



**COUNCIL OF
THE EUROPEAN UNION**

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NOTE

from:	General Secretariat of the Council
to:	COUNCIL
Subject:	Draft Council conclusions on the review of the reinforced FEMIP

Delegations will find attached draft Council conclusions on the review of the reinforced FEMIP.

The text has been prepared by the Economic Financial Committee.

**Draft (ECOFIN) Council Conclusions
on the review of the reinforced FEMIP**

Following the invitation by the European Council in December 2003, the Ecofin Council has assessed the performance of the reinforced Facility for Euro-Mediterranean Investment and Partnership (FEMIP) and its possible evolution taking into account partner countries' views. The results achieved by the reinforced FEMIP were evaluated positively, since it has proved to be instrumental in channelling funding to the Mediterranean region through lending to private companies and infrastructure investment aiming at enhancing the business environment.

However, Member States also noted that the effectiveness of FEMIP could be enhanced further, in particular with respect to supporting the private sector, especially SMEs, which has not yet stabilised at the 50%-target of FEMIP activities. At the same time, Member States agree that the effectiveness of FEMIP also depends on the business environment in Partner countries becoming more conducive to private sector development and on regulatory obstacles in partner countries being removed.

Against this background and the results of the consultations with the Partner countries, the Council agrees that, at the current juncture, the best way forward to enhance partnership with Mediterranean partners is to develop this instrument further with the following priorities:

- improving the linkages of FEMIP with the European Neighbourhood Policy (ENP) including by a better integration of the EIB's activities into the EU country strategies and by better combining EIB loans and EU budgetary resources. To this effect, adequate resources should be provided by the Community budget;
- developing further the FEMIP instruments in order to overcome the obstacles to more effective financing of the private sector, in particular SMEs. To this effect:

- the allocation of risks between FEMIP, local financial intermediaries and local companies should be improved mainly by encouraging increased risk-taking by local intermediaries;
- EIB risk-taking should be increased through a more active use of the Special FEMIP envelope;
- incentives should be provided together with technical assistance to local intermediaries in order to make global loans more effective and accessible to SMEs;
- the risk borne by SMEs should be alleviated through local currency guarantees and loans; and
- risk-capital resources and technical assistance could be used more often to enhance the quality of local SME projects and should continue to support activities with a higher risk profile;
- strengthening partnership and local interaction notably by creating an advisory committee, including representatives from Mediterranean countries, to strengthen ownership of partner countries.

In implementing these priorities, the EIB should continue to safeguard FEMIP's value added vis-à-vis the market and other IFIs.

Member States invite partner countries

- to facilitate private sector development and encourage structural reforms, in particular financial sector reform; and
- to commit to closer co-operation with the EIB, in particular ensure that the EIB can issue bonds in local markets.

The Council will continue to monitor the performance of FEMIP.
