



## FEMIP Financing operations in Syria

FEMIP<sup>1</sup>, the European Investment Bank's Facility for Euro-Mediterranean Investment and Partnership, is the key player in the financial partnership between Europe and the Mediterranean, providing EUR 13 billion of finance between its inception in October 2002 and December 2011.

2011 was marked by a chain of momentous transformations in the Southern and Eastern Mediterranean region, creating an unprecedented situation. This new paradigm reinforces FEMIP in its determination to contribute to economic progress to address the socioeconomic challenges facing the region in terms of demographics, employment, sustainable growth and regional development.

As the European Union's financing institution, the EIB has supported Syrian growth by financing infrastructure projects that improve the business climate and by encouraging private sector initiatives. It has provided finance of nearly EUR 1.4 billion since the start of its activities in Syria in 1978, with a significant increase since the establishment of FEMIP in 2002. Due to the unrest in the country and as a result of EU sanctions, no new financing operation has been pursued by the Bank and all ongoing disbursements and technical assistance are currently suspended.<sup>2</sup>

Syria was not greatly affected by the global financial crisis, enjoying real growth rates of 6% in 2009 and 3.2% in 2010. However, in 2011 growth was negative (estimated at -2% in real terms) owing to the current unrest and resulting sanctions imposed by the international community. As a result of the situation in the country and the decrease in oil, tourism and tax revenues, the fiscal deficit is expected to increase sharply in 2011, to 11%.

### About FEMIP

FEMIP brings together the whole range of services provided by the European Investment Bank (EIB) in the Mediterranean partner countries.

Over the period 2007-2013, FEMIP has EUR 9.7 billion at its disposal 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. A further EUR 2 billion is available for activities to combat climate change outside the European Union.

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.

<sup>1</sup> FEMIP brings together the whole range of services provided by the EIB in the Mediterranean partner countries (Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and soon Libya).

<sup>2</sup> On 14 November 2011 the Council of the European Union prohibited the EIB from making any disbursements or payments under or in connection with existing loan agreements with Syria and suspended all existing technical assistance service contracts for sovereign projects located in Syria.

### The EIB in Syria: a multisectoral approach

EIB financing operations in Syria since 1978 have covered areas such as energy, transport, telecommunications, the environment, health, industry and support for small and medium-sized enterprises (SMEs):

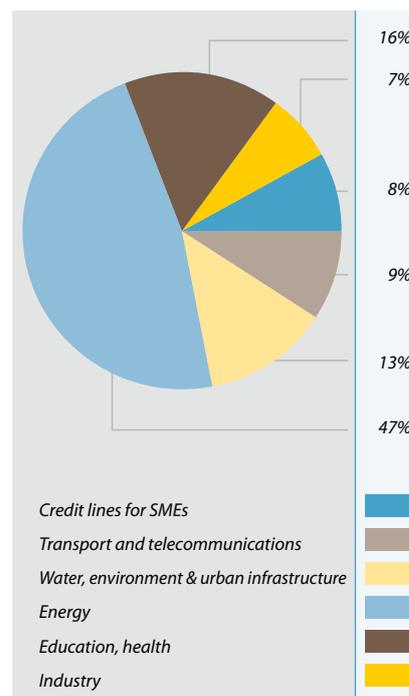
- **Energy:** This sector is the largest beneficiary of EIB loans in Syria, with EUR 676 million of finance provided for the upgrading and modernisation of the electricity transmission and distribution systems and construction of two power plants, Deir Ali I and II. These last two projects will produce around 1 500 MW of new electricity generation capacity with higher efficiency than existing power plants.
- **Transport and telecommunications:** The modernisation of the port of Tartous (EUR 35 million loan) and the development of rural telecommunications ( EUR 55 million) account for the bulk of EIB finance for the transport and telecommunications sector (EUR 127 million).
- **Water, the environment and urban infrastructure:** The Bank has helped Syria upgrade its municipal infrastructure in a number of sectors, particularly water supply and wastewater, solid waste and urban renewal (EUR 50 million loan) and the development of modern water infrastructure in the north-western coastal area of the country (EUR 55 million loan).

It has also provided finance for the Damascus Rural Water and Sanitation project, which aims to provide drinking water and wastewater collection and management services to around 200 000 people in 14 communities (EUR 45 million loan).

Altogether the EIB has provided EUR 186 million for water, irrigation and municipal infrastructure projects.

- **Health:** The EIB has helped with the modernisation of hospitals throughout the country through two loans, in 2002 and 2010, for a total amount of EUR 230 million. These loans will improve and broaden people's access to hospital services and increase the country's capacity to respond to the underlying needs of the population.
- **Industry:** The first EIB loan in Syria signed with a private sector company was signed in 2009 for the construction of a cement plant near Aleppo (EUR 105 million).
- **Support for SMEs:** Two credit lines totalling EUR 107 million were provided to finance capital investment projects undertaken by Syrian small and medium-sized enterprises in 2003 and 2007. The first credit line was the Bank's maiden operation in Syria in support of the private sector.
- **Microfinance:** The EIB invested EUR 2 million in the First Microfinance Institution Syria, thereby offering a wide choice of financial services to the most underprivileged sectors of the population.
- **Technical assistance (TA):** Until the recent unrest in the country, Syria was one of the biggest beneficiaries of EU-funded FEMIP TA operations, which are procured and managed by the EIB. Over EUR 30 million was provided for 27 TA operations between 2003 and 2010. Technical assistance is a key instrument for improving the quality of lending operations and increasing their impact on development. The technical assistance portfolio in Syria was as diversified sector-wise as the lending portfolio.

### Sectoral breakdown of EIB operations in Syria (1978-2011): EUR 1.4 billion





### A forum for dialogue

FEMIP involves the Mediterranean partner countries in its lending policy guidelines through constructive discussions on economic, financial and sectoral matters. This dialogue operates at three levels:

- The FEMIP Ministerial Meeting, which brings together once a year the Euro-Mediterranean Ministers of Economy and Finance.
- The FEMIP Advisory Committee, which is composed of representatives of the Member States, the Mediterranean countries and the Commission. The Committee meets several times a year and has the remit of discussing FEMIP's strategy, approving its annual report and issuing opinions on the launch of new financial products.
- The FEMIP Conferences, which periodically bring together representatives of the private and public sectors and civil society, academics and experts to discuss topics relating to regional integration and economic development in the Mediterranean partner countries.





Facility for Euro-Mediterranean Investment and Partnership



## FEMIP

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](http://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 private sector development

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