

## **Annex 6**

of the Commission Implementing Decision on the ENPI Regional South Annual Action Programme 2013 –Part I

### **Action Fiche for Support to the Facility for Euro-Mediterranean Investment and Partnership (FEMIP)**

#### **1. IDENTIFICATION**

Title/Number	Support to the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) (2013)		
Total cost	Total estimated cost: EUR 32,000,000 Total amount of EU budget contribution: EUR 32,000,000		
Aid method / Method of implementation	Project approach – Indirect centralised management with the European Investment Bank		
DAC-code	32130	Sector	SME development

#### **2. RATIONALE**

##### **2.1. Summary of the action and its objectives**

The overall objective of the Facility for Euro-Mediterranean Investment and Partnership is to promote sustainable economic growth in the region through investments in infrastructure and especially in private sector development. The specific objective of FEMIP is to enhance the supply of foreign and domestic financing mainly for private, also public, investments in the region, through direct provision of financial resources.

##### **2.2. Sector context**

The first EU Action in support to FEMIP was created in 2002 to complement the activities of the Facility for Euro-Mediterranean Investment and Partnership. The support to FEMIP is placed in the political context of the European Neighbourhood Policy and the Union for the Mediterranean, aiming at building a shared area of peace, stability and shared prosperity among the Members of the European Union and 10 Southern Mediterranean States: Algeria, Egypt, Israel, Jordan, Lebanon, Libya, Morocco, Occupied Palestinian Territory, Syria and Tunisia.

The EU support to FEMIP under this Action will expand operations in the region. The EU has been financing risk capital operations since the seventies and emphasized its importance and complementarity to other EIB activities as well as to private sector development projects carried out by the European Commission.

The Support to FEMIP finances both technical assistance (TA) and risk capital operations (RCOs).

### **2.3. Lessons learnt**

A review of FEMIP was conducted by the European Commission in 2006. The review concluded that risk capital operations carried out by the EIB, have played an important role in bringing capital to the private sector in Mediterranean Partner countries. EIB direct or indirect participation in companies induces over time better market practices such as better enterprise governance, respect of environmental norms, labour legislation. Moreover, EIB interventions have a catalytic effect on other sources of finance and can lead to innovative projects.

### **2.4. Complementary actions**

The Facility for Euro-Mediterranean Investment and Partnership (FEMIP), gives priority to expanding the private sector in the Mediterranean Partner countries. Under FEMIP, one instrument complements risk capital operations: global loans, financed on EIB own resources. Global loans target SMEs' financing needs via local banking intermediaries.

Technical assistance in itself is complementary to risk capital operations and global loans as regards the general objective of developing the private sector of Mediterranean Partners. TA funds have been successfully used for instance to create a private equity fund in Lebanon and train equity fund managers in Tunisia.

### **2.5. Donor coordination**

The Commission and the EIB have reinforced their coordination in order to ensure that actions carried out by each are coherent and complementary. The opening of local EIB offices has facilitated and strengthened this coordination effort.

A Memorandum of Understanding between the Commission and the EIB was signed in May 2008 to enhance this coordination and cooperation. Moreover, the Management Agreement aiming to define the modalities of the implementation of operations financed from the general budget of the European Union in the framework of the Support to the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) was signed between the European Commission and the European Investment Bank on 20 December 2012.

The Commission, Member States and the EIB will also ensure complementarity between this instrument and the Neighbourhood Investment Facility and avoid any duplication.

## **3. DETAILED DESCRIPTION**

### **3.1. Objectives**

The objective of the Support to FEMIP is to provide capital to the private sector of Mediterranean partner countries on terms that are not available locally.

Risk capital is invested directly or indirectly in order to (i) support the private sector, i.e. enable the creation, restructuring or growth of enterprises (ii) strengthen the role of the local financial sector by supporting the creation of new institutions or the establishment of new activities for the benefit of the private sector.

Technical assistance is mobilised to strengthen FEMIP operations in the Mediterranean region, with a special focus on private sector development.

### **3.2. Expected results and main activities**

The expected results of the risk capital facility are direct or indirect investments in private sector enterprises. Investments will also be made in new or existing financial institutions in as much as their activities are geared to the private sector and in particular SMEs.

As a result of these investments, a number of companies should be established and/or made more competitive jobs should be created and/or maintained.

The expected result of technical assistance is an improved conception and implementation of projects, which should in turn improve the rate of lending and disbursement as well as the development impact of loan projects. The support to FEMIP will also ensure transfer of know-how to various project promoters and the local financial sector.

### **3.3. Risks and assumptions**

A stable political and security climate on the regional level in general and on the country level in particular is needed to promote and secure investments.

### **3.4. Cross-cutting issues**

The EIB ensures that projects financed with EU budget risk capital respect environmental norms. Particularly in the field of microfinance, projects should aim at the integration of women in the labour market.

### **3.5. Stakeholders**

The beneficiaries of the Risk Capital Facility are the private sector in general and SMEs as well as financial intermediaries.

The beneficiaries of technical assistance are private enterprises, public institutions and the financial intermediaries.

## **4. IMPLEMENTATION ISSUES**

### **4.1. Financing agreement**

In order to implement this action, it is not foreseen to conclude a financing agreement with the partner country, referred to in Article 184(2)(b) of the Financial Regulation.

## 4.2. Indicative operational implementation period

The indicative operational implementation period of this action, during which the activities described in sections 3.2. and 4.3. will be carried out is defined on a case by case basis, nevertheless the first disbursement shall be made no later than 3 years after the signature of the contract, this being subject to modifications to be agreed by the responsible authorising officer in the relevant agreements.

## 4.3. Implementation components and modules

### 4.3.1. Indirect centralised management with the European Investment Bank.

This action with the objective of financing Risk Capital (RC) and Technical Assistance (TA) Operations will be implemented in indirect centralised management with the European Investment Bank in accordance with Article 54(2)(c) of Financial Regulation 1605/2002. This implementation is justified because the Commission has decided to delegate some of its budgetary implementation responsibilities to the Bank with a view to the execution of TA and RC Operations.

The European Investment Bank will be entrusted to carry out the following Operations:

- Risk capital Operations;
- Technical assistance Operations;
- Loans on special conditions;
- Interest rate subsidies.

The distribution of funds among the above Operations will be decided jointly by the EIB and the Commission, based on needs and relevance of proposals.

The Commission authorises that the costs incurred by the European Investment Bank may be recognised as eligible according to the modalities stipulated in the new Management Agreement signed between the European Commission and the European Investment Bank the 20 December 2012.

The change of method of implementation constitutes a substantial change except where the Commission “re-centralises” or reduces the level of budget-implementation tasks previously entrusted to the agency.

## 4.4. Indicative budget

<b>Module</b>	<b>Amount in EUR</b>	<b>Third party contribution (indicative, where known)</b>
Indirect centralised management with the European	32,000,000	n/a

Investment Bank		
Total	32,000,000	n/a

#### **4.5. Performance monitoring**

Since 2011 specific TA operations are monitored by the Commission through the Result Oriented Monitoring (ROM) which gives an indication of the performance of the selected operations. The EU external results-oriented monitoring may be conducted by independent consultants engaged and paid by the Commission. The reports of these consultants are shared with the Bank, who shall be entitled to provide their comments.

For RCOs, performance indicators are going to be put in place for Operations signed by the EIB after the entry into force of the Support to FEMIP Management Agreement (i.e. December 2012).

#### **4.6. Evaluation and audit**

All Operations will be subject to the relevant Bank's procedures regarding monitoring, evaluation and inspection. Annual report on each on-going operation for risk capital, interest rate subsidies and technical assistance will be produced by the EIB and submitted to the Commission. Reports will include financial and non-financial monitoring and evaluation, leverage effect and development impact expected.

#### **4.7. Communication and visibility**

The Commission and the Bank will take all appropriate measures to ensure the visibility of the financing of an Operation by the European Union. The information circulated through the media, and/or addressed to the Final intermediaries and the Final beneficiaries of an Operation will always mention the fact that the Operation was financed by the European Union or carried out with the financial assistance of the European Union and display the European logo in a suitable manner. This will also apply to external reports and brochures published directly by the Bank concerning, in full or in part, the Operations.