



Union for the Mediterranean

Role and vision of the EIB

The European Investment Bank (EIB) is the Mediterranean region's main financial partner, with more than EUR 10 billion invested since 2002.

The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) is its financial arm in the region. In October 2008, the EIB was asked by the Euro-Mediterranean finance ministers at a meeting in Luxembourg to support three priority initiatives of the UfM (Union for the Mediterranean).

Two years after the Paris summit, the EIB presents a broad outline of its involvement in this reinforced partnership.



The logic of Mediterranean action

“Always make sure you understand the logic behind the action”. The FEMIP teams often hear me say this. With our partners, they are responsible for ensuring the success of numerous initiatives, more than four-fifths of which directly serve the aims of the UfM (Union for the Mediterranean). These initiatives are often ambitious and their success always poses a certain challenge. Ambitious because they contribute to the necessary convergence between the two shores of the Mediterranean, thanks to significant and ever-increasing FEMIP funding – in 2009, FEMIP signed loan agreements totalling some EUR 1.6 billion, a record amount that is expected to be maintained or even exceeded in 2010. A continual challenge, because although we are giving financial, operational and technical support to both public and private partners, it is the States themselves who must drive this change and modernisation to form a regional identity.

Through its loans and private equity operations and regional and national studies and technical assistance, FEMIP has proven to be a reliable partner and shown its capacity to serve the Mediterranean countries according to the recommendations of the European Union, as illustrated in the following pages by its efforts to meet the UfM's priorities: cleaning up the Mediterranean Sea, the Mediterranean Solar Plan, land and sea motorways and the Mediterranean Business Development Initiative.

It is often said that Europe has built peace and prosperity gradually, first through technical and economic cooperation with the European Coal and Steel Community, then through the Common Market. In its own way, and with European backing, the Mediterranean can draw inspiration from this long march to build the Union for the Mediterranean. With FEMIP, the UfM already has all the advantages of an important financial tool whereas the EIB only began with the Treaty of Rome. The capacity to provide financial support and targeted technical assistance for national and regional projects, combined with efforts to enhance coordination among partners, is an enormous asset which could become even more important, depending on the direction soon to be taken by the European Union in terms of external policy.

In order to meet the strategic guidelines that will be adopted in the next few months and support the ambitions of the Union for the Mediterranean, FEMIP stands more ready than ever to take action.

Philippe de Fontaine Vive
EIB Vice-President
responsible for FEMIP



FEMIP serving the UfM: an overview

At the ECOFIN Council/FEMIP joint ministerial meeting that followed the Paris Summit (held on 7 October 2008 in Luxembourg) the Euro-Mediterranean finance ministers expressed their satisfaction with the active role played by the EIB in supporting three of the six priority initiatives of the UfM, namely cleaning up the Mediterranean Sea, the Mediterranean Solar Plan and land and sea motorways. Through the FEMIP Trust Fund, the EIB also provides support for the Mediterranean Business Development Initiative, another of the UfM's priority projects.

FEMIP's participation in the UfM's projects quickly became one of the EIB's pillars of action in the Mediterranean partner countries¹. As soon as 2009, 80% of funding concerned the priorities set out in the Paris Declaration of July 2008 and in the conclusions of the meeting of Foreign Affairs Ministers in November 2008 in Marseille. The projects funded by FEMIP include a sanitation project in Lebanon (EUR 70 million), the construction of a wind farm in Gabal El-Zeit in Egypt (EUR 50 million), the widening of the Rabat-Casablanca motorway in Morocco (EUR 225 million) and the first venture capital fund for Palestinian private enterprises (EUR 5 million).

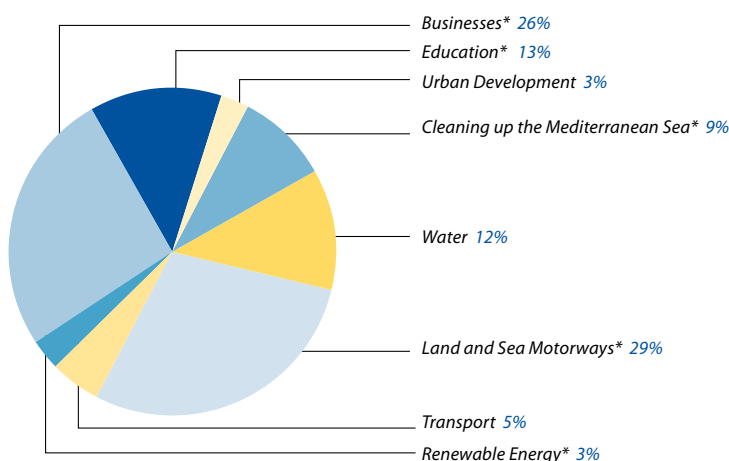
As can be seen in the following pages, the initiative to clean up the Mediterranean Sea has made considerable progress, with

the identification of 78 priority projects and the implementation of a facility to help promoters develop projects that are financially and technically viable and therefore "bankable". Using a similar methodology for the Solar Plan, FEMIP has identified a number of renewable energy projects in the region and is currently defining a financial package for a large-scale pilot project in Morocco. A similar debate and identification of priority projects have been instigated with the other partners in relation to the land and sea motorways initiative. FEMIP has also conducted a study to establish the specifications of the business development initiative. The EIB has set up a think tank of lenders in the urban development sector, aimed at identifying assessment criteria for sustainable urban projects.

In order to achieve its objectives, FEMIP has a wide range of financial and non-financial instruments at its disposal: loans, equity and quasi-equity investment, technical assistance and sector-based studies during the project preparation stage. FEMIP can also count on its solid partnership with the European Commission and other international financing institutions and on the relationship of trust developed with the Member States and partner countries. In this respect, the FEMIP Trust Fund brings significant added value and much greater flexibility to the EIB's activities in the region. In its role as a think tank, it finances debate in new fields that could help to tailor FEMIP's services more closely to the UfM's objectives.

In accordance with the targets of its operational plan, FEMIP will continue to finance the UfM's priority projects during the period 2010-2012 and strengthen its commitment on a political level through close collaboration with the UfM's Secretariat in Barcelona, to which two EIB employees will be seconded. The EIB's main remit will be to evaluate the "bankability" of the UfM's projects and ensure coordination among multilateral and bilateral institutions active in the region.

Breakdown of FEMIP funding in 2009 by sector according to UfM priorities



* Project categories marked by an asterisk are those that correspond to the UfM's priorities

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

Cleaning up the Mediterranean Sea

This major initiative of the Union for the Mediterranean is aimed at combating the main sources of pollution in the Mediterranean Sea between now and 2020. A year after its launch in 2009, the “Mediterranean Hot Spot Investment Programme – Project Preparation and Implementation Facility”, managed by the EIB, is showing its first results.

The “Cleaning up of the Mediterranean Sea” initiative is part of the Horizon 2020 strategy, which has benefited from solid backing from the European Commission and the EIB for several years. The principal aim of this initiative is to reduce the level of pollution in the Mediterranean Sea by identifying and combating the main sources between now and 2020. Wastewater, municipal waste and industrial emissions account for 80% of pollution in the Mediterranean Sea.

With an overall budget of EUR 6.2 million managed by the EIB, the Mediterranean Hot Spot Investment Programme – Project Preparation and Implementation Facility illustrates the selective strategic approach implemented by the EIB to identify bankable projects and address the region’s major environmental issues.

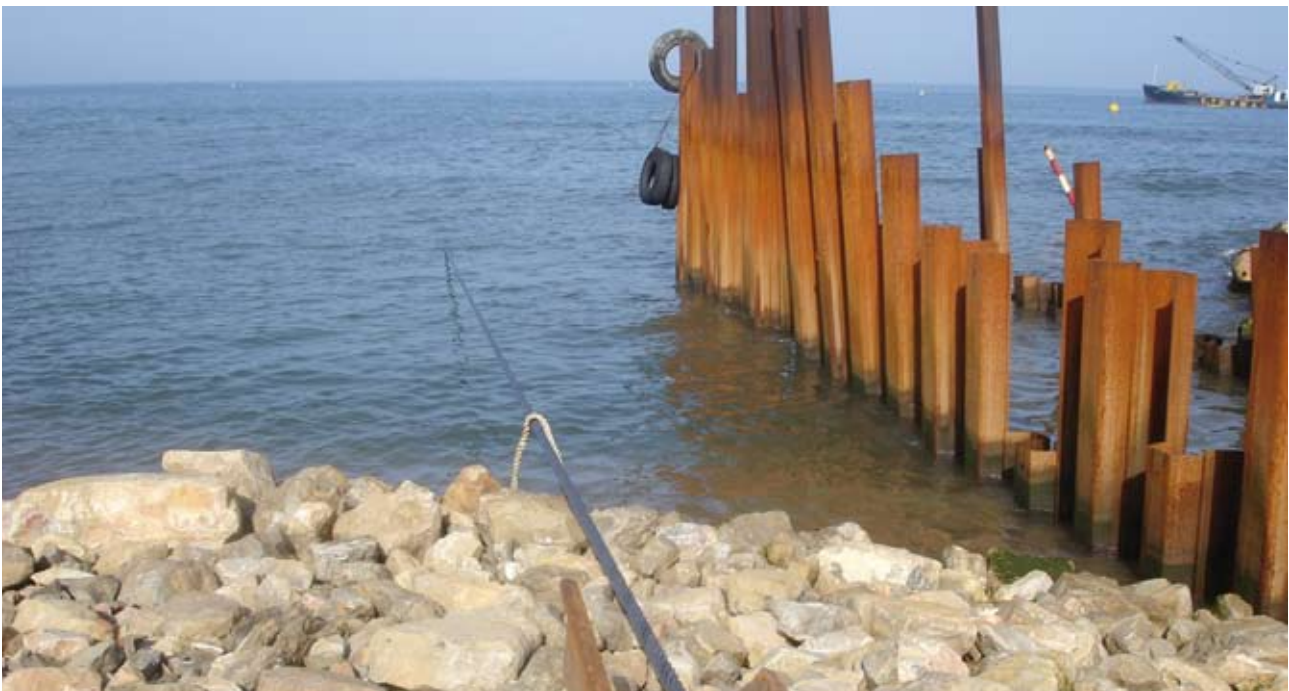
This structural and regional approach is aimed at selecting projects according to financial viability criteria, which is essential for meeting the objective of cleaning up the Mediterranean Sea by 2020.

At present, there are 78 investment projects in the Horizon 2020 programme with a total cost of around EUR 5.7 billion. More than half of these have already received financing. Among the projects that have not yet been funded, the EIB has selected nine investment operations totalling EUR 1.2 billion that it wants to examine and potentially finance during the period 2010-2013.

The EIB is therefore conducting a highly proactive policy to support the UfM’s core initiative of cleaning up the Mediter-

anean Sea. In 2009, it earmarked EUR 140 million to this programme to finance a sanitation project in Lebanon and improve a drinking water and sanitation network for four million people in Egypt.

The EIB’s activity in the region is also marked by greater coordination with other financing institutions, starting with its European partners, the European Commission, AFD and KfW, in addition to other European agencies depending on the project involved, the World Bank and the African Development Bank. The Horizon 2020 programme subgroup charged with pollution abatement, chaired by the EIB in close cooperation with other financial institutions, serves to exchange information on priority investment projects and identify possible financing operations.





Renewable energy: Mediterranean Solar Plan

One of the flagship policies of the Union for the Mediterranean, the Mediterranean Solar Plan is aimed at capitalising on the enormous potential of renewable energy sources in the Mediterranean. The EIB underpins this ambitious policy by examining the possible financial mechanisms to be implemented and supporting pilot projects.

The aim of the Solar Plan is to provide additional capacity of 20 GW of renewable energy in the Mediterranean region (particularly solar and wind) by 2020 in order to meet increasing energy demand and reduce greenhouse gas emissions. The countries in the south and east of the Mediterranean region are expected to find themselves under enormous pressure in terms of energy demand, with a growth rate four times that of the European countries up to 2025.

Launched in July 2008 at the Paris Summit for the Mediterranean, the Solar Plan has boosted the market considerably, resulting in unprecedented organisation of the private sector into consortiums accompanied by strong interest and involvement on the part of the governments of partner countries such as Morocco, Tunisia and Egypt who have implemented an

action plan to develop renewable energy at national level. New high-tech industries should develop as a result and contribute to job creation and the transfer of technology and know-how. In addition to its importance in terms of energy and the environment, the Solar Plan will be a source of economic leverage by stimulating growth and the integration of the Mediterranean region.

FEMIP has begun to play its role in this respect in two main ways. Ahead of the projects, the FEMIP Trust Fund has financed a study on the Solar Plan which lists the projects identified in the region as well as their technical and financial progress². The study should help to define an investment plan for renewable energy financing in the Mediterranean, in response to the request of the Euro-Mediterranean industry ministers who met in Nice in November

2008. The EIB also promotes the transfer of knowledge and best practices for renewable energy and energy efficiency projects in the region. Accordingly, it has implemented an energy efficiency project comprising industrial energy audits in Morocco ("Optima Audit").

On an operational level, FEMIP supports key renewable energy and energy efficiency projects, such as the first Moroccan Solar Plan project promoted by MASEN, the Moroccan solar energy agency, i.e. the construction of a 500 MW solar energy capacity in Ouarzazate. This operation, the first under the Mediterranean Solar Plan, is being carried out in collaboration with the European Commission, development agencies active in the region such as AFD and KfW, and the World Bank. Further projects are also being appraised in Egypt, Israel, Jordan and Tunisia.

² Available on the EIB's website: www.eib.org/femip



Land and sea motorways

The implementation of integrated, efficient transport is a prerequisite for sustainable development in the Mediterranean region. By extending trans-European networks and upgrading transport networks between the countries of the South, trade with the EU and within the Mediterranean region will be reinforced and increased. This is why the development of land and sea motorways is one of the six priority initiatives of the Union for the Mediterranean.

The “Land and Sea Motorways” initiative aims at facilitating the movement of goods and people at sea and on land by integrating transport systems both between the two shores of the Mediterranean and among the various Mediterranean partner countries. The project includes the development of port connections, the construction of coastal motorways and modernisation of the trans-Maghreb rail link. Particular attention is paid to cooperation in the field of safety and security, with a view to the region’s economic integration.

This initiative is based on work instigated by the EuroMed Transport Forum in 2005. The Forum is organised around thematic working groups including the Mediterranean partner countries, the Member States of the EU and the European Commission. The EIB is a member of the Working Group on Infrastructure and Regulatory Issues whose aim is to define

a trans-Mediterranean transport network and draw up a list of priority projects of regional interest for which financial backing will be sought. In particular, it provides the technical assistance required to prepare some of these projects such as a rail link between Damascus and Amman and a logistics platform in Homs in Syria.

Between 2002 and 2009, FEMIP devoted EUR 2.3 billion to the transport sector, of which 85% went to the construction of roads and motorways and maritime and rail transport. In 2010, the EIB contributed EUR 50 million to InfraMed, the UfM’s first financing facility. This fund, launched in conjunction with financial institutions from the north and south of the Mediterranean, will invest in urban, transport and energy infrastructure projects.

The EIB is also helping to implement the safety component of the land and sea motorways initiative. It is one of the sig-

natories of the joint declaration defining the guidelines to be followed by multilateral development banks to ensure road safety. It was within this context that the EIB helped to devise a road safety programme in Tunisia.

FEMIP also supports the development of a Euro-Mediterranean logistics platforms network called LOGISMED. The project involves creating logistics platforms that will provide services across the entire logistics chain, including administrative services and training. Through its Trust Fund, FEMIP has financed a study on setting up an initial network of standardised platforms, defining the common characteristics of a maiden network of Euro-Mediterranean logistics platforms in order to establish a base of common criteria³.

³ Available on the EIB’s website: www.eib.org/femip





SMEs, drivers of growth in the Mediterranean

Small and medium-sized enterprises (SMEs) are one of the main drivers of economic growth. In a changing global environment, characterised by constant structural changes and increasing competitive pressures, SMEs play a crucial role in job creation and economic and social prosperity.

The Mediterranean Business Development Initiative (MBDI) is a priority initiative of the Union for the Mediterranean aimed at encouraging the development of entrepreneurship and promoting viable, sustainable economic growth in the Mediterranean basin. The declaration of the Paris Summit of July 2008 states that the MBDI is “aimed at assisting the existing entities in partner countries operating in support of micro, small and medium-sized enterprises by assessing the needs of these enterprises, defining policy solutions and providing these entities with resources in the form of technical assistance and financial instruments”.

The guiding principles of the initiative are added value, market orientation and joint responsibility in order to ensure their complementarity with existing instruments.

Through its Trust Fund, FEMIP financed a feasibility study on the MBDI. The study was submitted to the Euro-Mediterranean finance ministers at the joint FEMIP/ECOFIN ministerial meeting of the Union for the Mediterranean held in Brussels in May 2010. In accordance with the support expressed at the ministerial meeting, the EIB will submit technical proposals for concrete implementation of the MBDI, coordinated jointly by FEMIP, the European

Commission and the interested parties on the basis of its extensive experience in financing SMEs.

Thanks to its active collaboration with over a hundred banks and forty investment funds, FEMIP made EUR 1.6 billion available to SMEs between October 2002 and December 2009 via two instruments, namely credit lines and private equity operations.

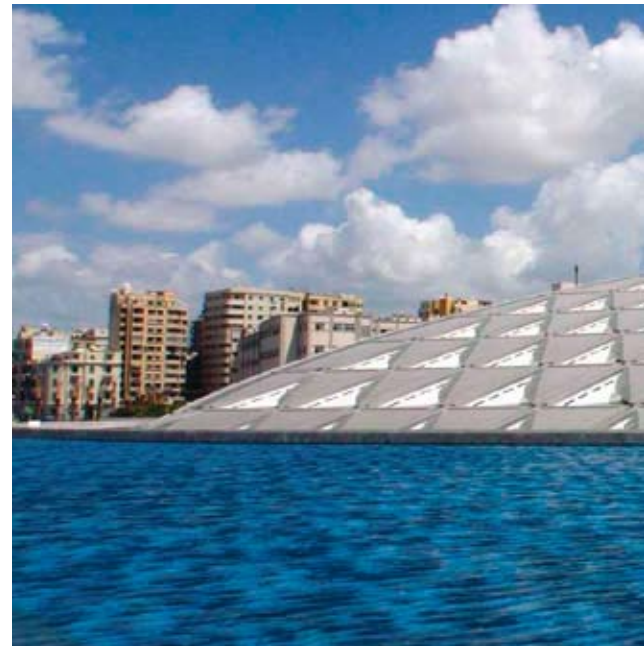
Credit lines set up in cooperation with local intermediary banks enable EIB funds to be extended to small businesses operating in such diverse sectors as industry, agri-food, health, education, tourism and advanced technologies. Through these credit lines, FEMIP has granted EUR 1.4 billion in funds to Mediterranean SMEs. FEMIP’s private equity operations are aimed at strengthening the capital base of productive enterprises through financing in the form of equity and quasi-equity investments. FEMIP’s investment portfolio amounts to nearly EUR 500 million, divided between 39 investment funds, 26 direct investments and 474 joint investments with local financial intermediaries. In addition, FEMIP has provided EUR 27 million to support the development of microfinance in the region.



The European Investment Bank (EIB) is the European Union's financing institution. Its shareholders are the 27 Member States of the Union. Its subscribed capital is EUR 232.4 billion and it has a AAA credit rating.

The EIB is active both within and outside the European Union. The bulk of its lending is for projects in the Member States to support development and integration policies. Outside the EU, the EIB supports projects that contribute to economic development in the EU's partner countries.

Set up in 2002, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) is the EIB's financial arm in the Mediterranean region. Within the framework of the European Neighbourhood Policy and the Union for the Mediterranean, its aim is to promote the economic and financial development of the Mediterranean partner countries.



Operational contacts

Claudio Cortese

Deputy Director General
Directorate for Operations outside the
European Union and Candidate Countries
☎ (+352) 43 79 - 86836
✉ c.cortese@eib.org

Ioannis Kaltsas

Institutional and Policy Unit
Europe's Neighbour and Partner
Countries Department
☎ (+352) 43 79 - 86425
✉ i.kaltsas@eib.org

External offices in Mediterranean partner countries

Egypt: Jane Macpherson

6, Boulos Hanna Street - Dokki,
12311 Giza
☎ (+20-2) 336 65 83
✉ j.macpherson@eib.org

Morocco: Guido Prudhomme

Riad Business Center, Aile sud,
Immeuble S3, 4^e étage,
Boulevard Er-Riad - Rabat
☎ (+212) 37 56 54 60
✉ g.prudhomme@eib.org

Tunisia: Robert Feige

70, avenue Mohammed V
TN-1002 Tunis
☎ (+216) 71 28 02 22
✉ r.feige@eib.org

Press contacts and general information

Anne-Cécile Auguin

☎ (+352) 43 79 - 83330
☎ (+352) 43 79 - 61000
✉ a.auguin@eib.org

European Investment Bank

98-100, boulevard Konrad Adenauer
L-2950 Luxembourg

☎ (+352) 43 79 - 1
☎ (+352) 43 77 04

www.eib.org/femip – ✉ info@eib.org