

Chapter 5:

European Investment Bank

2003

European Investment Bank

New Loans

European Investment Bank (EIB) activities in Syria picked up considerably during 2003. Two new loans were signed, compared with only one in 2002. The two new loans bring the EIB's total loan portfolio signed in Syria since 2000 to € 380 million (5 loans), covering total investment projects of about € 1 billion. The implementation of existing projects has made considerable progress, as witnessed by the start of disbursements under EIB loans in the course of 2003.

All EIB loans in Syria are coordinated with the



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relevant EU-funded Technical Assistance projects. For example, the Power Sector Action Plan project (see Chapter 3) is closely linked to the electricity transmission and distribution loans discussed below. Equally, the healthcare loan is coordinated with the Health Sector Modernisation Programme, etc.

The first new loan of € 50 million for the modernisation and expansion of the Port of Tartous was signed on 22 May 2003 under the Bank's Euromed II Lending Mandate. The loan will help the Port of Tartous to increase port traffic and improve its working methods. In particular, the loan will help improve container and general cargo traffic and introduce more effective working practices, especially concerning cargo handling equipment. The operation will strengthen the country's infrastructure, technology and services, with a view to preparing Syria for its participation in the Euro-Mediterranean Free Trade Area. The EIB will complement the loan with Technical Assistance for the Port of Tartous, financed

under the Facility for Euro-Mediterranean Investment and Partnership (FEMIP) Technical Assistance Fund (see below for more details) provided by the EU budget. The Technical Assistance will support the Port Authority in port management and project planning over the period 2003-2006.

The second new loan is the SME Fund to finance capital investment projects of Syrian small and medium sized enterprises (SMEs). The € 40 million Fund, which represents the first EIB operation directly in support of Syria's private sector, was signed on 15 September 2003 by the Syrian Ministry of Economy and Foreign Trade under the Bank's Euromed II Lending Mandate. The primary focus of the EIB's new "Facility for Euro-Mediterranean Investment and Partnership" (FEMIP) is to foster development of the private sector and its socio-economic environment. The SME Fund loan will be managed by the SME Fund Management Unit, which will identify SMEs projects in the sectors of industry, services, tourism, health and training. The SME Fund Management Unit will be assisted by external consultancy support, selected by the EIB and financed under the FEMIP Technical Assistance Fund provided by the EU budget. The loan will be supported by and coordinated with other EU Technical Assistance projects, notably the Syrian European Business Centre (SEBC).

Ongoing Loans

During the year, there was considerable progress on existing loans covering the electricity and healthcare sectors.



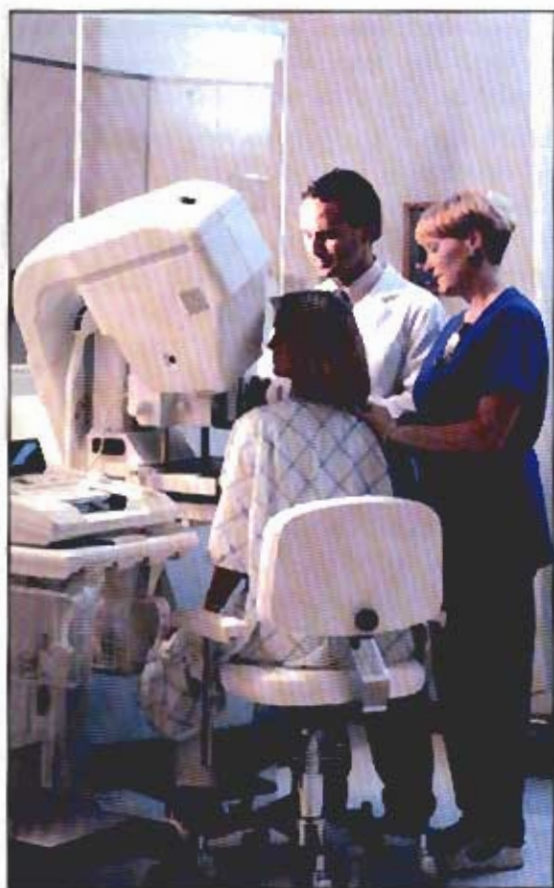
€ 50 million, EIB's loan to modernization of Tartous port

In the area of electricity, the bank has provided a total of € 190 million to the two authorities responsible for electricity transmission and distribution, including the Public Establishment for Generation and Transmission of Electricity (PEGTE) and the Public Establishment for Distribution and Exploitation of Electric Energy (PEDEEE).

The EIB transmission loan amounts to € 75 million and finances the purchase of high voltage transformer stations. Loan disbursement reached about 50%, while tenders have been launched for over 80% of the available finances. This loan benefits from an interest

Tenders for about 50% loan volume were prepared and launched during the year.

As regards the healthcare sector, the Ministry of Health prepared a € 333 million investment programme that will enable the construction, equipment and functioning of eighteen 120-bed general hospitals throughout Syria. The EIB participates in this programme with a loan of € 100 million. The remaining will be financed by the Ministry of Health for € 209 million and with soft loans from the Spanish and Italian co-operation for the remaining € 24 million. The contribution of the Bank will equip 15 out of the 18 new hospitals. The equipment ranges from surgical tools to highly sophisticated technologies such as general imaging equipment or haemodialysis. The loan takes into account environmental equipment, including wastewater equipment and incinerators. During the year 2003, the Ministry of Health launched 13 tender dossiers, completed tender procedures, and signed 11 contracts with suppliers. Deliveries and installations should be almost complete by the end of 2004.



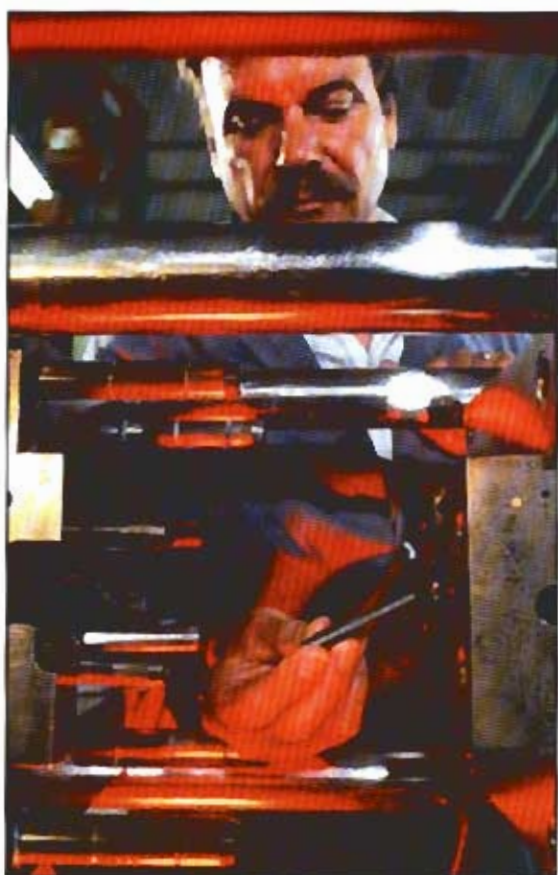
EIB's loan of € 100 million to support healthcare sector in Syria

rate subsidy of 2% provided by the EU budget, which reduces the cost of servicing the loans for the Syrian Government by an amount of up to € 11.6 million.

The EIB distribution loan amounts to € 115 million and finances the purchase of transformer stations for medium-low voltage.

Facility for Euro-Mediterranean Investment and Partnership (FEMIP)

The Facility for Euro-Mediterranean Investment and Partnership (FEMIP), established within the European Investment Bank (EIB), is a major step forward in financial and economic cooperation between the EU and the Mediterranean Partner Countries. Overall, it foresees € 8-10 billion in funding of investments in the partner countries by 2006. It has at its disposal funds under the existing Euro-



FEMIP's top priority is to promote SMEs

Mediterranean mandates, risk capital resources from the EU budget, as well as technical assistance and investment aid funds provided by the EU. FEMIP's top priority is to promote private sector development (especially SMEs and FDI) and to support projects helping to establish a propitious climate for private investment (economic infrastructure,

health and education schemes). FEMIP's ultimate goal is to help partner countries meet the challenges of economic and social modernisation and enhance regional integration in the run-up to the creation of a Euro-Mediterranean Free Trade Area planned for 2010.

FEMIP was established in October 2002 following the Barcelona European Council meeting in March of that year. Satisfactory results during its first year of operations led the European Council in December 2003 in Brussels to further reinforce FEMIP through closer cooperation between the 27 Euromed Partner countries. A trust fund was established open to member states interested in Mediterranean issues and promoting innovative financing instruments. This development allowed the EIB to be more risk taking.

FEMIP aims at stepping up long-term lending and developing new products and technical assistance. Through FEMIP, the EIB has lent a total of € 3.7 billion over the last two years for operations from which nearly all the Mediterranean Partner Countries have benefited. For 2004, FEMIP achieved financing operations totalling some € 2 billion.

The FEMIP Technical Assistance Fund was established in July 2003 as part of the EIB's increased role in support of Mediterranean Partner Countries under the EU Barcelona Process. Funded by the EU budget, the FEMIP TA Fund will help accelerate and enhance the preparation and implementation of investment projects in the Mediterranean region. Currently, the fund disburses € 105 million in grants for Technical Assistance projects, whose works and services are procured in line with EU-MEDA regulations.