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**FEMIP**

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**FEMIP meets objectives and receives a boost**

*FEMIP's strong support for the Euro-Mediterranean Partnership was acknowledged at the Euro-Mediterranean Summit's 10<sup>th</sup> anniversary celebrations in Barcelona last November. FEMIP's innovative financial instruments and promotion of private sector development have also been boosted by an additional EUR 1.5 billion for the Mediterranean region in 2006.*

This further assistance, called the **Barcelona Facility**, will enable FEMIP to fulfil its current remits up to mid-2007 pending establishment of the 2007-2013 mandate.

As a transitional measure the Barcelona Facility will be deployed primarily to finance projects with an adequate loan grading.

**In 2005**, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) lent a total of **EUR 2.2 billion** in the Mediterranean partner countries. **Additionally, grants under its Technical Assistance Support Fund reached EUR 21 million.**

FEMIP's 2005 **sectoral objectives have been fully met**. It **increased financing of private sector operations** to EUR 1 119 million, with some half of signatures aimed at supporting small and medium-sized enterprises (SMEs) and foreign direct investment (FDI). Lending in the transport, energy and environment sectors amounted to EUR 740 million, EUR 290 million and EUR 90 million respectively. In 2005 FEMIP signed, in Morocco and Lebanon, its first two bank loans without a sovereign guarantee in the Mediterranean region, under the Special FEMIP Envelope (SFE). Risk capital financing also rose to EUR 45 million, more than doubling last year's amount.

Following discussions under the UK Presidency, FEMIP and the European Commission are working together to support economic regeneration in the West Bank and Gaza Strip in line with the Action Plan presented by the Quartet envoy Jim Wolfensohn. To reduce costs for consumers and support the growth of industrial and economic activity, FEMIP is working to make EUR 45 million available for schemes to improve the quality and reliability of the electricity supply across the Palestinian Territories.

2005 saw the consolidation of the new operational instruments created within the framework of the "Reinforced FEMIP" over the course of 2004:

- The **FEMIP Technical Assistance Support Fund** signed 26 contracts for a total of **EUR 21 million in grants** for studies on increasing the efficiency of investments in infrastructure (39%), the environment (30%), private sector (30%) and human capital (1%) in the Mediterranean partner countries.
- In its first full year of operation, the FEMIP Trust Fund, reached a total of EUR 33.5 million in funds committed, provided by 16 different donors. Over the course of the year, seven projects totalling EUR 3.4 million were approved by the Assembly of Donors.
- FEMIP also strengthened its **local presence** to ensure efficient coordination with the authorities, borrowers, the banking sector and lenders in the region, inaugurating its Rabat **office in June 2005**. This is FEMIP's third office in the region, after Cairo and Tunis, which were inaugurated in 2003 and 2004 respectively.

FEMIP's success has been made possible through the reinforced cooperation among the Mediterranean and EU countries at a political level with the **FEMIP Ministerial Meetings**. The 5<sup>th</sup> Ministerial Meeting took place in Skhirat, Morocco, on 20 June 2005. Celebrating the 10th anniversary of the Barcelona Declaration and "2005-Year of the Mediterranean", the 2005 FEMIP Ministerial Meeting was held under the Presidency of the European Union and was twinned with an extraordinary Euro-Mediterranean ECOFIN Meeting (European Economic and Finance Ministers) held the day before. The meeting reviewed policy and focused in particular

on water and sanitation issues and the development of the region's transport and banking and financial sectors. It reaffirmed the strong commitment of the 35 European and Mediterranean Finance and Economy Ministers to forge a closer economic and financial partnership and received **FEMIP's first Annual Report**.

During the year, the European Investment Bank (EIB), signed an agreement with twelve bilateral development finance institutions from the European Union Member States that are members of EDFI (Association of European Development Finance Institutions) in May 2005, and a Letter of Intent with Agence Française de Développement (Afd) and KfW Development Bank (KfW) in December 2005. These agreements are designed to strengthen cooperation and coordination amongst financing institutions operating in the region.

### **Focus on private sector and private-sector enabling infrastructure**

To meet its primary objective in the Mediterranean region more than half of FEMIP's lending went directly to promote the growth of **private businesses**, through Foreign Direct Investment (Egypt, Turkey) and SME financing (Algeria, Egypt, Gaza/West Bank, Lebanon, Morocco, Tunisia and Turkey).

FEMIP also placed emphasis on **infrastructure projects, including in the energy, transport and environment sectors**, underpinning private sector development in Egypt, Gaza/West Bank, Morocco, Syria, Tunisia and Turkey. Such projects included:

- Power generation and gas transmission/distribution in Egypt, Gaza/West Bank and Syria;
- Improvement of transport infrastructure in Lebanon, Morocco, and Turkey;
- Water supply and water treatment in Lebanon and Turkey.

### **FEMIP lending in 2005 by sector (EUR 2.2 billion)**

- Private sector: 49 %
- Transport and other infrastructure: 34 %
- Energy: 13 %
- Environment: 4 %

For further information on the EIB, visit its website [www.eib.org/femip](http://www.eib.org/femip).

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