to undertake policy reforms to build more inclusive and transparent economies, boost trade and integration in the region and enhance the environment for private sector growth.
A results-driven approach across priority sectors

The FTF is aligned with the EIB’s priorities for the Mediterranean region and supports projects in four priority sectors:

- finance and MSMEs, including through riskier initiatives via the Impact Investment Envelope;
- infrastructure;
- the environment, including support for climate action projects through CAMENA (Climate Action in the Middle East and North Africa), a dedicated Climate Action Envelope;
- human capital, and research, development and innovation.

FTF support for various types of operation

Tailored technical assistance throughout the project cycle:

- identification (e.g. upstream sector studies and master plans);
- preparation (e.g. pre-feasibility and feasibility studies, audits, procurement documents);
- implementation (e.g. strengthening project management, skills and capacity building, coaching of public authority project implementation units).

FTF operational results

Since 2004, the FTF has consistently demonstrated its value, through 65 approved operations totalling over EUR 40m.

Risk capital operations:

- targeted private equity operations, including seed capital (e.g. investments in fund structures, microfinance institutions).

Capacity building:

- internships and secondments, or other capacity-building programmes.

A streamlined approval process

Who can propose an operation?

Operations which meet the Fund’s objectives may be proposed by Mediterranean partner countries, FTF donors, partner organisations, project promoters or the EIB.

Who approves an operation?

Operations are approved by the FTF Assembly of Donors, which meets at least once a year.

Who manages the operations?

Operations are developed by the EIB, using either in-house expertise or external consultants.

More than ten years of service to the Mediterranean partner countries

FTF approved operations by sector (2005-2015) (in EUR m)

- Finance and MSMEs 30.3%
- RDI and human capital 26.5%
- Infrastructure 22.6%
- Multisectoral 11.8%
- Environment 5.8%

FTF approved operations by country (2005-2015) (in EUR m)

- Regional 18.53%
- Tunisia 10.13%
- Palestine 5.79%
- Morocco 7.5%
- Jordan 5.2%
- Algeria 0.5%
- Egypt 0.5%
- Lebanon 0.4%

For example, the International Institute for Democracy and Electoral Assistance, the International Labour Organisation, the International Renewable Energy Agency, the German Agency for International Cooperation and the Organisation for Economic Co-operation and Development have all partnered with the EIB via the FTF for specific operations.
Some examples of FEMIP Trust Fund operations

Climate Action for the Middle East and North Africa (CAMENA)
The UK’s Department for International Development (DFID) has pledged GBP 15m (to be paid in over the period 2015-2018) to finance this climate action envelope. The first four projects financed under CAMENA were approved in 2015 and concern (i) a regional study on the implementation of nationally appropriate mitigation actions (NAMAs) in Egypt, Jordan, Lebanon, Morocco, Tunisia and Palestine, (ii) preparation support for procurement documentation for off-site power plants to supply a proposed desalination plant in Palestine, (iii) a feasibility study for a new rail link in Morocco including environmental and social impact scoping, and (iv) technical assistance for a water and wastewater project in Lebanon.
CAMENA is open to and would welcome further contributions from other donors.

Trust Fund programmes for building capacity in the Mediterranean partner countries
The FEMIP Internship Programme was launched in 2007 to support capacity building in the Mediterranean region. By the end of 2015, a total of 95 young professionals had participated in the programme, which provides on-the-job experience and training whilst giving the EIB an opportunity to benefit from the knowledge, skills and multicultural diversity of these talented individuals.

Two further initiatives are being supported by the Trust Fund to welcome secondees from the Mediterranean region and from the EU. The FEMIP secondment programme was set up in 2013 to enable experienced candidates from the public and private sectors across the MPCs to join EIB teams in Luxembourg for up to two years. Another initiative was established to strengthen EIB cooperation with EU development finance institutions and public banks for joint initiatives in the MPCs through the exchange of staff members. A total of five secondees, from Egypt, Palestine, Tunisia, Italy and France, have so far participated in these two initiatives.

Study on the employment impact of European Investment Bank (EIB) infrastructure investments in the Mediterranean partner countries
In partnership with the International Labour Organisation (ILO), a study was produced to analyse the impact that EIB infrastructure projects have on employment in the Mediterranean partner countries, both in terms of quality and quantity. The study was divided into two parts. The first part focused on a detailed analysis of a selected number of projects from four countries – Egypt, Jordan, Morocco and Tunisia – in four key sectors – transport, energy, sanitation and the environment. The second part provided assessments of the indirect and induced job creation, based on macroeconomic modelling techniques using the input-output model. The study concludes with a set of practical recommendations on how the EIB and its partner countries could seek to optimise the employment impacts of infrastructure projects.
Outlook for the FEMIP Trust Fund

The EIB has been successful in deploying FTF funds to meet the needs of clients in preparing projects and there continues to be strong demand for upstream studies, project-related technical assistance and risk capital operations in the Mediterranean region.

In order to address increasing needs and to contribute to the development of the region as a whole, the FTF is stepping up its activity, guided by the priority objectives set for the Bank by the EU in the context of the External Lending Mandate for 2014-2020. The Bank will continue to engage with existing and new donors to ensure the operational continuation of the Fund.

EIB in the Southern Neighbourhood

In the European Union’s Southern Neighbourhood, the EIB is committed to helping the Mediterranean partner countries achieve sustainable development and growth. The Bank has three core investment priorities in the region: (i) supporting local small and medium-sized enterprises, (ii) developing social and economic infrastructure, and (iii) investing in climate change mitigation and adaptation. The Bank also seeks to promote dialogue between Euro-Mediterranean partners.

Since 2002, the EIB has provided finance totalling over EUR 19bn for the region. The projects financed help create or safeguard jobs, facilitate trade, promote a business-friendly environment, accelerate regional development and protect the environment, in line with the European Neighbourhood Policy and the activities of the Union for the Mediterranean.

Since 2014, the majority of the Bank’s operations in the Mediterranean region have taken place under the 2014-2020 External Lending Mandate, with a lending envelope of up to EUR 9.6bn.

FEMIP Trust Fund Donors’ contributions (as received by 31/12/2015)

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<tr>
<th>Donor</th>
<th>Contribution (EUR ’000)</th>
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<td>Spain</td>
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<td>United Kingdom</td>
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<td>France</td>
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<td>Luxembourg</td>
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<td><strong>Total</strong></td>
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