

EBRD's activities in the southern and eastern Mediterranean region



European Bank
for Reconstruction and Development

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The southern and eastern Mediterranean is the latest region in which the Bank is working to support economic change in emerging democracies.

In the wake of historic changes that swept across the Middle East and North Africa in 2011, and in response to calls from the international community and from emerging Arab democracies themselves, the EBRD's shareholders gave unanimous backing to the expansion of the Bank's mandate, allowing future activities in the southern and eastern Mediterranean (SEMED) region which includes Egypt, Jordan, Morocco and Tunisia.

The EBRD will apply the lessons of over 20 years of experience that it has gained through supporting the process of economic and democratic change in eastern Europe into this new region.

The activities in the SEMED region will be launched in a three-stage process that has already seen the flow of technical assistance funded by grants from donors and the launch of investments through Special Funds. During the first phase, cooperation funds allowed the Bank to start research work, identify and prepare investment projects, build capacities of prospective clients and foster cooperation with other institutions active in the region. The Bank also engaged with governments, business, civil society representatives and international financial institutions to develop its understanding of country priorities.

The second phase, now underway, initiated investments through Special Funds. At the Bank's Annual Meeting in May 2012 the EBRD Board of Governors allocated €1 billion from the Bank's net income to implement early investment operations. The Board of Governors has also granted the four countries the status of potential recipient country of operation. The EBRD has now opened offices in the four countries. It expects to be investing up to €2.5 billion in the SEMED region by 2015.

The final and third phase will launch full-scale activities once relevant changes to the Bank's founding articles have been fully ratified.

The EBRD's priorities in the SEMED region

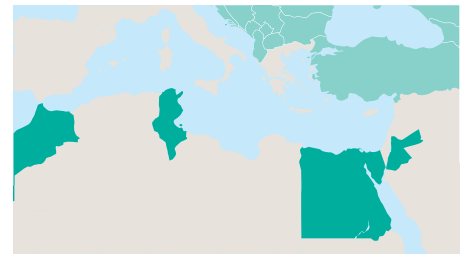
The goal is to improve financing of the private sector, including small and medium-sized enterprises (SMEs), via investments in loans and equities, while providing support and expertise through policy dialogue, capacity building and other forms of technical assistance. The Bank has identified these initial priorities:

- ▶ Develop credit lines and assistance to SMEs, whose development has a major impact on growth and job creation
- ▶ Enhance the agribusiness value chain by boosting yields, logistics, and resource efficiency. The Bank will seek to build efficient production methods in agriculture by supporting the development of a more competitive agro-processing industry
- ▶ Build capacity for risk-taking and product innovation in the banking sector, in order to enable the sector to reach new groups of customers and address needs that are currently undersupplied. The development of local capital markets together with other IFIs will also be a key objective
- ▶ Support renewable energy and energy efficiency investments. The Bank will assist governments in unbundling and gradually liberalising the sector while strengthening regulatory agencies. Energy efficiency practices should be introduced throughout all sectors of the economy

Investments in SEMED

SEMED countries

Egypt, Jordan, Morocco and Tunisia



Initial EBRD investments

US\$ 30 million

Trade finance facility with INVESTBANK to help Jordanian companies in international trade

€20 million

Maghreb Private Equity Fund III (MPEF III) to support the development of the private equity sector in Morocco and Tunisia

€20 million

Loan to Societe Generale Marocaine for onlending to micro, small and medium sized enterprises

- ▶ Develop non-sovereign solutions for infrastructure. There are significant investment needs in infrastructure which cannot be financed from fiscal sources alone. Decentralisation of municipal services, the involvement of the private sector and other approaches, together with solid regulation in order to ensure best value for users will be important in all SEMED countries in the coming years.

Donor partnerships

Generous donor support enabled the Bank to start technical cooperation (TC) activities in the SEMED region in 2011. Funding for around 60 TC projects has been approved so far. Over €25 million worth of TC projects are currently in the implementation and procurement process. Through this funding, the EBRD is providing expertise to small and medium-sized businesses. The Bank is also focusing on project preparation in order to be ready for investments. One such project is the agribusiness framework being set up in all four countries with companies in the food sector, and a local enterprise facility to prepare small direct financing operations. Other projects include preparing for investments in utility companies in Jordan and Morocco.

The Bank is also conducting sector assessments, including private sector transport opportunities in Egypt, Morocco, Tunisia, and Jordan; assessments of the legal frameworks for sub-sovereign financing in the same countries; and market demand studies for sustainable energy investments in all four countries.

Capacity building activities, including training of professionals of potential partner banks, technical assistance to banks to improve microfinance products and risk and balance sheet management are also funded by donors.

The Bank is working closely with other IFIs, especially the Arab Monetary Fund, in a local capital market development initiative. This is a longer-term proposition but a particularly important area if there is to be sustainable funding for investment and growth.

Donor funding for SEMED

SEMED multi-donor account € million

Australia	0.5
Finland	3.5
France	3.0
Germany	1.0
Italy	0.5
Netherlands	2.0
Norway	2.0
Sweden	1.0
United Kingdom	5.8
Other	
EU Neighbourhood Investment Facility	20.0
EBRD (from net income)	20.0

Contacts

Southern and Eastern Mediterranean region
Hildegard Gacek
Managing Director
Tel: +44 (0)20 7338 6000
Fax: +44 (0)20 7338 7682

Official Co-financing Unit
Adrian Keler, Manager
keler@ebrd.com
Tel: +44 (0)20 7338 6862

European Bank for Reconstruction and Development Headquarters
One Exchange Square
London EC2A 2JN
United Kingdom
Switchboard/central contact
Tel: +44 20 7338 6000
Fax: +44 20 7338 6100

Information requests
For information requests and general enquiries, please use the form at:
www.ebrd.com/about/contacts/pipform.htm

Project enquiries/proposals
Tel: +44 20 7338 7168
Fax: +44 20 7338 7848
Email: newbusiness@ebrd.com

Publications requests
Tel: +44 20 7338 7154
Fax: +44 20 7338 6102
Email: pubsdesk@ebrd.com

Press enquiries
Tel: +44 20 7338 7805
Fax: +44 20 7338 6690
Email: press@ebrd.com

Civil Society Engagement
Tel: +44 20 7338 6629
Fax: +44 20 7338 6857
Email: ngo@ebrd.com

Moroccan enterprises get expert advice

In Morocco, the EBRD's Small Business Support (SBS) team is working with Folly Fashion, a company operating in the women's clothing sector which blends modern design and traditional inspiration under the brand Marwa. The firm is using the advice of an industry specialist to expand its business and overcome the bottlenecks that slow down production and shop replenishment.

This is just the beginning for SBS in Morocco, whose programme in the SEMED is generously supported by the EU through the Neighbourhood Investment Facility (NIF).

Since December 2011, SBS has started 39 projects in industries as diverse as agribusiness, textile, ICT and retail across the SEMED region.



Small Business Support (SBS) web site
www.ebrd.com/sbs