



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



FEMIP and the development of sustainable tourism in the Mediterranean

Tourism in the Mediterranean partner countries is often the biggest source of foreign exchange and generates the largest private sector activity in the economy. It provides important revenue, and employs directly and indirectly roughly 20 million people in the region. It is therefore a top economic priority. In 2010, the tourism industry in the Mediterranean partner countries accounted, directly and indirectly, for 10% of GDP on average. Individual country shares varied from 6.3% in Israel to 20.4% in Jordan.

Due to the region's natural and cultural resources, a desirable climate, and a location close to key markets, tourism is an important growth sector for the Mediterranean partner countries. The potential for the development of tourism has been increasingly tapped into by governments and private sector operators to meet a variety of market demands. In 2010, 50 million tourists visited the region, up from 38.5 million in 2006.

For the last two decades, the countries of the Southern and Eastern Mediterranean have recorded the highest growth rates in inbound world tourism. At the same time, domestic tourism in these countries also grew progressively. The economic performance of tourism in the region has been surprising, given the security risks, natural disasters, oil price rises and economic uncertainties in the region.

About FEMIP

The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) brings together the whole range of services provided by the European Investment Bank in the Mediterranean partner countries.

Operational since October 2002, it is now the key player in the financial partnership between Europe and the Southern Mediterranean countries, providing almost EUR 13 billion of finance between 2002 and 2011 and mobilising roughly EUR 35 billion of additional capital.

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

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

Even the last financial crisis had no severe impact on this growth, which confirmed the resilience of tourism and the huge potential of the Mediterranean partner countries in this sector. While world annual average tourist arrivals for the period 2006-2010 grew by 2.9% per year, the Southern and Eastern Mediterranean region experienced 9% growth. Tourist expenditure throughout the four-year reference period almost doubled, reaching EUR 35 billion in 2010.

However, the tourism industry is faced with pressing challenges, such as the regional instability that may affect the attractiveness of the Southern and Eastern Mediterranean, as well as long-term issues, such as climate change and environmental degradation.

At the same time, the current trends in the tourism sector are undergoing significant changes. Traditional mass tourism has reached a stage of steady growth,

while ecotourism, and nature, heritage and cultural tourism, are taking the lead and are expected to grow rapidly over the next two decades. It is estimated that global spending on ecotourism is increasing at about six times the industry-wide rate of growth¹.

The time has come for the Mediterranean region, which traditionally based its tourism strategies on the 3S model (*sun, sea and sand*), to reflect on the future of this economically important sector. The question is how can the tourism industry grow while preserving the natural and heritage resources that are at the core of its business.

Sustainable tourism² has emerged as an apparent yet challenging response. It was recognised by the international community nearly ten years ago as an important tool for poverty reduction, environmental protection, cultural preservation and economic and social development.

However, sustainability must be addressed in well-designed, integrated national tourism strategies. First, because tourism can lead to – but at the same time is also affected by – environmental degradation and climate change. Second, tourist choices are increasingly influenced by sustainability considerations. The greening of tourism, through efficiency improvements in energy, water, and waste systems, reinforces the employment potential of the sector. Green tourism could also valorise local sourcing, and promote local culture and the natural environment.

¹ UNEP report “Tourism – investing in energy and resource efficiency”, 2011.

² Sustainability principles refer to the environmental, economic and sociocultural aspects of the development of tourism, and a suitable balance must be established between these three dimensions to guarantee its long-term sustainability.

Tourist arrivals and tourist expenditures in Mediterranean partner countries from 2006 to 2010

	2006		2010		from 2006 to 2010
	Tourist arrivals (in millions)	Tourist expenditures (EUR billion)	Tourist arrivals (in millions)	Tourist expenditures (EUR billion)	Annual average growth (in %)
Algeria	1.4	0.1	1.9	0.2	8.9
Egypt	9.1	5.3	14	11.4	13.5
Gaza/West Bank	n.a.	n.a.	0.524	0.3	n.a.
Israel	1.8	1.4	2.8	3.8	13.8
Jordan	3.2	1.5 ¹	4.4	1.5	9.4
Lebanon	1.1	n.a.	2.1	2.3	22.7
Morocco	6.6	4.8	9.3	5.9	10.2
Syria	8.0 ¹	1.7 ¹	8.5	2.2	1.6
Tunisia	6.6	1.6	6.9	2.7	1.4
Total	37.8	16.4	50.4	30.3	9.0

¹ Data are from 2005.

Source : WTTC.

FEMIP's support for the tourism sector

FEMIP supports tourism through a range of financial and non-financial products to meet the needs of viable projects across the region:

- **by providing long-term loans** for large-scale projects as well as indirect financing for small and medium-sized investment projects. In recent years, it has provided support to more than 100 tourism projects across the region, either directly or through local financial intermediaries, ranging from small cafes through to five-star hotels;
- **by providing finance in the form of private equity** to foster private sector tourism projects. The impact of private equity operations is significant, especially as they all involve direct, unguaranteed financing for the private sector;
- **by providing technical assistance** to promoters during different stages of the project cycle, such as project identification, preparation and implementation. Technical assistance operations are funded by the FEMIP Support Fund, which utilises non-repayable aid granted by the European Commission in support of FEMIP investment activities;
- **by encouraging a better understanding of the economic issues** in the Mediterranean via upstream studies financed under the FEMIP Trust Fund.

FEMIP strives to improve the quality of its projects and their impact on the economic and social development of the Mediterranean partner countries.



Preserving the heritage in a Tunisian sustainable tourism project

In Tunisia, the EIB lent EUR 2.3m to finance the reconstruction, improvement and rehabilitation of DIWAN Hotel, Tunis. The planned architectural and decorative changes are going to respect Medina's cultural and architectural heritage.

At the same time, the hotel will benefit from its central location from the reconstruction of the main road which links the main Mosque of Zitouna to the Mausoleum of Sidi Brahim Riahi.



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Contacting

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Direct loans (with an investment cost of over EUR 25 million) 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 (costing more than EUR 25 million)
- Credit lines to intermediary banks, which on-lend the funds to finance investment undertaken by small and medium-sized enterprises or local authorities
- Credit lines to 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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