

SPEECH

The European Commission financing on Energy, environment and water for the Mediterranean regional programme

It is a great pleasure to be here with you to exchange views on the financing of projects on energy, environment and water in the Union for the Mediterranean. As you know, I speak on behalf of Commissioner Füle.

The Union for the Mediterranean was born with a clear perspective to function as a catalyst to spur investments in the region in a wide range of sectors. These extend from renewable energy, de-pollution and better transport, to increased trade, stronger regional education centers and many other endeavors that can create the growth and - more importantly - jobs that our region needs. Projects are an important pillar of our efforts to implement this challenging initiative.

Technically strong, well-focused and strategic cooperation of this type will also give a substantial impulse towards achieving our main political objective, to create an area of peace, security and stability in the Euro-Mediterranean arena.

We are seeking cooperation which must be developed not only along the North-South axis, but also through South-South channels, and – importantly – which aim at enhancing and supporting so-called ‘triangular’ cooperation: "North-South-South".

Allow me, before getting into the meat of the presentation on “financial instruments to develop such cooperation”, to make a short detour. I simply wish to underline the European Commission’s support and commitment to the whole process: its projects, of course, but also its *political* framework and dialogue.

We are well aware that we do not work in a political vacuum, and that the region is highly sensitive. The postponement for the second time this year of the Heads of State meeting has reminded us once again

that the dynamics of the Middle East Peace Process tend to spillover into each and every Euro-Mediterranean initiative. However I cannot join my voice to those that have started talking about crises or deadlock of the Union for the Mediterranean. Despite the political backdrop, work is going on, and we are seeing it every day. For instance: all the working documents for the Secretariat have just been approved, cooperation projects have recently been launched, and even sectorial ministerial meetings have taken place such as the meeting of ministers of Trade and the one of ministers on employment just last week in Brussels.

Coming back to the theme of this presentation, I am glad to be with you today to discuss this often difficult and complex question surrounding project financing. Allow me to add my bit to the general reflection on financing that has been taken place since the launching of the Union for the Mediterranean in July 2008.

1) First of all, the financial framework of the EU (the financial perspectives) has been fixed until 2013 and covers the entire budget of

the European Union (internal and external policies). This framework was established in 2006 before the birth of the Union for the Mediterranean and therefore it is not possible to radically change it.

Naturally, while we can not change the financial perspectives, the European Commission *has* recalibrated its regional Mediterranean programmes, both bilateral and regional, to be in line with the priorities set in Paris by the Partner Countries of the Union for the Mediterranean.

We spent €94 million on regional projects last year alone and we have financing decisions worth another €92 million this year. Among others, these decisions address UfM priority issues like the better management of the water sector (€22 million) and transport (€10 million). We have also ensured financing for other priority areas identified in Paris: €4.4 million for civil protection, spent on the EU Programme for the Prevention, Preparedness and Response to Man-Made and Natural Disasters in the Euro-Mediterranean region (PPRD); €5 million in preparatory work and studies for the

Mediterranean Solar Plan; €1 million for the Euro-Mediterranean University in Slovenia; another €9 million on the project "Invest-in-Med" to support business development. Looking back from the early days of the Euro-Mediterranean process in 1995, the Commission has spent a total of €1.66 billion on regional projects dedicated to the Mediterranean over the last fifteen years.

2) Second, our instruments. We have tried our best to be innovative in terms of the financing instruments we use. In a situation of budgetary and programming constraints, it is absolutely crucial to avail ourselves of all the instruments and new tools at our disposal. One tool that has proven of particular worth is the Neighbourhood Investment Facility (NIF). This is for at least three reasons:

a) first, the amounts involved: the triggering and multiplying effects of grants put in circulation by the EC and Member States allow the mobilisation of considerable financing from European bilateral and multilateral financial institutions such as the EIB, the ADF and KfW. In just less than two years of activity, the Neighbourhood Investment

Facility has aided investment in infrastructures in the Mediterranean region in the order of 5.5 billion Euros.

b) second, the targeting: the large majority of these projects are numbered among Union for the Mediterranean priorities, especially the Mediterranean Solar Plan, with the financing of solar centres and other renewable energy projects, as well as the Horizon 2020 initiative with the financing of sanitation projects and the treatment of waste water.

c) third, the flexibility: the NIF also allows the possibility of financing, in association with loans from European Financial Institutions, through a large variety of interventions: investments, technical assistance, studies, risk-capital operations, guarantees, etc. This is one of the innovative characteristics of the instrument, namely the advantage gained through its broad flexibility.

Let me cite another example which the Commission and the European Investment Bank have made available in order to help achieve the

priorities of the UfM : the Mediterranean Facility for Investment and Partnership, probably better known by its French acronym – FEMIP. The budgetary support of the Commission to FEMIP aims at helping SMEs avail of either technical assistance or risk-capital finance. Most recently the FEMIP contributed to a study on Financing of Renewable Energy Investment in the Southern and Eastern Mediterranean Region, which is published on the EIB website. This study is an important contribution to the discussions on the Mediterranean Solar Plan.

However, having said all the above, and even with all our efforts and instruments, the resources that can be mobilised by grants and loans by European public actors – the Member States, the European Commission, financial development institutions - cannot alone meet the considerable financial demands of the region. According to EIB estimates, over the next ten years we are looking at needs of €100 billion for the energy sector, €110 billion for urban renewal (water, transport, sewage); €20 billion for infrastructure (motorways, ports) and €20 billion for support of enterprise development.

It will, therefore, be necessary to attract the interest of private sector actors (be they the banks or investors in general) and to create the minimal indispensable conditions for their participation in this grand scheme.

In a time of economic crisis - on which I don't have to elaborate - we urgently need them with us. In my view it is not merely a question of return on investments, but rather it is necessary to undertake more thorough work on the security of investments, to clarify the legal framework and to work on insurance mechanisms for investments. It will also be useful to explore how to introduce local savings in the financial circuits in order to enhance the capacity of actors from the South in this effort.

In order to help achieve this widening of participation, I see real opportunities for the Secretariat to play a role which will be beneficial to all. Apart from its main task in the validation and visibility of

projects, the Secretariat brings a genuine added value in its own right, and the Commission is supporting it in its endeavours.

There remains, evidently, the question of the financial framework after 2013. Discussions on the financial perspectives for 2014-2020 are just starting, and for the EU and its Member states, this period is the moment to define strategies and priorities. It is the moment for the Union to establish and reinforce these priorities in its role as global actor and to define its strategy for each of the regions of the world.

It is obvious that we have a particular interest in the neighbourhood region, and the Union for the Mediterranean is the articulation of that interest in the South. It will be the Member States who will oversee that debate at the end of the day, and it is within this framework that the Mediterranean should be included as a priority.

Conclusion

I would like to finish my intervention by emphasising the role the Secretariat can play in helping mobilize many actors, and envisaging

imaginative and innovative approaches, for the benefit of Union for the Mediterranean investments.

In effect, the work programme elaborated by the Secretariat, should bring us speedily to a concrete proposition, including a pipeline of projects to be validated under the Union for the Mediterranean Framework. In order that this work gains a wider resonance, it should be accompanied by a major visibility drive, which can benefit investments identified and mobilize further private and public funds for their realization.

I therefore call on you, Deputy Secretary General, Mr.Husseini, to deploy all possible efforts towards the creation of a mechanism that will facilitate a sound legal and financial architecture for Union for the Mediterranean projects.

I can assure the Secretariat of the European Commission's full support in this complex exercise.

Thank you very much.

