

*The European Investment Bank's activities are concentrated mainly within the European Union. However, the Bank also makes significant amounts available under the technical cooperation and development aid policies established by the EU in favour of Syria and nine other Mediterranean Partner Countries (MPC).**

The EIB has been operating in Syria since 1979, in support of the financial co-operation between the EU and this country. Since 2000, the EIB has lent a total of EUR 340 million in Syria concentrating on projects that have a fundamental impact on the economic development of the country, such as electricity, health and transport schemes.

**Algeria, Egypt, Gaza and the West Bank, Israel, Jordan, Lebanon, Morocco, Tunisia, Turkey*

Framework for EIB lending to Syria

In Syria and in most MPC, the Bank provided assistance between 1977 and 1996 on the basis of four Financial Protocols - approved by the EU and the beneficiary country - which determined the amount of funding for loans. In addition, between 1992 and 1996, the EIB made available a "horizontal package", totalling EUR 1 800 million, in support of the Redirected Mediterranean Policy. The funds earmarked were allocated by the EIB in the form of long-term loans from its own resources and risk capital operations from EU budget resources. EU financial cooperation with the MPC also provided for grant aid channeled via the European Commission.

EIB finance in Syria:

- 1977 - 1981: 1st Protocol: EUR 18 million in EIB loans and EUR 4 million in special loans financed from EU budgetary resources;
- 1983 - 1986: 2nd Protocol: EUR 37 million in EIB loans and EUR 7 million in special loans;
- 1988 - 1991: 3rd Protocol: EUR 63 million in EIB loans and EUR 2 million in risk capital contributions (financed from budgetary resources);
- 1992 - 1996: 4th Protocol: EUR 80 million in EIB loans and EUR 2 million in risk capital contributions;
- Off-Protocol (horizontal package):
EUR 59 million, of which EUR 58 million in EIB loans.

European Investment Bank's activities in the Mediterranean are targeted at three separate but complementary aspects, designed to strengthen the EU-Mediterranean policy of cooperation and partnership and provide the beneficiary countries with significant support for their policy liberalisation and economic development. The finance:

- enables the beneficiary countries to gain access to the long-term funds essential for strengthening and expanding economic infrastructure - transport, energy, water, telecommunications - thus meeting crucial development needs. To this end, the Bank proposes long-term loans with grace periods justified by the nature of the projects for which funding is provided;
- is intended to underpin the EU's activities throughout the Mediterranean in the field of environmental protection; here the Bank has, since 1992, had the support of the European Commission, which provides interest subsidies on long-term loans offered by the EIB;
- is focussed on promoting the private sector - either through loans from the Bank's own resources or risk capital contributions. The private sector's vitality will help to guarantee the success of the new agreements paving the way for free trade.

Venture capital, financed from EU budgetary resources, enables the repayment clauses to be tailored to the performance of the project financed, while at the same time reinforcing the capital base of the enterprise promoting the project, for:

- 1-development of the financial sector and the provision of new financial products (investment funds, venture capital and development capital companies, etc.);
- 2-competitive conversion of companies, an essential factor with a free trade area in prospect;
- 3-privatisation programmes of the states concerned, either at the level of industrial enterprises or of the transfer of activities in the form of concessions (or under similar arrangements).

The Euro-Mediterranean Partnership

The early 1990s were marked by major changes, calling for a strengthening of relations between Europe and the Mediterranean, and a heightened awareness in Europe of the urgency of the need to establish a Euro-Mediterranean area.

The Barcelona Declaration, adopted on 28 November 1995 at the Euro-Mediterranean Conference of Foreign Affairs Ministers, inaugurated the Euro-Mediterranean Partnership. This joint initiative of the 27 partners meeting in Barcelona - the 15 Member States of the European Union and 12 Mediterranean partners - focused on three objectives:

- Defining a common area of peace and stability by means of stronger political and security dialogue;
- Building a zone of shared prosperity by means of an economic and financial partnership and gradual introduction of a free trade area, in order to integrate the Mediterranean partners into the zone's largest economic region, the European Union;
- Fostering closer relations between peoples by means of a partnership in social, cultural and human affairs aimed at promoting understanding and exchanges between different cultures and societies.

Facility for Euro-Mediterranean Investment and Partnership (FEMIP)

Established following the Barcelona European Council (March 2002), FEMIP represents a major evolution of the Euro-Mediterranean Partnership. FEMIP accords absolute priority to the development of private sector economic activity and to projects contributing to the creation of a favourable climate for private investment. Its aim is to assist the MPC in confronting the challenges of their social and economic modernisation and improved regional integration, looking ahead to the Euro-Mediterranean free trade area planned for 2010.

By 2006, the EIB plans to invest between EUR 8 and 10 billion in the MPCs, through existing Mediterranean mandates, risk capital resources from the EU budget as well as technical assistance and investment aid funds provided by the Union. During FEMIP's first full year of activity the EIB extended over 1.8 billion of new loans and approved a pipeline of 17 new investment operations for another EUR 1.8 billion. More than one third of financing directly promoted the growth of private businesses

The EIB and Syria

Since the first co-operation agreement between Syria and the EEC in 1979, the EIB has lent EUR 326.4 million under the four Financial Protocols, principally for transport links (major highways), environmental protection (water and wastewater treatment) and energy (power generation and transmission). Since 2002, the EIB has provided EUR 190 million in favour of healthcare (modernisation of regional hospitals),

transport (upgrading the Port of Tartous) and for a global loan to support capital investment projects of small and medium sized enterprises.

EIB financial products

The different types of financing provided by the EIB complement each other and are designed to diversify the range of products available in the MPC:

- Long-term direct loans for large- scale projects (costing more than EUR 25 million);
- Indirect loans or global loans, lines of credit to the local financial and banking sector for on-lending to SMEs in the form of long-term loans or making equity participations;
- Structured finance tailored to innovative companies, a financial segment largely under-developed in the MPC;
- Risk capital financing to strengthen companies' equity;
- Innovative financial instruments, such as quasi-equity, conditional loans, mezzanine finance, financial leasing;
- Technical assistance funds, earmarked primarily for project identification, design and management as well as support for the reform and privatisation processes.

How to introduce a financing request?

Loan applications for large-scale projects in Egypt may be sent directly and with no particular formalities to the EIB's headquarters in Luxembourg (**Ms Jane Macpherson**, Head of Division Middle East, Fax: (+352) 4379-7355 j.macpherson@eib.org). Loan applications for small and medium-scale projects must be submitted to the EIB 's financial or banking intermediaries for its global loans in the MPC. The list of these is regularly updated on the EIB 's website (www.eib.org)

The European Investment Bank

The EIB is owned by the EU Member States. Set up in 1958, its mission is to contribute to the EU's policy objectives by financing sound investment. Though a not-for-profit organisation, it is self-financing, raising its funds by borrowing on capital markets. EIB's key operational objectives are to finance: regional development and economic and social cohesion of the EU, including integration of future Member States; knowledge and R&D intensive industries; environmental protection and improvement; improved international competitiveness of industry; SMEs; trans-European networks in transport, telecom and energy; human capital: education and health. EIB also supports the EU's development and co-operation policies in Partner Countries outside the EU by providing finance under mandates.

For further information on EIB lending in non-EU-member Mediterranean countries, please contact the Information and Communications Department at the EIB in Luxembourg: Daniela Sacchi-Cremmer,
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