



## Annual Press Conference 2007

### **Briefing Note No 09**

#### **The Bank promoting European objectives**

Luxembourg, 8 February 2007

### **Converging with Neighbours of European Union**

The EU Neighbourhood Policy is the driving force for the EIB's activities in the countries bordering Europe in the South and to the East. The priority the EU gives to its neighbouring countries is highlighted by a 2006 decision of the Council to give the EIB a new lending mandate of up to EUR 12.4bn for these countries for the period 2007-2013, the biggest mandate ever outside the Union. This mandate effectively doubles EIB activity in the Mediterranean Partner Countries and increases possible lending in the Eastern neighbour countries six-fold.

#### **FEMIP for the Mediterranean**

Through its Facility for Euro-Mediterranean Investment and Partnership (FEMIP), which brings together the full range of instruments to assist the economic development of the Mediterranean partner countries, the EIB has become the main financial partner of the Mediterranean region, providing finance worth more than EUR 9bn (including Turkey until 2005) between 2002 and 2006. As part of the Barcelona Process and more recently, within the European Neighbourhood Policy, FEMIP promotes the economic and social modernisation of the economies of the Mediterranean partner countries and supports enhanced regional integration, particularly in the run-up to the gradual establishment of a free-trade area with the EU by 2010.

FEMIP focuses its activities on two priority objectives on support for the private sector and on creating an investment-friendly environment. In addition, FEMIP pursues a policy of dialogue with all involved in the Euro-Mediterranean financial partnership, both on the institutional front and with the representatives of the private sector and civil society.

#### *FEMIP in 2006*

The bulk of the lending in 2006 was directed towards the energy infrastructure sector (EUR 594m or 44%). Environmental protection accounted for EUR 325m (24%), while industry and lines of credit to financial intermediaries to support SMEs received EUR 200m (15%) and EUR 115m (8%) respectively. Lending to the health sector amounted to EUR 70m (5%). Risk capital operations rose to EUR 50m (4%).

EUR m	Energy	Environment	Industry	Health & Education	Lines of credit	Risk Capital	Total
Egypt	310		200		40		550
Morocco	170	40		70		10	290
Syria		45					45
Tunisia	114	40					154
Israel		200			75		275
Regional						40	40
<b>Total</b>	<b>594</b>	<b>325</b>	<b>200</b>	<b>70</b>	<b>115</b>	<b>50</b>	<b>1354</b>

In terms of geographical distribution, 64% of the total volume went for projects in the Near East (7 projects worth a total of EUR 870m), 33% to the Maghreb (6 projects worth a total of EUR 444m) and 3% (4 projects worth a total of EUR 40m) to regional projects.

With an active portfolio of EUR 380m of risk capital operations committed to the private sector in the Mediterranean Partner Countries, the EIB has become, thanks to EU budgetary funds, the most active international financial institution in terms of private equity investments in the region. The product range includes direct investments, investments in funds and co-investments with local intermediaries (equity and quasi-equity instruments).

### Some key projects in 2006

- A EUR 260m loan to the construction of two natural gas-fired combined-cycle power generation units in El Atf and Sidi Krir (Egypt) and a EUR 50m loan for the construction of gas transmission pipeline between Abu Qurqas and Asyut in south of Egypt.
- "Beltone Capital" is one of the FEMIP risk capital operations, which involved the Bank acquiring a 9% stake in the capital of the Egyptian investment company for an amount equivalent to EUR 5.6m. Beltone Capital will invest in private sector growth companies, primarily in Egypt, providing them with strategic guidance and expertise. The EIB's contribution in terms of structuring the innovative legal documentation of this open-ended investment company was crucial, providing shareholders with the protective elements of a traditional limited-life fund and enabling Beltone Capital to comply with the highest standards and best market practices.
- The EIB granted its first micro-credit loan from FEMIP risk capital resources in Tunisia to Enda inter-arabe, an NGO which has been providing micro-credit services since 1995 to some 30 000 micro-entrepreneurs – over 85% of them women – with a recovery rate of 99.6%. The objective of this FEMIP financing is to strengthen Enda inter-arabe's capital and enable it to expand its operations in the country's least developed regions. The EIB loan is accompanied by technical assistance financed through budgetary resources.
- A EUR 70m loan was provided to improve the health sector in Morocco, supporting hospital reform, an initiative of the Moroccan Ministry of Health. This project is an ambitious programme of hospital reconstruction, rehabilitation and equipping, with investments in 17 existing hospitals. The purpose of the programme is to improve the quality of buildings and equipment and to contribute to better hospital services across Morocco.

### The coming mandate

In November 2006 the Member States of the European Union agreed to provide an indicative ceiling for EIB lending to the Mediterranean Countries for 2007-2013 of EUR 8.7bn as part of the overall envelope of EUR 12.4bn allocated to the European Neighbouring countries. This doubles the loan resources available under the previous mandate. Within this framework, support for the private sector, which has tripled in absolute terms in the period 2003-2005 compared to 2000-2002, will remain FEMIP's priority. FEMIP will also back partner countries in their quest to create an environment supportive of private sector development by investing in infrastructure. Support to integrated transport, energy and telecommunications networks, including the extension of Trans-European Networks to the Mediterranean and investment in human capital will be part of this.

Dialogue at the institutional level will be organised on three levels: i) a FEMIP Council at Ministerial level (next meeting in Cyprus on 14th May 2007); ii) a FEMIP Committee of representatives from the European and Mediterranean countries and the Commission, which will discuss FEMIP strategy, approve its annual report and provide guidance to Ministers on specific issues, such as sector analysis or definition of new financing instruments. Its first meeting took place two days ago (6 February); iii) FEMIP Conferences will bring together private and public sector representatives, academics and every stakeholder on topics selected by Ministers. The next FEMIP conference, co-organised with the European Banking Federation (EBF) will take place in Paris, on 22 and 23 March 2007, and will focus on the issue of financial transfers from migrant workers in the Euro-Mediterranean area.

FEMIP foresees that under the new mandate its role in the energy and transport sectors will increase further in line with EU and Mediterranean priorities. In the energy sector these are sustainable energy development, competitiveness and security of supply. In preparation, FEMIP is currently undertaking studies concerning renewable energy in the Mediterranean partner countries (together with the "Agence de l'Environnement et de la Maîtrise de l'Énergie" (ADEME) and the "Agence Française de Développement" (AFD)); into the possibilities for carbon finance and crediting activities in the Mediterranean region, to identify priority sectors and build a pipeline of concrete CDM projects, which the EIB could help establish and finance in the years to come; and finally, on the potential for environmentally sustainable bio-fuel production in FEMIP countries.

As regards preparation for an enhanced role in transport, FEMIP addressed the question of the extension of the Trans-European Networks to the Mediterranean partner countries and the different ways of managing transport networks at Ministerial and expert meetings in 2004 and 2005. At the request of the 6<sup>th</sup> FEMIP

Ministerial meeting (Tunis - June 2006), a conference on "Finance for transport networks: meeting the challenge of Euro-Mediterranean economic integration" was jointly organised with the Government of Monaco at the end of 2006. The focus was on communication networks, the investment priorities and the financial resources available from both public and private sector lenders.

### Reconstruction in Lebanon

As confirmed on the occasion of the recent "PARIS III" International Conference, the EIB will support the Recovery, Reconstruction and Reform Plan drawn up by the Lebanese government by providing EUR 960m over the next 6 years for key projects under the Public Investment Programme and for investment in the private sector. As a longstanding partner of Lebanon, the Bank will continue its commitment to infrastructure projects (mainly transport and wastewater), and provide new EIB financing to (i) support SMEs whose activities were negatively impacted by the recent conflict (ii) underpin sector reform, notably in the power sector (Electricité du Liban – E.D.L) and (iii) support private sector investment. Additionally, Technical Assistance grants will help project preparation and implementation, as well as the privatisation process.

### Russia and neighbours to the East

Whereas the EIB has been active in the Mediterranean for some thirty years, the first EIB loan for a project in Russia dates back to 2003. The mandates governing EIB activity in the East have been for relatively small amounts. However, as EU interest in this area of the world grows, so do the sizes and the scopes of the mandates, from an original EUR 100m for Russia in 2001, to EUR 500m for Russia, Belarus, Moldova and Ukraine up to January 2007, to EUR 3.7bn for these countries plus the Southern Caucasus for the period 2007-2013.

The first EIB Mandate for EUR 100m was specifically focused on environmental projects on the Baltic Sea rim of Russia. It resulted in three Bank-financed operations for a total of EUR 85m, all of them co-financed with both EBRD and NIB, benefiting water projects in the St. Petersburg area.

The second Mandate for EUR 500m was for financing projects of major interest to the EU in Russia, Ukraine, Moldova and Belarus, in the environmental sector as well as transport, telecommunications and energy infrastructure on priority trans-European network axes with cross-border implications for an EU Member State. In 2006, the Bank approved a first loan of EUR 200m in Ukraine for the rehabilitation of the final sections of the M-06 motorway between Kiev and Brody along the Pan-European Corridors III and V. The project will be co-financed with the EBRD.

In order for the EIB to be active in individual countries under the mandate, framework agreements have to be concluded between the Bank and the country concerned. So far such agreements only existed with Russia and Ukraine, but in 2006 an agreement was reached with Moldova as well, paving the way for future EIB activity in this country. Also helpful for the Bank's lending in the Eastern neighbour countries was the signing of a Memorandum of Understanding between the European Commission, the EIB and the EBRD on 15 December 2006 which will reinforce the close cooperation in the Eastern neighbour countries.

In the new EIB Mandate for 2007-2013, up to EUR 3.7bn is foreseen for Russia, Ukraine and Moldova, as well as for Armenia, Azerbaijan and Georgia in the Southern Caucasus. Investments will be targeted in the sectors that were covered by earlier mandates, but in addition renewed priority will be given to projects in the energy sector, in particular strategic energy supply and transport projects.

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

Press Contacts: Press Office, [press@eib.org](mailto:press@eib.org), Tel: +352 43 79 21 00; Fax: +352 43 79 21 99  
General Questions: EIB Infodesk, [info@eib.org](mailto:info@eib.org); Tel: +352 43 79 31 00; Fax: +352 43 79 31 99