European Investment Bank

The EU bank

2014

FEMIP Trust Fund Annual Report

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The FEMIP Trust Fund (FTF)

In March 2002, the Barcelona European Council decided to enhance the activities of the European Investment Bank in Mediterranean partner countries through the creation of the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). The overall objective was to *"stimulate private sector development in our Mediterranean Partner Countries in order to facilitate a higher level of economic growth consistent with the growth of the labour force in the region."*

Following consultations with the partner countries (MPCs), the Council decided the following year to reinforce FEMIP, essentially via the creation of a number of features and instruments to support the private sector. These included the establishment of a trust fund allowing donors to complement on a voluntary basis the Bank's own resources as well as the financial resources provided to the Bank from the EU budget.

The aim of the trust fund would be to direct resources to operations in certain priority sectors which can be enhanced through the provision of technical assistance or made financially viable via a risk capital operation. In June 2011, the Bank's Board of Directors approved the creation of a third window of operation for the FEMIP Trust Fund (FTF), dedicated to activities that would support democratic transformation processes in the Mediterranean region.

The FEMIP Trust Fund acts on three fronts:

1. It targets upstream technical assistance through the financing of sectoral studies;

2. It supports private-sector development through the financing of risk capital operations;

3. It supports operations that enable democratic transformation in the region.

The Mediterranean partner countries currently eligible for FTF support are: Algeria, Egypt, Israel, Jordan, Lebanon, Libya[1], Morocco, Palestine, Syria[2] and Tunisia.

The FEMIP Trust Fund's activities are fully complementary to other EU instruments, such as the Neighbourhood Investment Facility.

In February 2013, the Board revised the Rules to allow contributions from third parties, including the Deauville Partnership MENA Transition Fund, to be channelled through the FTF. This revision has served to reinforce complementarities between the various players in the FEMIP region.

The Assembly of Donors serves as both advisory and decision-making body for the FTF, by providing guidance on the Fund's strategy and orientations, and by approving proposals. The Assembly also constitutes an ideal forum for bilateral donors to engage further with the EIB and the European Commission.

[1] The EIB will start operating in Libya after it signs a Framework Agreement with the country – currently under preparation.
[2] Following EU sanctions in November 2011, the EIB has suspended all loan disbursements and technical advisory contracts for projects in Syria.

Foreword
by the EIB Vice-President

2014: FEMIP Trust Fund – Ten years of service to Mediterranean partner countries

Over the past ten years, the FTF has proven its worth, complementing EIB lending activities in Mediterranean partner countries by financing assignments to support investment in the region. To date, the FTF has approved 60 operations with an aggregate value of EUR 37.2 million, of which EUR 5.76 million was approved in 2014. The Trust Fund had also leveraged an additional EUR 20.76 million in grants from the Deauville Partnership MENA Transition Fund.

2014 marked the beginning of a new seven-year period for our activities in the Mediterranean region with the 2014-2020 External Lending Mandate giving the Bank the possibility to invest up to EUR 9.6 billion with a European Union guarantee, complemented by up to EUR 3 billion of financing at the Bank's own risk. To accompany this new mandate and meet the changing needs in the region, we developed the FTF Strategy 2014-2020 together with our donors.

In 2014, we continued to broaden the range of instruments available for the region with the launch of a new Impact Investment Window. This allows the FTF to expand its reach, facilitating Bank financing in higher risk and higher impact transactions, like providing risk capital to equity funds and microfinance institutions.

During 2014 we also negotiated a contribution of EUR 19.2 million from the United Kingdom's Department for International Development (DfID) in support of Climate Action in the Middle East and North Africa (CAMENA) to build capacity and prepare new climate investments in the Mediterranean region.

Looking forward, we will continue to seek ways to maximise the impact of FTF operations. By combining EIB and FTF resources – technical, as well as financial – the FTF will support partner countries in promoting investment in socio-economic infrastructure and private-sector development, thus creating jobs and economic growth.

Ambroise FAYOLLE

The FEMIP Trust Fund at a glance

*"**France** attaches high importance to good cooperation and deepened economic partnership with EU Neighbourhood countries, especially in the Mediterranean region where historical and cultural links are very strong. EIB action in cooperation with other institutional and development players is of prime importance for France. The FEMIP Trust Fund is a powerful vehicle to help meet that aim. France strongly supports its operational dimension which mobilises valuable expertise in project identification and preparation."*

Michel SAPIN
Minister for Finance and Public Accounts of France
Member of the EIB Board of Governors

FTF
Approvals 2005-2014

FTF approved operations 2005-2014
(net of cancellations)[3]

Technical assistance
(57 operations)
EUR **29.2m**

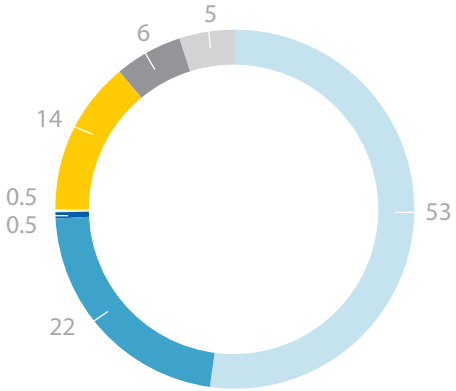
Private equity
(3 operations)
EUR **8m**

Total value
EUR **37.2m**

[3] Following the revision of the methodology used in this report and in line with other EIB publications, figures reported may differ from previous years.

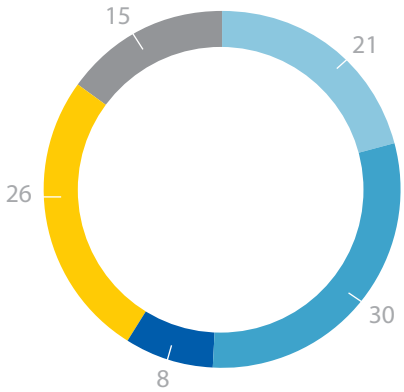
*"**Luxembourg** recognises the importance for Europe to support the continuous economic development of its Mediterranean partner countries. Through the FTF, and in collaboration with the private sector, the EIB actively contributes to a more integrated approach to projects, providing advisory services and enabling financing for key projects. Together, we can achieve tangible results, improving the lives of thousands of people."*

Pierre GRAMEGNA
Minister of Finance of the Grand Duchy of Luxembourg
Member of the EIB Board of Governors



FTF approvals by country
in EUR m, 2005-2014

- Regional 53%
- Tunisia 22%
- Algeria 0.5%
- Egypt 0.5%
- Gaza/West Bank 14%
- Jordan 6%
- Morocco 5%



FTF approvals by sector
in EUR m, 2005-2014

- Infrastructure 21%
- Finance and MSMEs 30%
- Environment 8%
- RDI and Human Capital 26%
- Multi-Sector 15%

Donor
statements

*"Since the creation of the FEMIP Trust Fund (FTF), **Spain** has reaffirmed its commitment to the Mediterranean partner countries and has supported, through all the instruments available, the achievement of a favourable economic environment and the development of a strong and dynamic private sector in the region.*

The FEMIP Trust Fund has managed to cope with the different challenges of the region, shifting its focus from upstream analysis to project preparation and implementation when it was appropriate, focusing its activity on priority sectors and inviting third parties to provide resources to finance new projects that are in the pipeline. As a result of the successful performance of the Fund, in its 12 years of life it has approved 60 projects that have mobilised 80% of its resources.

Spain gives its full support to the new EIB Strategy for the Mediterranean 2014-2020. We praise the capacity of the FEMIP Trust Fund to adopt a more integrated approach to projects by providing technical assistance and widen the scope for risk capital operations, with the main goal of achieving steady growth in the Mediterranean partner countries."

Luis DE GUINDOS JURADO
Minister of Economy and Competitiveness of the Kingdom of Spain
Member of the EIB Board of Governors

*"**Sweden** takes an active part in supporting action to promote economic development and growth in the Middle East and North Africa. In this perspective, Sweden has since 2011 provided continuous support to the Facility for Euro-Mediterranean Investment and Partnership Trust Fund. The support provided through the Trust Fund allows the improved preparation and implementation of projects in Mediterranean partner countries, and fosters institutional capacities in those countries, thereby enhancing the sustainability of investments.*

Given the challenges ahead for the Middle East and North Africa, Sweden will continue its engagement in the Mediterranean region, in line with our priorities for development cooperation. In the framework of the EIB Strategy for Mediterranean 2020 and the FEMIP Trust Fund Strategy, we firmly believe that Trust Fund contributions to infrastructure and climate action financing and private sector support will positively impact sustainable development, governance and poverty reduction in the Mediterranean countries."

Robert RYDBERG
Ambassador, Deputy Director General
Head of Department for Middle East and North Africa
Ministry for Foreign Affairs
Swedish Government Offices

The following table gives details of contributions to the FEMIP Trust Fund as at 31 December 2014:

Donor	Total contributions received as at 31.12.2014 (EUR '000)	New contributions received in 2014 (EUR '000)	New contributions pledged in 2014 (EUR '000)
Austria	2 000		
Belgium	2 500		
Cyprus	1 000		
European Commission	1 000		
Finland	1 000		
France	7 000		
Germany	2 000		
Greece	3 000		
Ireland	1 000		
Italy	2 500		
Luxembourg	3 100	1 100 (a)	
Malta	1 500		
Netherlands	2 000		
Portugal	1 000		
Spain	10 000		
Sweden	1 000	923	
United Kingdom	3 016		19 257 (b)
Total	**46 639**	**2 023**	

(a) Of this EUR 1.1 million total, an amount of EUR 0.7 million represents the third and final tranche of Luxembourg's EUR 2 million total contribution pledged in October 2012 for the MICROMED-Tunisia microfinance project

(b) The UK's Department for International Development (DfID) pledged a significant contribution of GBP 15 million (EUR 19.2 million), covering a four-year period, to establish an envelope to finance Climate Action for the Middle East and North Africa (CAMENA). CAMENA is also open to, and would welcome, further contributions from other donors.

The FEMIP Trust Fund also channels grants from third parties – notably the Deauville Partnership MENA Transition Fund (MENA TF) – towards EIB-led regional projects (more details on page 12). In addition, third party contributions to the FTF are received under cooperation agreements with the International Renewable Energy Agency (IRENA), United Arab Emirates, for co-financing a study on "Evaluating renewable energy manufacturing potential in the Mediterranean Partner Countries" and with the International Institute for Democracy and Electoral Assistance (IDEA), Sweden, to support a joint regional study on "Enhancing the Impact of Private Sector Development on Democratic Transition in the Mediterranean Partner Countries".

Third Party Contributions as at 31.12.2014 (MENA TF, IRENA, IDEA)	(in EUR '000)
Received amounts	3 482
(Effect of exchange rate changes)	293
Disbursed amounts	197
Available balance	3 285

2014
at a glance

Almost **EUR 6m** approved for four new operations and third extension to the Internship programme project

EUR 2.07m of signed operations

EUR 2.03m disbursed

Risk capital operation signed for
EUR 1m
(TAYSIR - a first project under the new FTF Impact Investment Envelope)

Synergies with Deauville Partnership MENA Transition Fund: the EIB secured about USD 25.2m (EUR 20.76 million)[4] in financing to cover project and indirect costs.

FTF Replenishment: the UK's DfID pledged
GBP 15m
(EUR 19.2 million)[5] for a new CAMENA climate action envelope; Luxembourg and Sweden paid in additional contributions of
EUR 2.02m

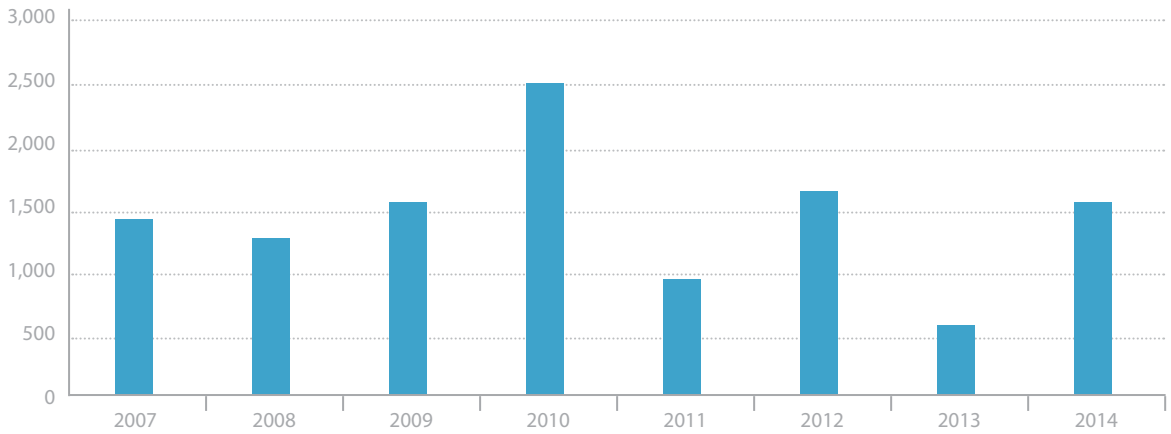
The FTF Assembly of Donors met twice – on 2 April and 15 December. It approved four new financing proposals and adopted the FTF Strategic Operations & Operational Plan 2014-2020, as well as the 2013 FTF Annual Report and Financial Statements.

[4] The rate (United States Dollars (USD) - 1.2141) effective as at 31/12/2014 was used for conversion into EUR.
[5] The rate (United Kingdom Pounds (GBP) - 0.7789) effective as at 31/12/2014 was used for conversion into EUR.

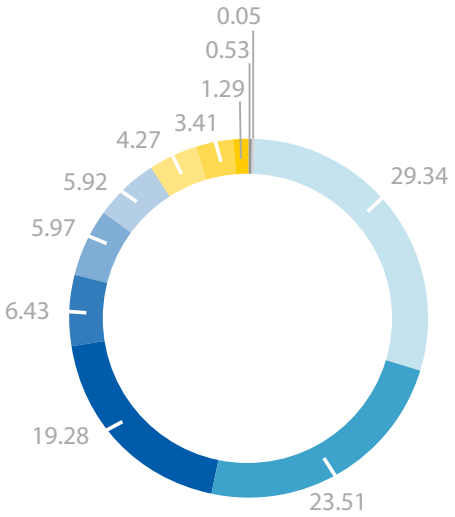
Results 2014

2014 marked a transition point for the EIB's overall activities in the Mediterranean region. The year saw the successful completion of the 2007-2013 mandate and the start of operations under the 2014-2020 External Lending Mandate. With total finance of EUR 11.8 billion provided in 2007-2014, a lending volume of EUR 1.6 billion was achieved in 2014 in a particularly challenging environment with the economic activity in many Southern Neighbourhood countries subdued following the impact of the Arab Spring as continued political instability and security concerns affected most countries in the region.

South: total signatures 2007-2014 (EUR m)

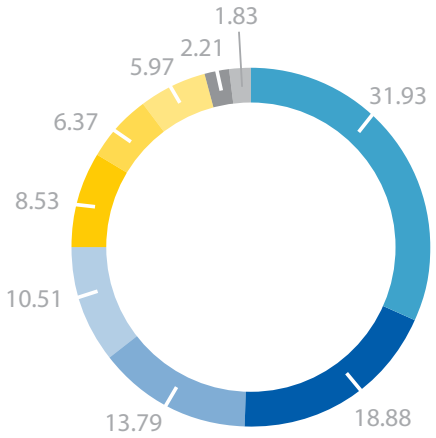


In terms of sector allocation, energy (including renewable energy) and transport were by far the major sectors of operations receiving 32% and 19% of the financing signed in 2007-2014 respectively. Other investments were as follows: water and wastewater (including solid waste, 8%), social infrastructure (6%), urban infrastructure development (1.8%), credit lines through local financial institutions to SMEs (10.5%). The Bank also provided financing through private equity participations (2.2%). Other operations (13.8%) related mostly to industry.



South 2007-2014 signatures
(breakdown by country)

- Morocco 29.34%
- Tunisia 23.51%
- Egypt 19.28%
- Israel 6.43%
- Lebanon 5.97%
- Syrian Arabic Republic 5.92%
- Algeria 4.27%
- Jordan 3.41%
- Regional Mediterranean 1.29%
- Regional North Africa 0.53%
- Gaza/West Bank 0.05%



South 2007-2014 signatures
(breakdown by sector)

- Energy 31.93%
- Transport 18.88%
- Other 13.79%
- SMEs and Mid-Caps access to finance 10.51%
- Water and wastewater 8.53%
- Social infrastructure 6.37%
- RE & EE 5.97%
- Risk capital / equity 2.21%
- Sustainable urban / inter-urbain transport 1.83%

Approved
operations in 2014

The FTF aims at supporting the Bank in delivering results in the FEMIP region and to this end, in 2014, a total of four new operations for an overall amount of EUR 5.76 million, including a third extension to the FEMIP internship programme, were approved by the Assembly of Donors.

FTF operations approved in 2014	
Increasing the impact of the Southern Neighbourhood Advisory Programme for the transport sector ("SNAP-T") (regional)	EUR 2 million
Technical advisory to support seed accelerators in the FEMIP region (regional)	EUR 2 million
Enhancing the impact of the PPP Project Preparation Facility (the "MED 5P Initiative") (regional)	EUR 0.35 million
Taysir – Subordinated loan to a greenfield MFI in Tunisia (under Impact Investment Envelope) (Tunisia)	EUR 1 million
FEMIP internship programme: Building Capacity in Mediterranean Partner Countries (third extension)	EUR 0.41 million
Total in 2014	**EUR 5.76 million**

Increasing the impact of the Southern Neighbourhood Advisory Programme for the Transport Sector ("SNAP-T"), EUR 2 million

Country: Mediterranean Partner Countries (MPCs)
Beneficiary: Transport infrastructure promoters
Sector: Transport

The ECOFIN-FEMIP Ministerial Meeting in 2012 requested the EIB to strengthen capacity-building efforts in order to provide more technical advisory services in the region. Subsequently, the Bank worked with relevant European Commission DGs to develop the SNAP-T programme. So far, the Neighbourhood Investment Facility has approved EUR 5 million and the Bank has allocated EUR 2.1 million from EIB own resources to SNAP-T, allowing it to hire up to eight expert staff assisting partner countries with the preparation of financeable EuroMed Transport Forum priority projects – under the political guidance of the European Commission and the Union for the Mediterranean. Furthermore, the Bank succeeded in mobilising EUR 11.5 million from the Deauville Partnership Transition Fund for technical advisory actions expected to be managed mainly by SNAP-T. The extra EUR 2 million approved by FTF Donors in April 2014 adds value to SNAP-T and helps generate an impact over its initial three-year period by removing possible timing gaps between TA identification and funds being available from other funding sources.

Technical Advisory to support seed accelerators in the FEMIP region, EUR 2 million

Country: Egypt, Palestine (West Bank), Jordan, Lebanon, Tunisia and Morocco
Beneficiary: Seed accelerators in Egypt, Palestine (West Bank), Jordan, Morocco, Tunisia and Lebanon
Sector: ICT

This operation matches a growing need in the region: the creation of millions of jobs over the next decade in order to stimulate sustainable economic growth. Business accelerators provide seed capital and technical advisory to entrepreneurs to help them create companies at a relatively fast pace. The operation aims to support five accelerators in the region by financing training via a EUR 0.8 million TA component, to complement seed funding of up to EUR 1.2 million through the creation of a platform.
The EUR 0.8 million TA component was contracted in 2014.

Enhancing the impact of the PPP Project Preparation Facility, EUR 0.35 million

Country: Egypt, Jordan, Lebanon, Tunisia and Morocco
Beneficiary: Public authorities in Egypt, Jordan, Morocco, Tunisia and Lebanon
Sector: Multi-sector (transport, water and wastewater, waste management, energy and renewable energy, social and urban)

The Bank (together with AFD, KfW and EBRD) has received approval for EUR 15 million from the Neighbourhood Investment Facility for enhancing the impact of the PPP Project Preparation Facility (the "MED 5P Initiative"), based on the EIB's long-standing experience with PPPs within the EU and its more recent partnership with the Arab Finance Facility for Infrastructure (AFFI). The additional allocation of EUR 0.35 million from the FTF is crucial to:

(i) develop national strategies and PPP awareness among the stakeholders involved in the development of potential PPP projects;
(ii) procure and manage technical, legal and financial consultancies funded through MED5P, via the coaching of public project implementation units.

TAYSIR – Subordinated loan to a greenfield MFI in Tunisia, EUR 1 million

Country: Tunisia
Beneficiary: Tunisian microenterprises and low-income self-employed persons
Sector: Finance and MSMEs

TAYSIR is a first pilot project under the new FTF "Impact Investment Envelope", supported as part of the wider FTF Strategy 2014-2020.

This subordinated loan is an efficient way to provide stable, medium-term funding to new and emerging companies. In the Tunisian context, the approved EIB loan to TAYSIR is considered as Tier II capital by the Tunisian regulatory authority for microfinance – thereby contributing to the minimum capital requirement necessary to launch this socially-orientated microfinance institution.

Given the strong demand for microfinance services from women and youth entrepreneurs, small farmers and disadvantaged groups in Tunisia, the anticipated expansion of TAYSIR's activity in the coming years is expected to permit the reimbursement of the EIB's EUR 1 million subordinated loan by the end of year seven. Once reimbursed, these funds can be reinvested in other projects.

The operation was approved by FTF donors on 14 October 2014, and an agreement on a EUR 1 million loan (nearly 2.2 million Tunisian dinars) was signed with Taysir Micro-finance on 3 December 2014 in Tunis. EIB President Werner Hoyer and Vice-President Philippe de Fontaine Vive were present at the TAYSIR signing ceremony.

*"**FEMIP Trust Fund support with a subordinated loan is of paramount importance** for us, as a new Tunisian greenfield microfinance institution (MFI), and will improve our capital adequacy ratio. With this access to finance, and in particular to long-term financing with conditions of duration, repayment and price as provided by the EIB FEMIP Trust Fund, we are able to increase a supply of microfinance services to microenterprises, youth, small farmers and low-income self-employed people in Tunisia with the ultimate goal of enhancing entrepreneurship, financial inclusion and improving living conditions for people at the bottom of the pyramid."*

*"**Taysir has an innovative approach** in the field of microfinance in Tunisia. Since its launch in June 2014, Taysir has offered its customers a new range of services:*

- *mobile banking with "mobile branches", the "mobile agent system" and "mobile banking" for customers;*
- *interest-free loans, which provide quasi-equity to our customers to supplement microcredit;*
- *assistance ranging from financial education to the creation of micro-enterprises and technical support to small dairy farmers;*
- *support for consolidation of sectors focusing on milk, waste recycling and crafts.*

Through these strategies Taysir is developing a new approach to integrated assisted microcredit."

*"**Taysir has a strong rural base** and began by opening three branches in rural governorates – El Kef and Siliana, which are both less developed regions, and Cap Bon. A fourth branch was opened in a poorer district of Tunis, Cité Ibn Khaldoun. The strategy is to maintain a balance between rural regions in the centre of north-western Tunisia and poorer areas in the large conurbations. This strategy is designed to support the economic development of less developed regions."*

Pierre GACHES
Director General
Taysir Microfinance - Taysir Conseil

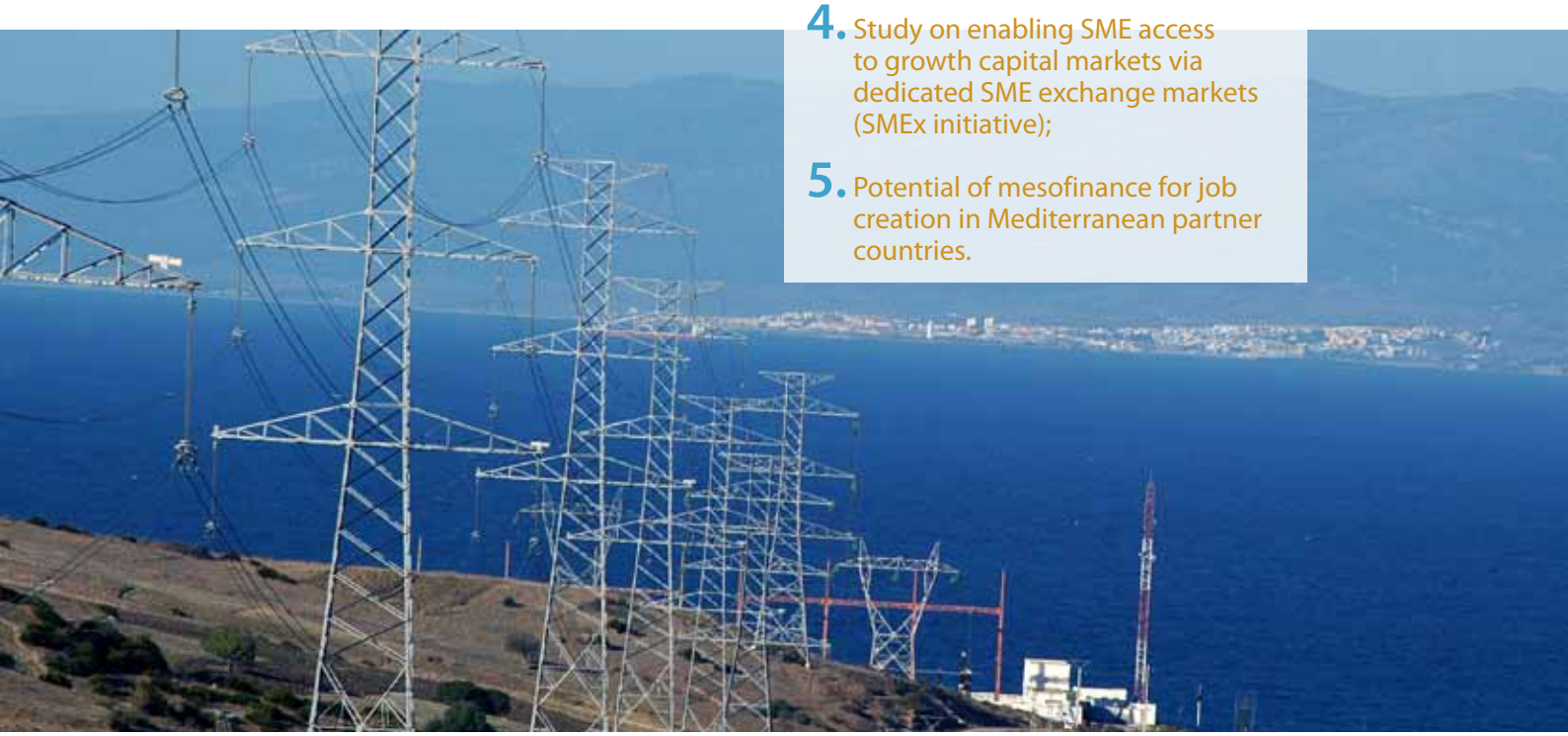
Completed **operations**

In 2014, a total of six operations for an overall disbursed amount of EUR 1.32 million were formally completed. The results of the FEMIP Study on PPP Legal & Financial Frameworks in the Mediterranean partner countries have been shared with donors and the final report has been released on the EIB website:

http://www.eib.org/infocentre/publications/all/femip-study-on-ppp-legal-and-financial-frameworks-in-the-mediterranean-partner-countries.htm

The completion reports for another five FTF operations are attached in Annex 2:

1. Support for the dissemination of FTF-funded activities in the FEMIP region;
2. Energy efficiency and renewable energy project preparation programme in urban areas of the Mediterranean partner countries (Med-ELENA Study);
3. Support for the pre start-up of the Euro-Med Development Centre (EMDC) for micro, small and medium-sized enterprises (MSMEs);
4. Study on enabling SME access to growth capital markets via dedicated SME exchange markets (SMEx initiative);
5. Potential of mesofinance for job creation in Mediterranean partner countries.



Deauville Partnership
MENA Transition Fund

The Deauville Partnership provides support for the political and economic transitions in Egypt, Tunisia, Morocco, Libya, Jordan and Yemen. Within the partnership, the MENA Transition Fund was created to provide countries with advisory services helping them to undertake the policy reforms needed to build more inclusive and transparent economies, boost trade and integration in the region and enhance the environment for private sector growth. The Transition Fund received commitments of some USD 182 million.

EIB-backed projects have gained significant support from both donors and recipient countries, reflecting the EIB's capacity to initiate and develop regional projects and regional integration as well as to mobilise co-financiers. The Deauville Partnership MENA Transition Fund grants for these projects are channelled through the FTF (following revisions to the FTF Rules of Establishment and Administration) and allow support for innovative projects with a catalytic impact that include strong ownership by the beneficiary countries, while also encouraging complementarities with the Bank's projects.

At end-2014, over EUR 21 million (USD 25.2 million) had thus been granted by the MENA Transition Fund for four EIB-led technical advisory programmes in the FEMIP region.

1. **LOGISMED Soft** (Egypt, Morocco, Tunisia) helps to improve the organisation and performance of the logistic sector;

2. **TRANSTRAC** (Jordan, Egypt, Morocco, Tunisia) contributes to reducing the trade and transport barriers along priority trade corridors to facilitate trade;

3. **Jordan SME Growth Programme** seeks to increase productivity and competitiveness by supporting innovative MSMEs;

4. **Mobile Finance** (Jordan, Egypt, Morocco) aims to build capacity within central banks to promote financial inclusion.

Three projects (LOGISMED, TRANSTRAC and Mobile Finance) are regional initiatives, while the SME growth partnership programme in Jordan is country-specific.

EIB-led projects approved by the Deauville MENA Transition Fund

USD m per project per country	Egypt	Jordan	Morocco	Tunisia	Grand Total
Jordan SME Growth Programme		3 850 000			3 850 000
LOGISMED	1 565 403		1 565 403	1 565 000	4 695 806
Mobile Finance	891 000	891 000	677 000		2 459 000
TRANSTRAC	4 230 000	2 630 000	3 550 000	3 800 000	14 210 000
Total	**6 686 403**	**7 371 000**	**5 792 403**	**5 365 000**	**25 214 806**

TRANSTRAC & LOGISMED: Pipeline of projects

TA Operation description	Progress detail	Approved amount (in EUR)
Updating master plan and cost estimate: Jordan-Iraq Border Crossing (Al-Karamah) (on hold)	Initiated	70 000
Implementation project: Hazoua and Malloula border crossing points	Initiated	299 000
MENA Region: Transport institutional and capacity strengthening	Initiated	500 000
Study into central highway: RN8 Fez - Marrakech – feasibility study and preliminary design	Approved	645 000
El Salloum Border Crossing: master plan and final design (on hold)	Approved	500 000
Technical assistance for the rehabilitation and upgrading of Road R15 and Road R65 in Jordan	Approved	1 190 000
Jordan's SME growth programme	Approved	2 625 000
Mobile financial services and payment services in Morocco: international study of the regulations and support to the Central Bank	Approved	299 000
Study of "East-West" strategic corridors connecting the Governorates of Kasserine, Sidi Bouzid and Gafsa with the Governorates of Sfax and Gabès	Approved	860 000
MENA region: Road Safety Action Programme	Approved	540 000
Technical Assistance for the supervision of studies on regional logistic zones (Morocco)	Signed/pre-financing disbursed	49 999
Technical assistance to the Egyptian, Moroccan and Tunisian ministries with responsibility for logistics for the implementation of the regional initiative Logismed Soft - Part 1	Approved	2 550 000
TOTAL Approved amounts		**10 127 999**

Deauville Partnership IFI Coordination Platform

In September 2011, International Financial Institutions (IFIs) agreed to establish a dedicated Deauville Partnership Coordination Platform. The platform is led by one of the IFIs, which assumes the secretariat function, usually for a one-year period on a rotating basis. The EIB will chair the IFI Coordination Platform in 2015, during which the Bank expects to focus on employment and support for SMEs.

EIB-FEMIP programmes for capacity building in Mediterranean partner countries

FEMIP internship programme

The ninth edition of the FEMIP internship programme ended in December 2014. Based on available funding – and in order to provide appropriate training, coaching and monitoring in various EIB departments – a total of 12 positions were published on the EIB website and 546 applications were received in 2014, an average of 45 applications per position.

Since its inception in 2007, the internship programme has hosted 87 young professionals from the region. The programme seeks simultaneously to make a strong contribution to the professional development of the interns, and benefit from their expertise and knowledge of the Mediterranean region. Every year the EIB offers young nationals of MPCs the opportunity to take part in the programme at its head office in Luxembourg or in one of its external offices – with internship periods of between three and 12 months.

The internship programme has grown in popularity each year among the Mediterranean partner countries (MPCs) and within the EIB.

For the young interns, the programme opens up new perspectives and can provide a boost to their career.

FEMIP internship statistics at 31/12/2014 are presented in the following tables:

Table 1: Country breakdown	No
Algeria	2
Gaza/West Bank	4
Egypt	12
Israel	0
Jordan	3
Lebanon	4
Morocco	24
Syria	5
Tunisia	8
Turkey	25
TOTAL	87

Table 2: EIB Department hosting interns	No
Secretariat General	14
Operations Directorate	37
Projects Directorate	23
Finance Directorate	4
Office of the Chief Compliance Officer	3
Risk Management Directorate	1
Transaction Management and Restructuring	3
EIB Institute	2
TOTAL	87

The internship programme has succeeded in building the skills of candidates in various areas – from finance to legal and policy analysis – and developing their professional experience whilst being part of an international and multicultural working environment. The programme has helped the trainees to embark on successful careers in their home countries and the EU, in both the public and private sectors.

Table 3: Status after internship	No
Short consultancy with EIB to complete project	14
Returned to their country	38
Studied after their internship	7
Work in Europe or elsewhere outside their countries	13
Employed by the Bank	4
Currently under EIB-FEMIP internship	7
Other	4
TOTAL	87

Hear it from the FEMIP interns:

"My one-year experience at the EIB has truly been the turning point of my career. I was involved in several dossiers ranging from business support and innovation to energy and sustainable urban development, with a focus on the Mediterranean region. In particular, I worked on a study relating to the obstacles faced by micro, small and medium-sized enterprises which was concluded by a high-level workshop held in Tunisia, to which I substantially contributed.

My EIB experience enabled me to put my theoretical knowledge into practice and enhance my drafting, communication and organisational skills. Moreover, I learned many new methods which were previously unknown to me and I strongly believe that I brought added value to the projects and studies that I was involved in along every step of the way. Thanks to all that I gained in professional experience at the EIB, I am now running our own business in Turkey and trying my best to be an inspiration for other young women entrepreneurs in the Mediterranean region."

Sebnem TUGCE PALA
(March 2013-March 2014), Turkish

"Being a trainee in the EIB and working in a multicultural environment has been a great experience; it has improved my theoretical and practical knowledge and my ability to apply creative thinking. It has also been very encouraging for my future career growth and personal development."

Nejmeddine HALFAOU
(August 2014-July 2015), Tunisian

"Each of us has a desire to do meaningful work, to apply our time and energy to something that brings purpose to our lives. Being part of a community of people who understand the transformative power of an entrepreneurial spirit is a great opportunity for me as a young woman entrepreneur in my country."

Soukaina EL BOUJ
(September 2014-February 2015), Moroccan

FEMIP secondment programme

To build human capacity and partnerships in the Mediterranean region, and in order to maximise the diversity of expertise available for the EIB's own operations in this region, the Bank welcomes secondees both from the Mediterranean region and the EU within the framework of two programmes financed by the FEMIP Trust Fund.

Secondees from the Mediterranean region

The FEMIP secondment programme was set up for two years with a budget of EUR 150 000. It enables experienced civil servants from Mediterranean partner countries to join EIB teams in Luxembourg for up to two years. The Bank imposes no geographical or gender quotas, but aims to strike a balance in terms of the representation of secondees by the end of the pilot phase in 2016.

Since the launch of the programme in 2013, the EIB has hosted two secondees – from Egypt and Palestine – who are working in the Operations Directorate as policy officers. The recruitment process for three additional secondees will be launched in 2015. Feedback from the current secondees is positive.

The secondees contribute their professional skills, as well as knowledge of their national environments, which is valuable for the Bank's operations in the Mediterranean partner countries. Upon return to their respective institutions, relationships between the home institutions and the EIB can be strengthened.

These initial secondments have attracted the attention of several partner country institutions and individuals. This is likely to result in larger pools of applicants in the years ahead.

EU secondees

To strengthen EIB cooperation with EU development finance institutions and public banks, another initiative with EUR 300 000 of approved funding was established under the FEMIP Trust Fund to encourage the exchange of staff with these European partners.

"The FTF gave me the opportunity to join the largest multilateral lender/borrower in the world, the European Investment Bank. During my presence in the Bank I have gained more knowledge about the functioning, procedures, eligibility criteria, financial tools, and advisory services of the EIB. In addition, I learned of the ongoing efforts being made to coordinate among international financial institutions.

I joined the Bank with 16 years of work experience in Egypt. The endogenous knowledge of the south Mediterranean in general and Egypt more specifically allowed me to contribute to the great efforts that the Bank is carrying out to support socio-economic development in south Mediterranean countries.

I am sure that the presence of experienced and qualified government employees from the south Mediterranean region can facilitate not only communications but also EU strategy implementation and the Bank's operations in the south Mediterranean countries."

Khaled ELNIMR
seconded from Egyptian Commercial Service (ECS)

Cooperation includes four main categories of actions that could be undertaken by EIB FEMIP and EU bilateral agencies and public banks for the Mediterranean partner countries, as follows:

1. carrying out joint studies and technical assistance operations (up to EUR 40 000)

2. supporting joint capacity-building activities in the region (up to EUR 40 000)

3. targeted secondments (up to EUR 180 000)

4. design and implementation of joint dissemination events (up to EUR 40 000)

Under the "targeted secondments" component of this initiative, the EU secondees work within FEMIP for up to three years to support common activities, both upstream and project-related in Mediterranean partner countries. Following the launch of the programme in 2013, two EU secondees benefited from this initiative, with both secondments being hosted by the Operations Directorate. One of these was completed in 2014.

"I work for Cassa depositi e prestiti (CDP), the Italian national promotional bank. From September 2013 I had the chance to join the EIB secondment programme in the Trust Funds and Blending Division, dealing mainly with EU blending facilities and FTF-related issues.

There is no need to say how fruitful this one-year experience was, by providing me with a deep insight into the EIB and EU activity in the Mediterranean region. Within a well-established partnership, my experience enabled the EIB and CDP to go even further by increasing their mutual knowledge and preparing the ground for new areas of cooperation both within Italy and in the Mediterranean region. Especially now that CDP finds itself in a period of major changes, being entitled by Italian law to act as the Italian DFI, the value of my experience is even more pronounced. I would recommend to every European bilateral institution to take part in this programme and promote the exchange of people with the EIB."

Riccardo Rolfini
seconded from Cassa Depositi e Prestiti (CDP)

"The FTF offered me the opportunity to work in a reputed multi-cultural institution that has one goal: supporting economic and social development. During my secondment to the EIB, I have been contributing to its operations in the fields of SME financing, innovation and social economy. It has been two years of interesting work experience where I have devoted my skills acquired over the years while working in Caisse des Dépôts to collaborate with my colleagues in the Bank to support economic development and job creation in southern and eastern Mediterranean countries.

The coordination between international financial institutions and European institutions has been one of the interesting issues that I have been involved in; it has given me a new opportunity to have a clear vision of the overall work of the key international players.

The culture-rich environment in the EIB has offered me exposure to different cultures within the EU and the Mediterranean region – an experience that I have encouraged in order to collaborate and build strong relationships with different stakeholders."

David Demulier
seconded from Caisse des Dépôts et Consignations (CDC)

Dissemination **activities in 2014**

In 2014, several conferences and seminars were held at venues within the EU as well as in Mediterranean partner countries in order to disseminate information and the results of current FTF activities and to signal future objectives and orientations.

Public conference

Tools for growth: driving investment in the Mediterranean region

(Naples, 30 October 2014)

In conjunction with the Italian Presidency of the Council of the European Union, the 14th FEMIP Conference marked the launch of the 2014-2020 External Lending Mandate. Participants from Europe and the Mediterranean countries actively discussed new opportunities for growth against a challenging political, social and economic backdrop in the Mediterranean countries. Providing an overview of the financial tools available to the Mediterranean countries, where both financing and technical expertise are needed to move forward with projects and investments, the conference was split into four discussion-based sessions. This allowed delegates to interact with key figures to gain a better understanding of the opportunities for investment in the region. A high-level panel on strategy in the opening session was followed by three thematic sessions addressing core development finance activities: lending, blending and advising. Each of these sessions focused on a particular sector – SMEs, energy and transport – in order to stimulate practical and operational discussions.

Delegates at the 14th edition of the FEMIP Conference also attended an international event organised by the Italian Presidency on the occasion of the 10th anniversary of the Anna Lindh Euro-Mediterranean Foundation.

Expert workshops

Based on the findings of two FTF studies, two expert workshops were organised during the year:

Opportunities for mesofinance in Tunisia

(Tunis, 4 March 2014)

Mesofinance covers the segment of companies between start-ups and larger SMEs, representing those medium-sized companies which experience the most difficulty in finding financing.

The FTF study on the "Potential of Mesofinance for Job Creation in Mediterranean Partner Countries" was carried out by the Frankfurt School of Finance and Management, based on a literature review, and extensive surveys and consultations with small entrepreneurs, financial institutions, government officials, international donors and staff of supervisory institutions in Egypt, Jordan and Tunisia. It is available for download from the EIB website.

Based on the findings of the study, the workshop in Tunis, hosted by EIB Vice-President de Fontaine Vive, brought together financial players to discuss new investment mechanisms that could be put in place in the country to better meet the financial needs of these economically productive businesses. The conclusions of the workshop could be used as a basis for pilot actions to test innovative approaches to enhancing access to finance for SMEs across the Mediterranean region.

Maximising the employment impact of EIB infrastructure investments

(Rabat, 13-14 November 2014)

Job creation is a key factor of economic success and has long been one of the criteria in the Bank's assessment of investment projects. As one of the leading IFIs in the Mediterranean region, it seemed essential to the EIB, after the Arab Spring, to look in more detail at the impact of the Bank's investment projects on employment, in terms of both quantity and quality.

The EIB therefore partnered with the International Labour Organisation (ILO) to study ways to "Maximise the employment impact of the EIB's infrastructure projects", within the broader framework of the ILO's programme on employment-intensive investment. Based on analysis of selected EIB infrastructure investments, particularly in Egypt, Jordan, Morocco and Tunisia, the report will be published during 2015. The ILO team is supported by local consultants to carry out 11 case studies selected for analysis:

- **Jordan:** Amman ring road; Tafila wind farm;
- **Morocco:** Second National Programme of Rural Roads; Solar Energy in Ouarzazate; Sanitation in Oujda; Sanitation in Sebou Basin;
- **Tunisia:** Urban Road Priority V; Power Station in Sousse;
- **Egypt:** Giza North power plant; EPAP II; Egyptian power transmission project.

The Rabat workshop was attended by representatives of all countries in the FTF study, to discuss the implications and next steps. Participants agreed on the importance of improved monitoring and reporting of employment figures at project level, in order to provide a stronger basis for project assessment and design. The partnership with the ILO

is expected to continue to look at these issues in more detail during 2015.

Most of the completed FEMIP Trust Fund studies are available on the FTF dedicated webpage (http://www.eib.org/ftf) under 'Publications'. The following are the publications with the results of FTF operations released in 2014:

- Technical assistance for the development of the Palestine Information & Communication Technology Incubator (PICTI): http://www.eib.org/infocentre/publications/all/ftf-technical-assistance-for-the-development-of-the-picti.htm

- Community-oriented economy: A driver of inclusiveness and job creation in the Mediterranean partner countries?: http://www.eib.org/infocentre/publications/all/etude-femip-femise-economie-sociale-et-solidaire.htm

- The potential of mesofinance for job creation in Mediterranean partner countries: http://www.eib.org/infocentre/publications/all/femip-study-the-potential-of-mesofinance-for-job-creation.htm

- Energy efficiency and renewable energy project preparation programme in urban areas of the Mediterranean partner countries: http://www.eib.org/infocentre/publications/all/femip-study-elena.htm

- Jordan - Wadi Al Arab water sector PPP: http://www.eib.org/infocentre/publications/all/femip-executive-summary-of-the-final-report-jordan-wadi-al-arab-water-sector-ppp.htm

Looking ahead

The EIB´s overall objectives and activities in the Southern Neighbourhood

The Bank's activities in the Southern Neighbourhood aim at supporting the EU's European Neighbourhood Policy in the Mediterranean region, through financing of investment projects that contribute to the achievement of EU policy objectives. The Bank's overall strategy in the Southern Neighbourhood will continue to be guided by the EU's priorities for the region, the Bank's own risk facilities, the EIB Roadmap for the Mediterranean endorsed at the 13th FEMIP Ministerial Meeting in Athens on 1 April 2014, as well as by the priorities set in the EIB Corporate Operational Plan (COP) 2015-2017 and by the External Lending Mandate's objectives for the new planning period 2014-2020.

The new External Lending Mandate (ELM) establishes three general objectives, in addition to the underlying aim of promoting regional integration:

- supporting local private sector development – in particular SMEs;
- developing social and economic infrastructure – including transport, energy, the environment, information and communication technology;
- investing in climate change mitigation and adaptation.

This new ELM enables the Bank to provide investment in the Mediterranean region of up to EUR 9.6 billion with a European Union guarantee, which is complemented by an envelope of EUR 3 billion in own risk resources for financing projects across Europe's Southern and Eastern Neighbourhood over the period.

The **key operational priority in the Mediterranean region** will be to maintain the Bank's role as one of the leading financiers in the region, with two core areas of activity: infrastructure financing and support for the private sector. The Bank will continue to support infrastructure projects in its traditional sectors of intervention:

- energy
- transport
- water and sanitation
- urban development
- health and education.

The FTF Strategy 2014-2020
scaling up the Fund's activities

Investment needs across most countries in the Southern Neighbourhood are expected to be substantial in the years ahead. Gross fixed capital formation is forecast at approximately EUR 200 billion per annum for the region over 2014-18. EIB lending can only contribute to a small fraction of this total and therefore it is necessary for the Bank to focus on key priorities and bottlenecks that will maximise its impact and contribution to EU objectives. Assessment of the quality of existing infrastructure confirms very large investment needs across all sectors, in particular in the energy, water, transport and SME sectors:

- Infrastructure investments in the South have been insufficient in recent years, resulting in substantial infrastructure gaps and often deteriorating networks.

Impact Investment Envelope

To allow the EIB to undertake a wider range of private sector operations – involving higher levels of risk to potentially achieve greater development impact – FTF donors approved a new Impact Investment Envelope. This envelope enables the Bank to extend the range of instruments to finance entrepreneurial activities, and to consider private sector projects which could have an important developmental impact, but that the Bank, due to the risk profile, would not normally be able to undertake.

Such an initiative positions the EIB as a pioneer in the impact investing spectrum and underpins the complementarity role of the Bank as a development-focused institution in the FEMIP region. These operations would typically not follow standard banking or commercial principles, and have similarities to certain grant programmes focused on social, environmental and development objectives (the "higher risk – higher impact" principle).

The envelope targets direct and indirect equity or debt investments pursuing specific development, innovation or social objectives. Thereby, projects will primarily focus on financing of SMEs, cooperatives, microenterprises and the self-employed, and in sectors generating a high social or developmental impact, such as innovation, research and agriculture.

A first investment from this new envelope – a EUR 1 million subordinated loan for TAYSIR Microfinance in Tunisia – was approved and signed in 2014. The project consists of a EUR-denominated subordinated loan for the benefit of a newly created Tunisian microfinance institution with a strong social mission. It is the EIB's first operation in Tunisia to support the creation of a new MFI, with a clear social impact mission targeting small farmers, women and young entrepreneurs.

- The potential for energy efficiency and renewable energy investments in the Southern Neighbourhood is substantial and could allow for meeting growing energy demand, while ensuring environmental sustainability.

- Despite the banking sectors in the South being relatively large, access to finance remains challenging, particularly for SMEs.

- The potential for the Bank's microfinance activities in the Southern Neighbourhood remains high.

Cooperation between donors and banks by blending grant aid for investments and technical assistance (TA) with loans and risk capital has become increasingly important in development finance. It allows donors to leverage the impact of scarce grants, and banks to offer clients more sustainable forms of financing, thus facilitating the implementation of projects with high economic rates of return, but which in the absence of affordable concessional financing, constrained by user fees and tariffs, might not be financially sustainable. Therefore, to offer products that meet the needs of emerging and developing country clients, close cooperation with the donor community to attract grant financing is essential to the Bank's business.

To this end, the FEMIP Trust Fund has emerged as an important vehicle to complement the instruments that banks can fund out of their own resources. The FTF finances TA to support the Bank in project identification, and clients in enhancing the quality of project preparation and strengthening capacity in project implementation. In some cases, when justified on the grounds of achieving significant economic benefits, and when the risk profile of a transaction does not meet the Bank's credit risk and policy guidelines, the FTF can, through its Impact Investment Envelope, also finance risk capital to leverage further commercial funding.

In April 2014, donors reviewed and approved a multi-annual FTF strategy. The FEMIP Trust Fund focuses specifically on four priorities for 2014-2020:
1. finance and MSMEs
2. infrastructure
3. environment
4. human capital and research, development and innovation (RDI).

The strategy widens the scope for risk capital operations, including the new Impact Investment Envelope.

The FTF Strategy 2014-2020 endorsed the creation of CAMENA (Climate Action in the Middle East and North Africa), a dedicated Climate Action Envelope, to support improved energy security, emission reductions and improved resilience to climate change

through the identification and development of new climate action projects.

As lending activities in the region continue to increase and, with a growing project pipeline, demand for FTF resources is growing, **the Bank anticipates that the funds currently available in the FTF will be fully allocated by the end of 2015**. During 2015, therefore, in cooperation with donors the Bank will endeavour to **raise EUR 35 million to cover project needs during the period 2015-2020**.

CAMENA Climate Action Envelope

Climate change will severely impact the Mediterranean region and the need for a broad approach to this problem is fully recognised.

The initial funding for CAMENA is provided by the United Kingdom's Department for International Development according to their decision made in late 2014 to make a significant contribution of EUR 19.2 million (GBP 15 million) to the FEMIP Trust Fund over the period 2015-2018.

CAMENA would welcome further contributions from other donors.

The first CAMENA-financed projects are expected to be approved in 2015. The envelope will seek to achieve a wide geographical and sector spread, to support the mainstreaming of climate considerations across operations in the region.

CAMENA can be used to:

- *identify, catalyse and prepare climate action investment projects, which could subsequently benefit from EIB financing;*
- *fund actions to improve the enabling environment in relation to climate investments among public and private institutions within the Mediterranean partner countries;*
- *finance equity operations.*

Expected results:

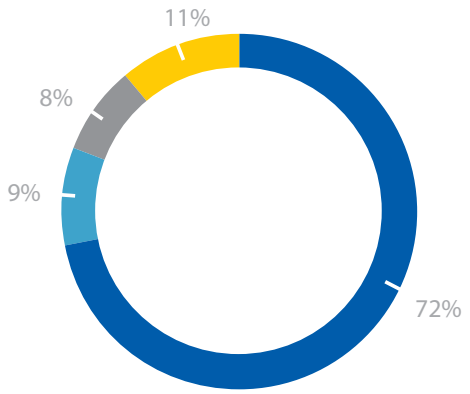
- *broad integration of climate mitigation and adaptation considerations in project design;*
- *improved national enabling environments for climate investment;*
- *development of a strong pipeline of feasible climate action investments;*
- *reduction of greenhouse gas emissions across the Mediterranean region.*

The FTF **pipeline**

At end-2014 the total FTF pipeline for 2015-2016 stood at EUR 18.86 million, of which an amount of approximately EUR 3.05 million could qualify to support CAMENA climate action projects. The indicative pipeline of operations will be adapted according to the changing situation in the Mediterranean partner countries.

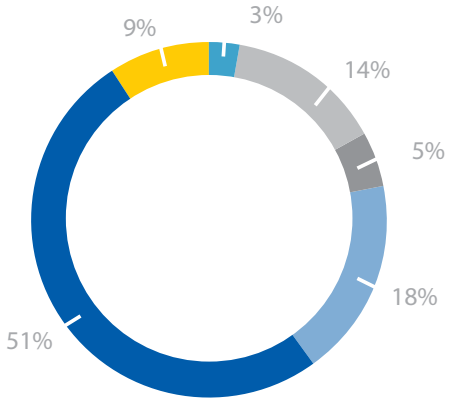
Country	Project	Budget in EUR
1. Finance and MSMEs		13 000 000
Gaza/ West Bank	Mobile financial services in Palestine	500 000
Jordan	SPACE for Med - Jordan pilot project	3 000 000
Lebanon	Mobile financial services in Lebanon	400 000
Morocco	Supporting local entrepreneurs through coaching and tailored finance	2 500 000
Tunisia	Technical assistance to BTK and Réseau entreprendre	900 000
Regional	Improving trade facilitation in the Mediterranean partner countries	200 000
Regional	SMEx "Agenda for Action"	1 500 000
Regional	Microfinance transformation	2 000 000
Regional	Coopmed - Impact investment envelope	2 000 000
2. Infrastructure sectors and regulation		1 810 000
Lebanon	Supporting Lebanon's PPP regulatory and legal reforms	150 000
Morocco	Rail network development - new line Marrakech–Agadir (with regional impact)	800 000
Tunisia	Development of rail network - Ligne à Haute Performance	500 000
Tunisia	Optimising and monitoring employment in Infrastructure	300 000
Regional	Africa-MENA Energy Guarantee Fund (market study)	60 000
3. Environment/climate action		1 750 000
Gaza/West Bank	Gaza desalination plant - advisory services	150 000
Lebanon	Reducing environmental degradation by improving waste management system	500 000
Morocco	Financial analysis in the water sector in Morocco (OECD)	450 000
Tunisia	Financial analysis in the water sector in Tunisia (OECD)	150 000
Regional	CAMENA climate adaptation project identification programme	200 000
Regional	Promoting climate change mitigation in FEMIP countries / NAMA Study	300 000
4. RDI and human capital		2 300 000
Regional	RDI project identification in the Mediterranean	500 000
Regional	FEMIP internship programme: financing phase V	400 000
Regional	Community-orientated economy (Morocco & Tunisia)	500 000
Regional	MENA women entrepreneurship	300 000
Regional	FEMIP secondment phase II	600 000
TOTAL INDICATIVE FTF PROJECT PIPELINE (25 projects)		**18 860 000**
of which potentially eight come from the CAMENA climate action envelope (Sub-total):		**3 050 000**

The charts below show the FTF pipeline breakdown by sector and by country:



FTF Pipeline by sector
(% of total indicative amounts)

- Finance and MSMEs 72%
- Infrastructure Sectors and Regulation 9%
- Environment / Climate Action 8%
- RDI and Human Capital 11%



FTF Pipeline by country
(% of total indicative amounts)

- Gaza/West Bank 3%
- Jordan 14%
- Lebanon 5%
- Morocco 18%
- Regional 51%
- Tunisia 9%

Representing 72% of indicative amounts for potential operations, the finance and MSME sectors dominate sectoral distribution, followed by RDI/human capital (representing 11% of indicative amounts).

The operations in the environment/climate action and infrastructure/regulation sector represent 8% and 9% (of which 72% qualify under the CAMENA climate action envelope, falling within climate action support).

Annexes

Status of approved
FTF operations (as at 31/12/2014)

As at end-December 2014, 60 operations in preparation/ongoing/completed (net of cancellations):
- 40 operations completed: EUR 14.7 million signed and 14.1 million disbursed
- 18 operations under implementation: EUR 17.6 million signed and EUR 5.5 million partially disbursed
- 2 operations under preparation: EUR 2.3 million approved and not yet signed

No	Country	Operation title	Sector	Promoter	Approved Budget (EUR '000)	Signed amount	Amount disbursed as at 31/12/2014	% Disbursed	Type of support
Completed operations (approved by AoD, signed and totally disbursed)					15,428.19	14,724.82	14,196.50		
1	Regional	Improving efficiency of workers' remittances	Finance and MSMEs	EIB	200.00	197.85	197.85	100%	TA
2	Regional	Financial Sector Support programmes - METAC I and II - 1st Phase	Finance and MSMEs	EIB, IMF	500.00	500.00	500.00	100%	TA
		2nd Phase			500.00	500.00	500.00	100%	
3	Algeria	Examining the access of small firms to sustainable forms of external finance	Finance and MSMEs	EIB, Ministry of Finance	195.00	195.00	195.00	100%	TA
4	Morocco	Examining the promotion of long-term private saving	Finance and MSMEs	EIB, Ministry of Finance	180.00	183.42	179.74	100%	TA
5	Regional	Logistic needs in the MPCs: Potential for the development of a logistic platform network	Infrastructure	EIB	597.39	597.39	597.39	100%	TA
6	Regional	Clean Development Mechanism (CDM) - Project Identification in FEMIP Countries	Infrastructure	EIB	195.00	195.00	172.56	100%	TA
7	Regional	Financial mechanism for the development of renewable energy and energy efficiency	Infrastructure	EIB	189.00	189.05	189.05	100%	TA
8	Regional	Analysis of tourism strategies and policies in FEMIP countries	Finance and MSMEs	EIB	200.00	200.00	198.66	100%	TA
9	Regional	Study Programme with Blue Plan	Environment	EIB	180.00	180.00	180.00	100%	TA
10	Regional	Review on existing trade finance services for Euromed trade	Finance and MSMEs	EIB	80.00	80.00	80.00	100%	TA
11	Regional	Potential for biofuel production in the MPCs	Infrastructure	EIB	200.00	199.00	173.53	100%	TA
12	Regional	A Review of the Economic and Social Impact of Microfinance	Finance and MSMEs	EIB	70.00	70.00	70.00	100%	TA
13	Tunisia	TA related to the Tunisian Seed Capital Fund	Finance and MSMEs	EIB, MinFin, CDC	125.00	125.00	125.00	100%	TA
14	Regional	Strategies for the regeneration of Medinas in the Mediterranean area	Environment	EIB	185.00	160.95	160.95	100%	TA
15	Morocco	Private type management and operation of the Public Irrigation systems in FEMIP countries: a test case in Morocco	Environment	ORMVAI	1 000.00	999.75	581.36	100%	TA
16	Regional	Identification and removal of obstacles to the extended use of wastewater in agriculture	Environment	EIB	200.00	200.00	200.00	100%	TA
17	Tunisia	Adaptation of financial products to workers' remittances AT Tunisian Bank Union	Finance and MSMEs	UTB	490.00	489.50	489.50	100%	TA
18	Regional	Mediterranean Business Development Initiative MBDI	Finance and MSMEs	EIB	200.00	198.98	198.45	100%	TA
19	Jordan	Jordan Highway Master Plan	Infrastructure	Govt. of Jordan	2 093.30	2 093.30	2 093.30	100%	TA
20	Regional	Study Programme with the Blue Plan II	Infrastructure	EIB	850.00	850.00	850.00	100%	TA
21	Tunisia	Technical Assistance Business Angels	Finance and MSMEs	Tuninvest	160.00	159.65	153.86	100%	TA
22	Regional	Mediterranean Solar Plan	Infrastructure	EIB	350.00	189.16	186.86	100%	TA
23	Morocco	Incubators Network (RMIE)	Finance and MSMEs	EIB	300.00	287.72	282.03	100%	TA
24	Morocco	Urban operation in Medina/Meknes	Environment	EIB/Al Omrane	400.00	395.00	395.00	100%	TA
25	Palestinian Territories	Technical Assistance to Palestine ICT Incubator	Human capital & RDI	EIB	194.60	194.60	194.60	100%	TA
26	Regional	Broadband Access for FEMIP Countries	Human capital & RDI	EIB	500.00	499.00	493.00	100%	TA
27	Regional	Maritime Highways	Infrastructure	EIB	195.00	165.00	157.55	100%	TA
28	Regional	Medinas 2030 Investment Programme	Environment	EIB/CDC	400.00	400.00	384.00	100%	TA
29	Tunisia	Competitiveness and employment challenges in Tunisia	Multi-sector	EIB	200.00	177.23	177.23	100%	TA
30	Regional	Mobilizing the Potential of Gulf Countries Sovereign Wealth Funds for the MPCs	Finance and MSMEs	EIB	230.00	190.00	190.00	100%	TA
31	Regional	Mobile financial services in MPCs	Finance	EIB	160.00	159.00	159.00	100%	TA

No	Country	Operation title	Sector	Promoter	Approved Budget (EUR '000)	Signed amount	Amount disbursed as at 31/12/2014	% Disbursed	Type of support
32	Egypt	Project Preparation and Implementation Study under the "Integrated and Sustainable Community Development Programme (ISCDP)	Environment	EIB	199.90	138.00	138.00	100%	TA
33	Regional	Project Identification Study under the Mediterranean Urban Projects Finance Initiative	Environment	EIB	250.00	250.00	250.00	100%	TA
34	Tunisia	Seed Capital Fund	Finance and MSMEs	EIB, Caisse Des Depots, Rep. of Tunisia	2 000.00	1 775.00	1 775.00	100%	RC
35	Regional	PPP Legal Frameworks in the FEMIP region	Multi-sector	EIB	750.00	675.00	675.00	100%	TA
36	Regional	EE and renewable energy project preparation programme in urban areas of the MPCs	Infrastructure	EIB	200.00	167.27	167.27	100%	TA
37	Regional	Potential of Mesofinance for Job Creation in Mediterranean Partner Countries	Finance and MSMEs	EIB	199.00	189.00	189.00	100%	TA
38	Regional	Enabling SME access to growth capital markets via dedicated SME exchange markets	Finance and MSMEs	EIB	25.00	25.00	25.00	100%	TA
39	Regional	Support for the dissemination of the FEMIP Trust Fund-funded activities in the FEMIP region	Multi-sector	EIB	35.00	35.00	35.00	100%	TA
40	Regional	Support for the pre start-up of the Euro-Med Development Centre (EMDC) for MSMEs	Finance and MSMEs	EIB/Promos	250.00	250.00	236.78	95%	TA
Engaged operations (approved by AoD, signed and partially disbursed)					**19 485.00**	**17 612.77**	**5 522.01**		
41	Regional	Dissemination window for FTF studies	Multi-sector	EIB	450.00	450.00	248.75	55%	TA
42	Regional	Cooperation Agreement between EIB and FEMISE	Multi-sector	EIB, FEMISE	400.00	400.00	360.00	90%	TA
43	Regional	Multipartner networking and learning centre	Multi-sector	EIB	500.00	500.00	350.00	70%	TA
44	Palestinian Territories	Middle East Venture Capital Fund	Human capital & RDI	EIB	5 000.00	5 000.00	855.53	17%	RC
45	Regional	LOGISMED Euromed Logistics Platforms: (Tunis)	Infrastructure	EIB	1 000.00	237.50	237.50	100%	TA
		(Morocco)				237.50	142.50	60%	
46	Regional	FEMIP Internship Programme (Phase I)	Human capital & RDI	EIB	700.00	700.00	700.00	100%	TA/ Capacity building
		(Phase II)			400.00	400.00	321.53	80%	
		(Phase III)			410.00	410.00	-	0%	
47	Regional	PPP action in the FEMIP Region: Action I (a)	Multi-sector	EIB	400.00	400.00	400.00	100%	TA
		Action I (b)			500.00	425.00	275.00	65%	
		Action II			765.00	760.00	-	0%	
		Action III			35.00	35.00	35.00	100%	
48	Tunisia	Capacity Building in the Tunisian Microfinance Sector (MicroMED)	Finance and MSMEs	EIB	4 000.00	4 000.00	800.00	20%	TA
49	Regional	Space for MED with the European Space Agency	Multi-sector	EIB/ESA	500.00	500.00	300.00	60%	TA
50	Regional	Study on the Employment Impact of EIB Infrastructure Investments in MPCs	Multi-sector	EIB	245.00	245.00	120.00	49%	TA
51	Regional	FEMIP Secondment Programme	Human capital & RDI	EIB	500.00	500.00	107.24	21%	TA
52	Tunisia	Reinforcing Private Equity Regulation and Institutional Expertise in Tunisia	Finance and MSMEs	EIB/AFD	100.00	100.00	-	0%	TA
53	Regional	Strengthening cooperation with EU bilateral agencies and public banks for joint initiatives in the Mediterranean partner countries:	Multi-sector	EIB	40.00	-	-	0%	TA/ Capacity building
		(1) Elaboration of joint studies and technical assistance operations			40.00	-	-	0%	
		(3) Targeted secondments			180.00	-	90.00	50%	
		(4) Designing and implementation of joint dissemination events			40.00	-	-	0%	
54	Regional	Evaluating Renewable Energy Manufacturing	Infrastructure	EIB	75.00	75.00	49.80	66%	TA
		Potential in the Mediterranean partner countries			18.00	18.00	18.00	100%	
55	Regional	Feasibility study on diaspora and start-up programme PACEIM (Programme d'Aide à la Création d'Entreprises Innovantes en Méditerranée)	Human capital & RDI	EIB	37.00	36.40	21.84	60%	TA
56	Regional	Enhancing the Impact of Private Sector Development on Democratic Transition in the MPCs	Finance and MSMEs	EIB	150.00	148.87	89.32	60%	TA
57	Tunisia	Taysir - Subordinated loan to a greenfield MFI in Tunisia (under Impact Investment Envelope)	Finance and MSMEs	EIB/Taysir SA	1 000.00	1 000.00	-	0%	RC
58	Regional	TA to support seed accelerators in the FEMIP region	Human capital & RDI	EIB	800.00	797.00	-	0%	TA/
					1 200.00	-	-	0%	RC
Operations approved by AoD but contract not yet signed					**2 350.00**				
59	Regional	Increasing the Impact of the Southern Neighbourhood Advisory Programme for the Transport Sector ("SNAP-T")	Infrastructure	EIB/EC	2 000.00	-	-	0%	TA
60	Regional	Enhancing the Impact of the PPP Project Preparation Facility (the "MED 5P Initiative")	Multi-sector	EIB	350.00	-	-	0%	TA

Operation completion **reports** (completed in 2014)

Support for the dissemination of FEMIP Trust Fund-funded activities in the FEMIP region

Country: **Regional**
Beneficiary: **Mediterranean partner countries**
Sector: **Communication and outreach**
Consultant: **Individual consultant**

Approved Amount: **EUR 35 000**
(out of the FTF Dissemination Window Budget approved in 2008)
Signed Amount: **EUR 34 999**
Tender Procedure: **Competitive negotiated**
Duration: **12 months**
Implementation Period: **01.09.2013 - 01.09.2014**

Context

In the aftermath of the Arab Spring, the international community directed its attention towards the Mediterranean region. Many IFIs and donors have started/increased their activities in the Mediterranean partner countries. Against this backdrop, it was essential also for the FTF to increase its visibility in the region.

To this end, the Assembly of Donors of the FEMIP Trust Fund approved the financing of *Support for the dissemination of the FEMIP Trust Fund-funded activities in the FEMIP region* by written procedure in February 2013. More specifically, EUR 35 000 was earmarked under the FTF Dissemination Window Budget to support increased communication work through dissemination of FTF-related activities, including studies, reports, conferences, workshops and other relevant undertakings in the FEMIP region.

Objectives and Results

The consultancy assignment pursued the *overall objective* of supporting the dissemination of information on FTF activities in the areas of public-private partnerships, microfinance support, renewable energy manufacturing, energy efficiency and private sector development in the EU and, in particular, in the Mediterranean partner countries.

The *specific objectives* of this assignment were to:

- support the dissemination of FTF activities during regional FEMIP events;
- enhance the quality of FTF activities by increasing monitoring actions;
- enhance the quality of FEMIP and FTF-related events.

The *main activities* carried out concerned support for the following:

- Organisation of the 13th FEMIP Conference: "Energy efficiency in the Mediterranean region" (10 December, Brussels). Organised in collaboration with the Observatoire Méditerranéen de l'Energie and the Union for the Mediterranean, the 13th edition of the FEMIP Conferences brought together 250 participants from Europe and the Mediterranean countries to discuss actively how energy efficiency can improve the countries' overall competitive position and create employment opportunities, based on an FTF-financed study on supporting Energy Efficiency in the Mediterranean;
- Organisation of the workshops, seminars and forum conferences, which took place in the context of the FTF studies/initiatives during September 2013/September 2014, in particular the workshop on "Developing the next generation Regional Marketplace for SMEs and Family-Owned Enterprises

(FOE)" on 8 November 2013 in Marseille and Organisation of the workshop "Employment impact of EIB infrastructure investments in the Mediterranean Partner Countries" held in Rabat on 13-14 November 2014 aimed at disseminating the initial results of this joint EIB-ILO study supported by the FTF;

- Update of the FEMIP database with a view to increasing participation rates for the FEMIP/FTF conferences/events/workshops;

- Follow-up on the approved 2012 FTF studies, notably the EIB-ILO study on Employment, and the joint study carried out with IDEA on the impact of Private Sector Development on Transition Processes in the Mediterranean;

- Back-stopping for the EIB's participation in the Deauville partnership, specifically with regard to EIB projects supported under the MENA Transition Fund, both in terms of support for the origination and development of new projects as well as monitoring of ongoing projects;

- Contribution to policy documents including the elaboration of the "FEMIP Roadmap 2020" based on initial discussions held at the FEMIP Department Away Day and then presented to the FEMIP Ministers at their meeting in Athens on 1 April 2014;

- Preparation of external reporting document and webpages presenting the activity of the FTF.

Alongside the above-mentioned objectives, the implementation of the TA assignment activities contributed to achieving the below outputs:

- FTF activities are more visible within the EU and in particular in the Mediterranean partner countries, with a focus on disseminating the results of the FTF studies in the FEMIP region to the relevant stakeholders;

- The quality of Deauville Partnership FTF activities is enhanced via improved monitoring;

- The number and quality of external participants at EIB FEMIP events is enhanced thanks to the updated and consolidated FTF database.

Conclusions

Overall, the TA assignment contributed to ensuring a systematic dissemination of FTF-related activities in the FEMIP region, at a time when the FTF was deploying an important level of new activity related to the projects supported under the Deauville Partnership MENA Transition Fund.

The follow-up on some FTF studies contributed to the launch of new initiatives related to these studies, thereby providing new opportunities for the EIB to finance projects in the FEMIP region, such as the study on energy efficiency which has led to a business development initiative carried out in Tunisia designed to identify a potential pipeline of projects to be financed by the EIB.

Energy efficiency and renewable energy project preparation programme in urban areas of the Mediterranean partner countries (Med-ELENA Study)

Country: **Regional**
Beneficiary: **Mediterranean partner countries (MPCs)**[6]
Sector: **Energy**
Consultant: **Consortium LAVOLA 1981, SA/Albea Transenergy, led by LAVOLA**

Approved Amount: **Up to EUR 200 000**
Signed Amount: **EUR 167 265**
Tender Procedure: **Competitive negotiated**
Duration: **24 months**
Implementation Period: **07.03.2012 - 10.02.2014**

Context

In 2011, the FTF Assembly of Donors approved the financing of this operation to examine the appropriate support mechanisms that would enable cities in the MPCs to develop bankable investment programmes to improve energy efficiency (EE) and small-scale renewable energy (RE) usage in urban environments. In line with the European Commission's efforts to encourage MPCs to implement greenhouse gas emission reductions in line with the EU "20-20-20" objectives, this operation reviewed EE and RE projects under preparation in cities of the MPCs in order to pre-identify which technical assistance and financial schemes would be needed to accelerate their future implementation. An option was to examine an extension to the European Local Energy Assistance (ELENA) programme, and the potential for the creation of a new Med-ELENA dedicated facility.

The assignment aimed at assessing the broader investment potential in the EE and RE field, the detailed needs in terms of technical assistance and funding support which could justify the creation of a Med-ELENA facility. The geographical frame for the study included all eligible FEMIP countries.

[6] The MPCs are Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine, Syria and Tunisia. Syria was not covered by the assignment as the EIB suspended all loan disbursements and technical advisory contracts for projects in Syria following EU sanctions in November 2011. The country could nonetheless be covered by a Med-ELENA facility after EU sanctions are lifted.

Objectives and Results

This study falls under the "Energy" FTF priority including renewable energy development in the MPCs with an overall objective to pave the way for faster and better implementation of EE and small-scale RE projects, thereby contributing to long-term sustainable development in the region through energy self-sufficiency and commercialisation of the energy surplus.

The overall implementation consisted of the following phases:

- **Phase I – Scoping:** taking stock of the sector, screening a preliminary pipeline of projects, ranking a selection of projects, and identifying three pilot projects (two in Morocco, one in Palestine);

- **Phase II – Detailed analysis of pilot projects:** analysing the needs of the three pilot projects, with a focus on TA requirements and financing;

- **Phase III – Synthesis:** combining the work of the two previous phases in order to recommend the first steps of the design of an appropriate response to the identified needs.

The investment potential in EE and RE in the MPCs was determined by two methods:

- **(1)** ***A top-down approach***, analysing country market potential studies carried out for the EIB and other IFIs and extrapolating the potential to all MPCs;

- **(2)** ***A bottom-up approach***, by evaluating the potential of identified and eligible existing projects.

Alongside this methodology, the study found an *estimated EUR 16.7 billion of market potential for projects in urban areas of the MPCs by 2030* (not including the estimated TA necessary for sustainable viable projects). This potential was approximately equally split between EE and small-scale RE projects. More specifically, the following sectors were found to offer the largest potential for investments in urban EE and small-scale RE:

- EE in new and existing buildings (insulation, energy efficient design, EE appliances, etc.);

- EE and RE in local infrastructure (including street and traffic lighting, district heating & cooling systems, and possibly water systems);

- RE integration in buildings (solar water heaters, photovoltaic installations, etc.);

- Improving EE and integrating RE in urban mobility and transport.

Despite the large potential for investments in urban EE and small-scale RE projects, only a limited number of projects are currently reaching the implementation stage. To understand better the reasons for this low uptake of projects, the study analysed *three mature pilot projects*, selected through project screening and analysis:

- **(1) the new town of Chrafate in Morocco** (with EUR 16.5 million in total investment costs, EUR 0.701 million in TA costs and an estimated leverage factor of 24);

- **(2) implementation of the Energy Efficiency Plan for Public Lighting in Agadir in Morocco** (with EUR 10.5 million in total investment costs, EUR 0.452 million in TA costs and an estimated leverage factor of 22);

- **(3) implementing solar water heating for hot water and boiler preheating in hospitals in Palestine** with EUR 5 million in total investment costs, EUR 0.25 million in TA costs and an estimated leverage factor of 20.

The most common barriers identified were:

- **Limited information/lack of technical capacity**: technical barriers (limited awareness of possibilities in the sector and insufficiently qualified capacity; the absence of local expertise in manufacturing and installing EE and small-scale RE equipment; limited expertise in project planning and implementation of complex projects);

- **Limited borrowing capacity or budgetary autonomy for local authorities:** capital-intensive projects face difficulties where public sector promoters have limited access to capital; when international finance is considered, promoters can be wary of foreign exchange risks;

- **Low perceived financial profitability of projects:** resulting from split or competing incentives, for instance where construction firms do not themselves benefit from the savings in efficient projects; low energy prices in the various countries also limit the incentive to take action.

The study outlined that a Med-ELENA facility could indeed serve to address these barriers and unlock significant EE and small-scale RE investments. It was concluded that such a technical assistance and funding facility put in place by the EIB in collaboration with national authorities and potentially with other participating IFIs should support all stages of the projects, from identification through to implementation, including:

- **technical** (energy audits; feasibility studies; technical guides or other technical advice to promoters);

- **management** (support for project implementation units; provision of procedures to follow up works and commissioning);

- **financial** (support to prepare business plans; pricing analysis; recommendations on fund-raising options);

- **legal** (analysing the relevant legal frameworks for proposed projects; providing support with contractual aspects);

- **structuring** (analysing PPP implementation strategies, pay-as-you-save methodologies or others).

The consultants found that the facility also should comprise loans and possibly grants for projects.

Conclusions

The **main conclusion of the study assessment** is that the **investment potential and the identified needs justify the creation of Med-ELENA, a facility designed to finance technical assistance and provide funding for eligible projects**. In particular, the Med-ELENA facility should include active project identification and selection in addition to TA encompassing all phases of the project, from design to final commissioning. The catalytic impact of the TA provided could be enhanced with the associated adapted financing, possibly including investment grants. The EIB, or other participating IFIs, may then provide loans to bankable and technically sound projects. A well-designed Med-ELENA programme would complement other existing initiatives supporting the development of more sustainable energy systems in the MPCs.

Financed within the strategic framework of the FTF, this operation has enabled the EIB to assess investment potential and to identify needs for EE and small-scale RE investment in urban areas of the MPCs. **As a result, the Bank is now proceeding with an analysis of the detailed structure for a first such Med-ELENA facility, looking into Tunisia as a pilot country, which could then be expanded into a FEMIP-wide regional model and/or instrument**.

The Final Report and Executive Summary of the "Med-ELENA study" were published on the EIB's website on 26 March 2014 and are available at: http://www.eib.org/infocentre/publications/all/femip-study-elena.htm

Support for the pre-start-up of the Euro-Med Development Center (EMDC) for Micro, Small and Medium-Sized Enterprises ("MSMEs")

Country: **Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia**
Beneficiary: **Mediterranean partner countries (MPCs)**
Sector: **Finance and MSMEs**
Consultant: **Milan Chamber of Commerce-Promos; Independent consultants/ experts**

Approved Amount: **EUR 250 000**
Signed Amount: **EUR 236 783**
Milan Chamber of Commerce-Promos
Tender Procedure: **Competitive negotiated**
Duration: **27 months**
Implementation Period: **15.05.2012 - 03.12.2014**

Context

The Mediterranean Business Development Initiative (MBDI), originally launched by the Italian and Spanish governments in 2008, is one of the six priority areas under the Union for the Mediterranean, with the general purpose of fostering sound and long-lasting economic development in the Mediterranean basin. In April 2009 the FTF Donors approved the financing of a feasibility study to identify the optimal operational structure of the MDBI, including its co-ownership requirement, as well as analysing the human and financial resources required for its viable and efficient functioning. The results of the study were presented to the 10th FEMIP Ministerial Meeting on 18 May 2010 and Ministers "agreed to discuss options for the implementation of the MBDI based on the outcome of the feasibility study that has been financed through the FTF". MBDI received a clear leadership revamp by the Milan Chamber of Commerce and Promos, under the aegis of the Italian government. In November 2010 Promos launched the preparation of a detailed feasibility study on the initiative.

The study recommended setting up the "Euro-Mediterranean Development Centre (EMDC)" for MSMEs of the Union for the Mediterranean (UfM) countries. The EMDC is an "umbrella instrument" which pulls together existing financial and technical assistance expertise from bilateral, multilateral and local financial institutions. It ensures that at least part of the available EU resources for MSMEs targets agreed priorities co-determined with the MPCs.

EMDC Presentation, Tunis (Tunisia)
15 May 2014

"The cooperation programme between CEPEX and the EMDC Foundation began in 2014 with the launch of promotional activities on the Italian market in support of Tunisian businesses.

These actions took the form of programmes of professional meetings with Italian partners at business fairs organised by the CEPEX office in Milan and concerned the agricultural and agri-food sector and the mechanical and electrical industry. The Foundation thus made efforts to find potential Italian partners and launched promotional campaigns to encourage them to meet Tunisian businesses participating in CEPEX's action programme.

Institutional coordination was effected on solid foundations in terms of collaboration and created a work dynamic fostering closer partnership relations between the two institutions as well as facilitating Tunisian SMEs' access to the market in order to further develop business opportunities."

(Photo: EMDC B2B meetings, Milan, 3 June 2014)

Ms Kaouther Ghannouchi Trabelsi,
General Delegate for Italy,
CEPEX – Tunisia Export

In this context, in May 2011 the FTF Assembly of Donors approved the financing proposal to support the pre-start-up phase of the EMDC Initiative. A key success factor for the Initiative, the pre-start-up phase aims to achieve fine-tuning and consensus on the initiative through formal agreements with institutions and partners and to elaborate an executive plan.

Objectives and Results

To determine the cooperation and contribution with the Milan Chamber of Commerce-Promos on this project, a Memorandum of Understanding (MoU) was signed in Milan on 27 June 2011 with the aim of identifying partners and resources for the implementation of a 'Pre-Start-up Phase' of the EMDC Initiative. A Contribution Agreement (CA) was signed in May 2012 in order to fund activities aimed at achieving the objectives of the MoU, along three main lines of action and related outputs: (i) executive designing through pre-feasibility studies and assessments; (ii) stakeholders' consensus building through bilateral and multilateral dialogue, promotion and networking; and (iii) governance and monitoring of the Initiative.

In the aftermath of the Arab Spring, a prolonged political transition, in particular in Egypt and Tunisia, led to some implementation obstacles. To adapt to the challenging environment, it was agreed to allow for the funding – under remaining resources from the CA envelope and beyond the original time boundaries of the Pre-Start-Up Phase – of some crucial initiatives that would otherwise have been implemented within the previous period.

Under the CA, three consultancy contracts have been signed to conduct feasibility studies and assessments, including:

1. Concept and Executive Plan of the EMDC Initiative;

2. Business Plans for the establishment of EMDC Country Centres in Morocco and Tunisia;

Analysis and elaboration of a Legal Framework for the EMDC Initiative.

In order to build consensus for the establishment of the EMDC and a solid partnership basis for the subsequent implementation of activities at country level and on a regional scale, an intensive process

of institutional dialogue was carried out. This applied both at bilateral and multilateral level.

During the pre-start-up phase, dialogue[7] on a bilateral level with relevant MSMEs, national agencies and institutions resulted in the creation of a network of EMDC's partners comprising 28 partner agencies from 13 countries.

Dialogue on a multilateral level aimed to pursue and further partnership with key bodies[8] as a basis for gaining institutional endorsement, thus furthering the EMDC's legitimacy and positioning, as well as to achieve coherence with the broader regional scale. This entailed multiple joint activities; institutional missions, ad-hoc meetings, and the organisation and/or participation in conferences and workshops with the EIB, EU and the UfM[9].

Moreover, a number of events for communication and promotion, networking and institutional capacity building were organised and co-funded with FTF support under the Contribution Agreement, including:

- a press conference and launch event (Milan, June 2011, October 2013);
- a dedicated session in the framework of the Third Economic and Financial Forum for the Mediterranean (Milan, November 2012);
- an EMDC Networking and Partnership Event (Milan, December 2013); and
- a Study Tour in Italy (Milan, Naples, Caserta, June 2014) for EMDC partner agencies and institutions from four Mediterranean countries.

The results of the EMDC pre start-up phase were presented to the FEMIP donors at the Assembly of Donors' meeting on 15 December 2014. The FEMIP Trust Fund may contribute further to EMDC's operations.

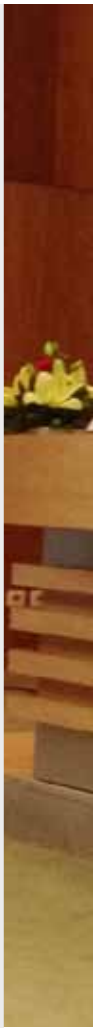
"Within the framework of a Memorandum of Understanding and Contribution Agreement signed between the European Investment Bank (EIB) and the Milan Chamber of Commerce in 2011 and 2012, EIB resources financed through the FEMIP Trust Fund (FTF) have made a crucial contribution to the implementation of a preparatory phase – 'Pre-Start-up Phase' - to launch the EMDC Initiative. The FTF funding contributed to defining EMDC's concept and mission, positioning, institutional and legal structure, operating methods, thereby laying grounds for the successful establishment of the EMDC as a fully fledged, coherent and sustainable entity for the promotion of economic development and cooperation within the Euro-Mediterranean area.

EMDC is today in its second year of life and we believe we have established the basis for implementing successfully our mandate both in support of our Partner Agencies dealing with the internationalisation of SMEs and of enterprises willing to grow.

We are aware of the obstacles to overcome but, given the relevance of the SME sector in the Northern and Southern Mediterranean Countries, we are confident that all relevant players in the countries involved will deploy the maximum effort to achieve our common objectives. Milan and the Lombardy Region stand ready to lend their support."

(Photo: Ambassador Giancarlo ARAGONA, EMDC Presentation, Tunis, 15 May)

Ambassador Giancarlo ARAGONA,
President of Euro-Mediterranean Development Centre for Micro, Small and Medium Enterprises (EMDC) Foundation



[7] Twenty institutional missions and meetings were carried out in nine countries, including Jordan, Egypt, Tunisia, Morocco and Lebanon. Additional missions – as part of a continued and sustained activity of dialogue and partnership building aiming at the expansion and consolidation of the EMDC Network – were carried out using EMDC own resources.

[8] IFIs, EC institutions, intergovernmental organisations, regional initiatives and programmes

[9] For example with the EIB: participation in the 12th Meeting of the FEMIP Committee, Luxembourg, May 2011; the 10th FEMIP Conference, Tunis, March 2012; and the FEMIP Trust Fund Assembly of Donors, Luxembourg, June 2012. With the EU: involvement in three workshops for Euro-Mediterranean Industrial Dialogue, Milan, October 2011, December 2011, March 2012. And with the Union for the Mediterranean (UfM): participation in regional programmes like EUROMED Invest, managed by the Med Alliance Consortium

Conclusions

In conclusion, **FTF resources have made a crucial contribution to the pre-Start-Up phase of the EMDC Initiative**, making it possible at once to:

- define the conceptual, legal and operational framework of the pre-start-up phase through tailored studies and assessments;

- enrich institutional dialogue with key players at the international and national level, whose endorsement and support has been key to the successful establishment and launch of the EMDC; and

- carry out promotional, information and communication activities as a further means to expand and consolidate the network and consensus on the Initiative.

EMDC Presentation, Tunis (Tunisia)
15 May 2014

Study on enabling SME access to growth capital markets via dedicated SME exchange markets (SMEx initiative)

Country: **Jordan, Lebanon, Morocco, Tunisia, Egypt and Palestine**
Beneficiary: **Jordan, Lebanon, Morocco and Tunisia (together the priority countries), Egypt and Palestine**
Sector: **Finance**
Consultant: **Individual Experts**

Approved Amount: **EUR 25 000 from FTF**
(Total of EUR 50 000 with EUR 25 000 provided by EIB)
Signed Amount: **EUR 49 900**
Tender Procedure: **Competitive negotiated**
Duration: **6 months**
Implementation Period: **03.09.2013 - 10.02.2014**

Context

In August 2013, the FTF Assembly of Donors approved by means of written procedure the EUR 25 000 envelope to support SME access to growth capital markets via dedicated SME exchange markets, which would catalyse technical assistance or risk capital resources, possibly via the Deauville Transition Fund.

The significant role which SMEs can play to further accelerate economic growth and job creation in the MPCs depends to a large extent on their ability to grow, for which access to stable and long-term financing is considered a critical success factor. Today, a significant SME funding gap exists and access to finance, in particular access to growth capital, remains a fundamental concern for both SME business owners and SME policy makers across the region. Growth capital is usually provided from four different sources: friends, families, venture capitalists, over-the-counter equity markets and banks. An alternative source of growth capital for SMEs, and one that is gaining increasing attention internationally, is the SME-focused second-tier stock exchange. The harmonisation of national platforms, to create a regional market, is considered to be crucial to increase the liquidity of SME stock exchanges in MENA. The establishment of liquid, SME-focused second-tier stock exchange markets would underpin national and regional SME development programmes aimed at improving SME access to finance. The establishment of successful second-tier stock exchanges in the region is also considered fundamental for the balanced development of capital markets and would complement the nascent private equity sector, providing a viable exit strategy for venture capitalists and private equity funds. Furthermore, second-tier exchange markets would provide a nursing ground for small high-growth companies, which could in time move on to the main stock exchange markets.

With this background and considering the Bank's experience in supporting the financial sector in the MPCs, following the various operational visits in the region and cooperation established with the Dubai International Financial Centre Authority ("DIFCA") and the Abraaj Capital group, it became clear that the countries' administrations as well as the international financiers acknowledged the need for setting up such a trading platform for the region's companies. Within the FTF framework, the TA operation was approved for a study to be carried out, with a particular focus on providing clear recommendations and a common way forward for MPCs considering setting up SME-focused second-tier stock exchanges.

Objectives and Results

SMEs account for 45% of formal national employment in the MPCs but are largely dependent upon bank or family funding, with SME market capitalisation accounting for only 1.3% of GDP. With an overall objective of SME development as a critical success factor for national economic development, increased tax revenues, employment growth and social stability, the study outlined that MPCs' exchanges need to become a more important source of funding for SMEs in order to drive down the local cost of capital that can best be achieved through cooperation between the MPC regulators/exchanges to deliver a specific targeted programme aimed at SMEs.

This cooperation will lead to standardisation, convergence and development of the SME marketplaces to standardise and develop the (laws), regulations, rules and operations around a new mu-

tually agreed common standard that is focused on fostering the development of SME marketplaces. The standardisation will enhance and not threaten existing exchanges, thereby leveraging an existing base of over 200 SMEs across the region, improving the existing exchange brands, enabling these marketplaces to become better drivers of economic development. This approach will drive economies of scale into the markets and increase SME choice. To be effective, the proposed developments will go beyond standardisation of the capital market value chain, the process will supplement the markets with additional regulatory, stakeholder and operational models (domestic and cross-border) as well as promoting advocacy of tax/legal and incentive changes to national Governments. Furthermore, the proposals will encourage new infrastructures to be established to improve the visibility and efficiency of these markets. The programme will also include a regional SME Information Advisory Portal, MPC SME Index and company research to improve SME visibility and a locally sensitive NOMAD model and inter-market linkages for trading and settlement to improve SME liquidity.

The study suggested that the analysis and implementation of the above proposal should be designed and implemented by an *independent*

secretariat, supported by Technical Advisory Groups (TAGs), being part-time resources from the MPC regulator/exchanges. The secretariat would agree the resourcing, detailed objectives, modus operandi and deliverables with the MPCs by signing an MoU with the MPCs' regulators and exchanges. Within an agreed plan, the secretariat would meet with the TAGs monthly and provide periodic updates to national Ministers of Finance and Central Banks to increase the visibility and importance. The agreed models would be implemented nationally by the regulators/exchanges and would be scalable to other countries if other entrants were approved by the existing MPCs and the new entrant agreed to sign the MoU with all of its attendant responsibilities and obligations. Thereby, the region will be visible and accessible as a single standardised unit giving it more critical mass to attract international capital. Advisory support from the regulators, exchanges, NOMADs, auditors and other stakeholders will remain local in proximity with the issuers.

Along with MPC stakeholders' commitment, the involvement of the EIB and other Donors is of great importance as they carry significant weight locally and in particular with governments. The study also highlighted the importance of government involvement to make SMEs an integral part of national policy, delivering incentives (tax/subsidies) and other pro-SME policies into national legislation. More active involvement will shift the balance away from the informal economy in favour of transparent formal markets, which is essential to foster higher employment for current and future generations.

With regard to Nexpand, entering as a licensed exchange in all of the MPCs appeared possible in some but not all markets under current legal and regulatory frameworks. In its current form, the Nexpand model was outlined as too embryonic and high risk as it was not well ahead in the delivery phases.

Conclusions

Financed within the FTF framework, this TA enabled the EIB to consider a way forward for MPCs for setting up SME-focused second-tier stock exchanges. The initial results of the study were discussed at the Marseille workshop "Developing the next generation Regional Marketplace for SMEs and Family-Owned Enterprises" held on 8 November 2013 and sponsored by the EIB in conjunction with the Chambre de Commerce et d'Industrie Marseille-Provence (CCIMP) with the support of the Association of the Mediterranean Chambers of Commerce and Industry (ASCAME) and Finances & Conseil Méditerranée (FCM) as part of the Mediterranean Economic Week. The results of these discussions were included in the final report.

The concept was welcomed by the Deauville Partnership and the main conclusions of the study were made available to the EBRD in a spirit of partnership and will be used as a building block for the joint technical assistance operation. Further to this, the overall discussion on the setting up of SME-focused second-tier stock exchange will be continued with the EBRD, other IFIs and relevant stakeholders in 2015. Meanwhile, together with the EBRD, the EIB will take forward the work on two more focused studies of the SME sector in Morocco and Egypt in order to establish a clear understanding of the funding alternatives available to SMEs and find out how IFIs can make a meaningful contribution to improve SMEs' access to finance in the region.

To communicate the final conclusions of the study and further build upon the main results, EUR 35 000 was earmarked additionally and will be covered by the FEMIP Trust Fund Dissemination's SMEx envelope approved by the Fund Donors on 2 April 2014.

Potential of mesofinance for job creation in Mediterranean partner countries

Country: **Regional**
Beneficiary: **Mediterranean partner countries (MPCs)**
Sector: **Finance and small and medium-sized enterprises (SMEs)**
Consultant: **Frankfurt School of Economics and Finance**

Approved Amount: **Up to EUR 235 000**
(TA operation: EUR 200 000; Conference: EUR 35 000)
Signed Amount: **EUR 189 000**
Tender Procedure: **Competitive negotiated**
Duration: **29 months**
Implementation Period:**11.12.2012 - 14.05.2014**

Context

The rapid growth of the microfinance industry in MPCs reflects the widespread belief among practitioners and stakeholders that entrepreneurial activity can flourish even in the poorest communities, and that access to financial services can enable clients to raise their standard of living and increase the well-being of the local community. To spur job creation in the Mediterranean region, in particular for SMEs, the potential of microfinance also needs to be stepped up. To analyse the impact of microfinance in the MPCs and prepare a discussion paper, the study on "A Review of the Economic and Social Impact of Microfinance" was supported by the FEMIP Trust Fund Donors in November 2007 in line with the Fund's objectives to share and increase understanding of the economic and financial issues associated with the development of the partner countries, and was presented at the FEMIP conference on "Microfinance in the Mediterranean: what impact?" in Tunis in May 2008.

In this context, a TA operation to conduct a study on the "Potential of Mesofinance for job creation in MPCs" was approved by FTF Donors in March 2011. The new study aimed to provide immediate actions regarding "Mesofinance" (credit and guarantees in amounts higher than what microfinance can offer, but still too small for the traditional banking sector). Mesofinance has the potential to fill the financing gap for growing SMEs, also called the 'missing middle', which can use neither microcredit nor traditional bank loans.

Objectives and Results

This study is in line with the FTF objective to support innovative studies on topics that foster private sector development in the FEMIP region. The implementation of the study was conducted by Frankfurt School of Finance & Management in 2013 and 2014 and was based on a literature review, surveys of small entrepreneurs and consultations with government officials, staff of supervisory institutions, international donors as well as financial institutions in Egypt, Jordan and Tunisia.

The study provided insight into the need for and potential of mesofinance in FEMIP countries:

Mesofinance in the FEMIP region: The number of enterprises in the MENA region is generally lower than in other emerging economies and is skewed towards nascent and mature firms. SMEs in the MPCs constitute over 85% of all registered companies (over 2/3 of total formal employment) and a significant share of GDP (approximately 60%). The majority of SMEs are still informal and largely opaque. In the MENA region 63% of small firms do not have access to formal finance. Only 8% of total bank lending in the MENA region goes to SMEs, which rely on internal and self-generated funds.

Mesofinance in the context of the financial sectors of MPCs: State banks play an important role in SME lending and private banks are reluctant to engage in this sector. As a result SME lending represents only 13% on average of total bank lending to the private sector in the MENA region. The causes are various: (1) banks do not have risk assessment tools tailored to the SME sector's specificities; (2) volatile economic environment; (3) undeveloped financial infrastructure; (4) the nascent development stage of credit bureaus with the legal system not providing adequate protection for the rights of creditors; (5) significant problems in the registration, enforcement and selling of collateral. The survey by the Frankfurt School showed that banks started to recognise the potential profitability of the SME segment. MFIs in the MPCs

cannot take deposits from the public which affects portfolio growth, composition and product innovation. Few MFIs have found ways to tap into the SME market. Equity finance is largely tailored to large firms and high-tech start-ups, not to the bulk of SMEs.

Alongside the above findings, the study provided concrete recommendations directed at:

Governments

1. Building reliable data sources for the SME sector and mesofinance;
2. Amending current legal and fiscal framework to work in support of SME and SME finance;
3. Formalising the SME sector;
4. Creating government intervention synergies and a coherent policy vis-à-vis the SME sector;
5. Special support to innovative SMEs and small businesses with potentially high production efficiency levels;
6. Establishing single-window contact points;
7. Strengthening the financial infrastructure;
8. Credit guarantee schemes;
9. Supporting financial sector reform programmes in MENA countries: (i) Removal of restrictive entrance barriers for foreign banks, (ii) Repositioning or reform of government banks, (iii) Support and encouragement for the venture capital sector, (iv) Introduction of mezzanine financing, (v) Support of "Business angels";
10. Strengthening bank supervision.

International financial institutions (IFIs)

1. Advise on an improved design of credit guarantee scheme;

2. Study the justification for a refinancing window/ debt financing and fund such a facility, conduct or assign a rating exercise on the individual banks to assess which banks would meet the eligibility criteria for debt financing, agree on the institutional setting and details of the debt financing and open the facility to participating banks while monitoring performance;

3. Offer (equity) investments in financial institutions that have a genuine interest in mesofinance or in equity funds for SMEs with a special focus on underserved segments, such as women entrepreneurs, innovative small businesses or enterprises with potentially high production efficiency levels;

4. Offer (equity) investments in and/or strengthen lease facilities and innovative financing schemes such as venture capital, mezzanine finance;

5. Support initiatives for a reliable SME sector and mesofinance database, and the use of this database for the formulation of a coherent SME policy;

6. Support the development of secured transactions, legal and regulatory framework;

7. Assist in strengthening of the financial infrastructure (credit bureaus, collateral registries), develop credit reporting infrastructure based on country needs;

8. Sensitise and raise awareness of SME banking opportunity with the Board and top management of commercial banks;

9. Raise awareness on best practices in SME finance;

10. Build capacity within financial institutions on strategy, market segmentation, design of alternative securities, appraisal techniques, new SME finance services and monitoring/risk.

Conclusions

The **study** highlighted concrete recommendations for governments, financial institutions, small businesses and IFIs and **may serve as a basis for pilot actions to test innovative approaches in enhancing access to finance for SMEs in the MPCs.**

The conclusions of the study were discussed at a technical workshop "The Potential of Mesofinance for Job Creation in the MPCs", held in Tunis on 4 March 2014. Hosted by EIB Vice-President de Fontaine Vive, the workshop brought together financial players to discuss **new investment methods** that could be put in place in the country to better meet the financial needs of these economically productive businesses. Following on the recommendations, **the Bank is looking into the possibility of creating a "Missing Middle Fund"**. More importantly, the recommendations of the study have been partially implemented with the **creation of an "Impact Investment Envelope"** under the FTF enabling the EIB to increase its support to MSMEs through risk capital operations. Endorsed by the Donors on 2 April 2014, the Envelope targets investments in fund structures, microfinance institutions, or other entities pursuing specific economic, innovation, social and environmental objectives without aiming for and maximising financial returns.

For more details, please see the Final Report of the study published on 26 March 2014 on the EIB's website: http://www.eib.org/infocentre/publications/all/femip-study-the-potential-of-mesofinance-for-job-creation.htm

Abridged
Financial Statements

BALANCE SHEET

As at 31 December 2014

(in EUR '000)

	31.12.2014	31.12.2013
ASSETS		
Cash and cash equivalents	32 209	14 131
EIB Unitary Fund investments	-	16 520
Venture capital investments	1 461	2 252
Other assets	208	152
Total assets	33 878	33 055
LIABILITIES AND CONTRIBUTORS' RESOURCES		
LIABILITIES		
Staff cost payable to European Investment Bank	-	-
Other liabilities	8	7
Amounts owed to third parties	669	952
Third party contributions	3 285	3 171
Total liabilities	3 962	4 130
CONTRIBUTORS' RESOURCES		
Contributions	46 639	44 616
Retained earnings	-16 723	-15 691
Total contributors' resources	29 916	28 925
Total liabilities and contributors' resources	33 878	33 055

INCOME STATEMENT

For the year ended 31 December 2014

(in EUR '000)

	From 01.01.2014 to 31.12.2014	From 01.01.2013 to 31.12.2013
Interest and similar income	1	1
Net gain on EIB Unitary Fund investments	16	9
Net foreign exchange gain	952	-
Total operating income	**969**	**10**
Projects financed	-1 414	-3 025
Net loss on venture capital investments	-546	-309
General administrative expenses	-33	-151
Staff cost for fixed-term expert staff	-	-
Net foreign exchange profit/(loss)	1 253	-360
Other expenses	-8	-7
Total operating expenses	**-2 001**	**-3 852**
Net loss for the financial year	**-1 032**	**-3 842**

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FEMIP Trust Fund
Annual Report 2014

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