

**ACTION FICHE FOR THE 2007 EURO-MEDITERRANEAN PARTNERSHIP
REGIONAL ACTION PROGRAMME**

1. IDENTIFICATION

Title	Regional Programme on investment promotion		
Total cost	€ 9 Million		
Aid method / Management mode	Project approach – <i>centralised</i>		
DAC-code	25010	Sector	Business support services and institutions

2. RATIONALE

A new regional investment attraction project covering the period from 2007 to 2010 will be launched in succession to the current ANIMA project that ends in June 2007. This project will have to contribute to the economic development of the Mediterranean area and to the improvement of its business environment within the context of developing the networking between of UE and Mediterranean public and private organisations.

This project is designed in the context of the new neighbourhood policy which supports the Southern Neighbours at coming closer to the EU. It notably comes within the framework of the Conclusions of: the Conference for the 10 years of the Barcelona Process in November 2005; the 5th Euro-Mediterranean Conference of Ministers of Trade in Marrakech in March 2006; the Sixth Euro-Mediterranean Conference of Ministers for Industry in Rhodes in September 2006 and the 8th Euro-Mediterranean Conference of Ministers of Foreign Affairs, in Tampere in November 2006.

The design of this project is in-line with the Paris Declaration with its focus on reflecting a model of partnership between the economies of the Mediterranean beneficiaries who are able to benefit from extending the economic competitiveness of enterprises in the EU.

2.1. Sector context

Whereas the Mediterranean region constituted at the beginning of the 2000s an area forgotten on the world investors' card, the progression of FDI has been very sensitive for several years from year to year.

The entrant capital is in sharp increase. Government aid for development regresses in this region to the intermediate incomes. On the other hand the transfers of the emigrants, tourism income and the FDI assume an increasing importance. In 2006, the FDI (more than 45 billion US\$) could become the first external resource of the region. In the entrant FDI towards MEDA, the share of Europe is no longer majority (42% of the projects and only 21% of the amounts). On average on 2005-2006, 50%

of the flows of FDI come from the developed countries (Europe and USA) and 50% of new actors (including 2/3 of the Gulf and 1/3 of other emerging countries).

It is urgent to direct the governments' action towards any allowing measure of securing the activity of the SMEs; encouraging investment in the infrastructures necessary for the economic activity; defining realistic industrial priorities and seeking socially responsible and sustainable investments.

However, the current level of FDI attraction in the region remains insufficient while attracting it is one of the priorities of the Mediterranean countries. In order to fill the weakness of FDI in the region, the project will have to contribute to the improvement of the image of the region and of the business environment notably by involving actively the private sector in the economic reform in the region. One of the main objectives of the project will be to enhance the public-private dialogue in the region.

The identification of priority sectors will enable and facilitate the identification of potential EU investors and to organise direct meetings between them and the local companies. Focusing on competitive sectors could also encourage EU enterprises to invest on these areas. Four priority sectors to facilitate trade between the EU and the Mediterranean partners have been identified during the identification phase, namely Textile, ICT, Agribusiness and Mechanical and Electric Industry products and services. These sectors will have to be confirmed and/or other prior sectors will have to be identified by the partners at the beginning of the project at Euromed and sub-regional level. Organising matchmaking meetings on specific sectors will enable the conclusion of agreements between companies of both sides of the Mediterranean.

Moreover the Mediterranean countries considering themselves more as competitors than as partners, the networking of key Euromed stakeholders in investment promotion should facilitate a better collaboration between them and will enable them to work as partners.

Identifying complementary international competitiveness amongst Southern ENPI countries and matching this to the needs of business counterparts in the EU and Southern ENPI countries will benefit from close collaboration with regional Euromed associations.

2.2. Lessons learnt

This project will come within the continuation of the achievements of the ANIMA project, supported by the EC since March 2002. ANIMA was designed to establish a network of investment promotion agencies. This network did not have a mechanism to strongly embrace the originator as well as the beneficiary of investment flows i.e. respectively the EU and the Mediterranean private sectors. The earlier focus on capacity building and training which was needed in a first phase, has now to be replaced by more emphasis on attracting the private sector from the EU and by activities leading to concrete results.

ANIMA has built an instrument to alleviate the regional isolation and assist in the technical modernisation of the MED-IPAs, which is not sustainable, but which probably represented one of the most effective tools available in this domain within the Euromed area.

2.3. Complementary actions

The project activities will have to complement bilateral, sub-regional and regional programmes supported by the EC in the region; especially those providing capacity building support to the private sector in Southern ENPI countries. The regional programmes such as Euromed Market, Euromed Quality, Euromed Innovation and Technology and MED-ADR address capacity in national institutions that contribute to the creation of a business environment more beneficial to the attraction of new investment.

It should foster business complementarity and co-operation in connection with the new manufacturing and trading opportunities that the Pan-Euromed Cumulation of origin, recently in force, can provide. It will also help companies and business associations, including in the services sectors, to take advantage of the wider liberalisation opportunities resulting from current negotiations.

Seeing that "Easier access to finance" is one of the 10 priorities identified in the Mediterranean Charter for Enterprise, which offers a common framework for maximising the benefits from an integrated Euro-Mediterranean economic area, in particular its renewed emphasis upon the involvement of private sector business associations, the activities undertaken within the project will have to be associated with the Charter process.

2.4. Donor coordination

At the macro level Southern ENPI countries have experienced macro reforms and stabilisation programmes induced by the Bretton Woods Institutions that date back to the 1990's. These are progressively being complemented by attention to the needs of specific productive-sectors of industry and services that are relevant to the expanding economy. The speed of these reforms in each Southern ENPI country varies depending on the effectiveness of the political decision making process.

The project will have to be coordinated with existing actions supported by other international institutions in this area in the Mediterranean countries, such as:

- MENA-OECD Investment Programme which provides policy advice on implementing investment policy reform;
- Financing is already in place from the European Investment Bank to support SME's and private sector; notably through the FEMIP;
- The International Finance Corporation's Private Enterprise Partnership Facility of the Middle East and North Africa (PEP-MENA) whose overall mission is to support development of the private sector through the stimulation of economic growth and address the serious issue of unemployment;
- UNIDO's Investment Promotion Unit mandate to improve and promote new industrial investments and its regional Internet-based networking platform;
- Complementary capacity building by USAID can be used to the advantage of the Mediterranean sectors selected for attracting companies from the EU;

- The Member States and the Partner countries and territories being represented at the Working Party on industrial cooperation and at the future Ad-hoc group on investment promotion, they will be regularly informed on the implementation of the project. The MS will have to ensure an active involvement of EU stakeholders in the project.

3. DESCRIPTION

3.1. Objectives

The overall objective of the project will be to develop mechanisms encouraging new flows of FDI and to strengthen the ongoing investment promotion process between the EU and the Southern ENPI countries as well as between the Mediterranean countries, which will contribute to the enhancement of trade in the region.

The specific objectives of the project are as follows:

- Strengthen the public-private dialogue;
- Facilitate exchanges and interconnections between EU and Mediterranean companies in order to favour business cooperation agreements;
- Develop in partnership with the private sector, the capacity of the Mediterranean organisations to serve the investor and facilitate the networking between Euromed organisations committed to trade promotion and investment attraction to the Mediterranean area.

3.2. Expected results and main activities

The expected results of the project are as follows:

- (1) Select regional sector strategies to attract new EU trade and investment flows and select sector strategies to attract new intra-MED trade and investment flows, including in the services sectors.
- (2) Organise matchmaking meetings between specialists of the Mediterranean sector business associations and their counterparts in the EU and intra-MED in a sustainable process to promote growth in Euromed productive-sector trade and FDI opportunities and international competitiveness.
- (3) Organise matchmaking meetings between Mediterranean companies and their EU and intra-MED counterparts based on regional and intra-MED sector strategies for the development of mutual competitiveness that attracts new trade and FDI.
- (4) Disseminate the best practices from each Mediterranean country, which enhance the environment towards the attraction of new trade and FDI, to the Mediterranean countries.

- (5) Develop the capacity of the Mediterranean organisations to serve the investor and to facilitate the networking of Euromed organisations involved in investment promotion in partnership with the private sector.

The main indicative activities to be undertaken in the framework of this project are the following:

- (1) **Organisation of workshops:**

- Workshops to match-make EU and Med Business Representatives organisations (BRO) or organisations acting on behalf of business in order to create or consolidate institutional links between them and to create stronger and more independent BRO in order to ensure the long-term sustainability of the economic co-operation between Europe and the Mediterranean area.
- Business to business (BtoB) meetings for SMEs will be built on the results from the above-mentioned workshops countries.
- Thematic regional and sub-regional workshops in the continuation of the sub-regional conferences will deliver Euromed best-practices.

- (2) **Annual conferences:** the first one will notably fix/confirm the priority sectors (at regional and sub-regional level) and the prospect for complementary business opportunities between the Southern countries and the EU. The beneficiaries will also identify best practices. The annual conferences will focus on the process of developing investment and new trade between companies in the EU and the Southern ENPI countries and to strengthen the ongoing investment promotion process between companies from the Southern ENPI countries.

- (3) **Short-term Technical Assistance missions:** will be organised within Southern ENPI relevant organisations, at their request, to deliver expertise addressing individual organisations capacity or to develop strategies likely to improve the attraction of investments or the aftercare services in the country.

- (4) **Training of Mediterranean Trainers:** will be organised on specific topics related to investment promotion and to investment aftercare. After these trainings, the trainers will have to ensure the dissemination of their knowledge in their countries and should organise (outside the framework of the project) trainings for relevant stakeholders in their countries.

- (5) **Information and results dissemination activities:** such as the creation and updating of website and intranet, relevant databases linked to investment, newsletters, etc. including strategies and campaigns on the attraction of the region and the improvement of its image.

- (6) **Sector strategies, Studies and Preparation of guidelines for sustainability aspects:** will be designed and proposed to the key stakeholders, for approval. General studies on the investment situation in the region or sector studies could be undertaken and disseminated in the framework of the project.

3.3. Stakeholders

In comparison with the ANIMA project, the target groups will be a combination of private and public sector organisations as well as business associations. The project will therefore promote effective mechanisms of collaboration between the public and the private sectors.

The Southern ENPI stakeholders will be:

- ministries that relate to economic development e.g. Commerce, Expatriates, External Trade, Finance, Industry, Investment) as well as government enterprise development institutions: Investment promotion agencies, Export Councils, Enterprise Board's,) etc.;
- Small and Medium Enterprises;
- private sector NGO's and national and regional business federations and associations such as Chambers of Commerce and Industry, many with a sub-sector or sector specialization, such as ASCAME (Association des Chambres de commerce méditerranéennes), Business Europe and UMCE (Union Méditerranéenne des Confédérations d'Entreprise), etc.;
- universities, training institutions which could play a multifunctional role such as preparing graduates with skills needed by investors and by participating in clusters that support innovation and entrepreneurship.
- the Mediterranean women investors and women business associations and the Mediterranean expatriates who could generate investments through remittances in their home countries.

The European stakeholders will be:

- business associations that establish sustainable linkages with counterparts in the Southern ENPI countries such as UNICE (Confederation of European Business), Eurochambres) and private sector companies that enhance their international competitiveness by establishing business relations with companies in the region;
- ministries that relate to economic development e.g. Commerce, Expatriates, External Trade, Finance, Industry, Investment), etc.;
- the women investors mainly from the EU.

3.4. Risks and assumptions

The assumptions underlying this project intervention are as follows:

- Mediterranean private and public sectors overcome reluctance to collaborate on trade and investment promotion
- governments demonstrate willingness to put the private sector at the heart of their reform programmes

- EU companies accept the principle of extending competitiveness by collaboration with Southern ENPI companies
- the local authorities will take measures in order to implement the recommendations which could be taken through the project

The risks associated with these assumptions are as follows:

- EU business will not acknowledge Southern ENPI countries as sector-specific international competitiveness due to regional stability concerns or inherent prejudices against the region;
- government reform programmes does not accept the private sector as an important generator of economic growth and employment;
- the EU organisations are not fully involved in the project;

3.5. Crosscutting Issues

The spread of new investments both from the EU to Southern ENPI countries as well as intra-MED through business to business interaction will provide the contractor with the opportunity to ensure that gender equality is promoted where appropriate opportunities are recognised. As mentioned in the Conclusions of the sixth Euro-Mediterranean Conference of Ministers for Industry, the project should "explore the readiness of women investors in the EU to invest in enterprises run by women in Mediterranean partner countries". The participation of women entrepreneurs or women business associations will have to be ensured at the activities organised in the framework of the project, notably at the business meetings.

Transparency and ethics will be an intrinsic objective of the process of creating EU to Southern ENPI countries and intra-MED business exchanges.

The project should ensure that all ensuing business transactions that result in new investment are aware of the EC's environmental sustainability norms. This project will also have to take the results of the study on the sustainability impact assessment of the Euro-Mediterranean Free-trade area (SIA-EMFTA) into consideration as well as the Mediterranean Sustainable Development Strategy, by encouraging more particularly the investments not likely to increase the pollutions or the water shortages problems that the Mediterranean area faces.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

The implementation method will be the direct centralised management. In order to ensure an effective management of the project, a coordination between delegation-Headquarters, Partner countries (national focal points) and the working party on Industrial Cooperation will be established.

4.2. Procurement and grant award procedures

The Commission will launch a call resulting in the award of one contract. The contract implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

4.3. Budget and calendar

The maximum EC amount to implement the project will be 9.000.000 €. The project duration is 36 months as from the date of signature of the contract.

The Call will be launched in mid 2007.

4.4. Performance monitoring

The objectively verifiable indicators (qualitative and quantitative) will have to be part of the methodologies included in the technical proposals.

Besides the regular follow up by the EC Delegations and the Headquarter, monitoring missions (contracted by the EC) will ensure an external follow-up. The EC and the project coordinator will pay a particular attention at the recommendations expressed by the external experts.

An internal monitoring process/strategy of the project and of its activities will also have to be developed at the beginning of the project by the contractor and will include notably system to report on agreements/leads concluded further the Business meetings.

4.5. Evaluation and audit

Expenditure incurred will have to be certified, as part of the obligations of the contracted parties in the framework of the implementation of this project. Mid term and final evaluations of the results achieved will be entrusted to independent consultants, as well as external audits (which will be carried out if necessary). These evaluations and audits will be funded from other sources than the project budget, since no commitment will be possible once the validity of this Decision has expired ("N+1" rule will apply).

4.6. Communication and visibility

The project website as well as the newsletter will be tools to ensure the communication and the visibility of the project and of its activities.

The project will have to develop strategies/campaign to underline the comparative advantages of the region in order to strengthen the attraction of the region.

Before and after every activity organised in the framework of this project, relevant documents will be disseminated to the key stakeholders.