FEMIP
financing operations in Gaza/West Bank

FEMIP\(^1\), the European Investment Bank’s Facility for Euro-Mediterranean Investment and Partnership, is the key player in the financial partnership between Europe and the Mediterranean, providing EUR 14.2 billion of finance between its inception in October 2002 and December 2012.

In times of transition, FEMIP is providing a sustained response to Mediterranean partner countries’ needs by supporting projects that contribute to cohesive and economically strong societies. Against this backdrop, FEMIP’s objective will be to drive growth and partnerships for and with the Mediterranean.

In Gaza and the West Bank, as the European Union’s financing institution, the European Investment Bank (EIB) is financing infrastructure projects in the energy, transport and water sectors and contributing to the development of the private sector.

Since 1995, the Bank has provided EUR 155 million for projects in the form of loans, private equity and technical assistance. The pledge made in Paris at the International Donors’ Conference for the Palestinian State held on 17 December 2007 confirmed the Bank’s support for the economic recovery and reconstruction process.

About FEMIP

FEMIP brings together the whole range of services provided by the EIB in the Mediterranean partner countries.

Over the period 2007-2013, FEMIP has EUR 9.7 billion at its disposal to support projects in the nine Mediterranean partner countries. These resources are augmented by EUR 2 billion under the Mediterranean Partnership Facility II and by EU budget resources for technical assistance and private equity activities. A further EUR 2 billion is available for activities to combat climate change outside the European Union.

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

\(^1\) FEMIP brings together the whole range of services provided by the EIB in the Mediterranean partner countries: Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and soon Libya.
The EIB in Gaza and the West Bank

The EIB’s operations largely reflect its traditional areas of activity in the region and cover energy, the environment, transport and support for small and medium-sized enterprises (SMEs). Its activities also include on-going studies and other forms of technical assistance in the areas of transport, energy and water supply. The Bank has also backed the private sector through loans and private equity.

Supporting SMEs

SMEs are the backbone of the Palestinian economy. They have the potential to create much-needed employment opportunities.

To respond to the needs of Palestinian entrepreneurs, in 2010 the EIB invested EUR 5 million in the Palestine Growth Capital Fund, which will assist SMEs in the early stages of their development in industries such as information technology and healthcare. It will also provide support in the form of capital and acquire equity participations in Palestinian SMEs. In March 2012 the Fund achieved its first closure of USD 36 million with the active support of its partners, including the EIB.

Sadara Ventures, previously the Middle East Venture Capital Fund, aims to boost innovation through private equity. It is the first fund to target software and telecoms start-up and growth companies in the West Bank. The EIB has been closely involved in its development, contributing the USD equivalent of EUR 5 million in 2011 and actively supporting the fund’s managers in their fundraising efforts. Those efforts have been successful, attracting investors such as the Soros Economic Development Fund, Cisco, the Skoll Foundation, the Google Foundation, Mercy Corps, Basel Asset Management and the Case Foundation. The fund’s major objective is to build a venture capital and technology “eco-system” in the Palestinian Territories and attract outside investment, leading to capacity-building, knowledge transfer and job creation.

Sectoral breakdown of EIB operations in Gaza and the West Bank (1995-2012): EUR 155 million

- Energy: 38%
- Water and Wastewater: 4%
- Services: 28%
- Transport: 8%
- Global Loans: 7%
- Risk Capital: 15%
Improving electricity supply networks

The EIB has provided a EUR 45 million loan to upgrade electricity supplies in the West Bank as part of a EUR 129 million investment programme for the rehabilitation and upgrading of the electricity transmission and distribution network throughout the Palestinian Territories. This comprises the extension of transmission and distribution lines in the West Bank and the construction of four substations in Ramallah, Nablus, Jenin and Tarqumiya. Eventually, these four substations will be connected to Israel’s grid.

The project will benefit from technical assistance aimed at supporting implementation and monitoring as well as identifying the sector’s future investment and organisational requirements.

FEMIP – a forum for dialogue

FEMIP involves the Mediterranean partner countries in its lending policy guidelines through constructive discussions on economic, financial and sectoral matters. This dialogue operates at three levels:

- the FEMIP Ministerial Meeting, which brings together once a year the Euro-Mediterranean Economy and Finance Ministers;

- the FEMIP Advisory Committee, which is composed of representatives of the Member States, the Mediterranean countries and the European Commission. It meets several times a year and has the remit of discussing FEMIP’s strategy, approving its annual report and issuing opinions on the launch of new financial products;

- the FEMIP Conferences, which periodically bring together representatives of the private and public sectors and civil society, academics and experts to discuss topics relating to regional integration and economic development in the Mediterranean partner countries.
FEMIP

Direct loans and private equity financing can be requested directly from the EIB. Applications for the financing of smaller-scale projects should be addressed directly to the financial institutions or commercial banks to which the EIB has granted credit lines. A list of the partner institutions in Mediterranean countries and other information on lending can be found on the Bank’s website (www.eib.org/femip).

FEMIP products

- Long-term direct loans for large-scale projects (over EUR 25 million)
- Credit lines for intermediary banks, which on-lend the funds to finance investment undertaken by small and medium-sized enterprises or local authorities
- Credit lines for microfinance institutions
- Private equity (direct equity or quasi-equity investments in unlisted companies, private equity funds and co-investments with local intermediaries)
- Technical assistance to strengthen the capacity of Mediterranean partner countries and promoters and to finance upstream studies and activities focusing on the development of the private sector.

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