SOCIAL INFRASTRUCTURE AND INCLUSIVE GROWTH: THE EIB ACTIVITY IN MOROCCO

Rabat Office – June 2019
The EU Bank

Some highlights

- Year of foundation: 1958
- Billion EUR invested: 1,000
- Shareholders: EU Member States (28)
- Billion EUR total assets: 566
- World's largest Multilateral Development Bank
- #1
- Funded projects in 2018: 854
- Representative offices: 162
- Employees, (experts, engineers, economists): 3,000
- Rating: AAA
The EU Bank
Funding and lending activities

**Funding on the international capital markets**

**EIB is the largest « Green Bonds » issuer**
(EUR 4 Bn in 2018 et EUR 24 Bn in 11 currencies since 2007)

**Lending**

*Financed projects in 2018*

**EUR 55.6 bn**

- **EUR 20.2 Bn**
  - SMEs

- **EUR 13.1 Bn**
  - Environment

- **EUR 11.7 Bn**
  - Innovation

- **EUR 10.6 Bn**
  - Infrastructure

**Positioning**

*EIB is one of the most important multilateral issuers, including Governmental agencies ...*

*...and compares with that of some EU Governments*

*Fiscal years from 1er Juillet au 30 Juin
**Gross financing requirement for 2017-18 / 2018-19
Source: Barclays research/ best efforts estimates as of 29 janvier 2019
Data collated from a mixture of official reports and bond market analysis systems such as Dealogic*
The EU Bank

Activity outside the EU

Outside EU activity in 2018

The EIB plays a critical role by supporting investments from both the public and private sectors that fulfil the mandate objectives set by the External Lending Mandate (ELM) and the Cotonou Agreement.

All EIB projects outside the EU need to support:

- Local private sector development, including SMEs
- Climate change mitigation and adaptation
- Social and economic infrastructure
- Regional integration

The ELM provides the guarantee by which the EIB can provide finance in support of EU development and cooperation policies in 68 countries and/or territories in 5 regions.
EIB in Morocco
EIB in the Southern Neighbourhood

Signatures in the region 2009 – 2019: EUR 16.5bn

(Amounts in EUR)
EIB’s support to Morocco

Key figures

Signed exposure per year and per sector

**Total Volume of Signatures**

- **2008**: 289
- **2009**: 540
- **2010**: 420
- **2011**: 200
- **2012**: 1005
- **2013**: 209
- **2014**: 457
- **2015**: 90
- **2016**: 222
- **2017**: 480
- **2018**: 444
- **2019**: 80

**Sectorial Breakdown (2008-2019)**

- **Services**: 27.5%
- **Urban Development**: 13.7%
- **Infrastructure**: 9.2%
- **Energy**: 5.9%
- **Transport**: 4.0%
- **Education**: 3.0%
- **Industry**: 2.3%
- **Water sanitation**: 2.0%
- **Solid Wastes**: 1.7%

**EIB has been supporting Morocco for 30 years under the External Lending Mandate (ELM) of the European Union. Morocco has been one of the main beneficiaries of EIB support in the Southern Neighbourhood right after Egypt.**

**The current 2014-2020 Mandate provides for an overall budget of EUR 9.6 billion to support the projects of the Mediterranean partner countries.**

**Approximately EUR 4 billion was granted in Morocco between 2008 and 2018.**

**EIB signatures in Morocco in 2018**
### Products

- **Venture capital, Private equity, Loans to SMEs, Midcaps and Microfinance institutions**
- **Credit Lines**:
  - SME Projects < EUR 25m
  - MidCaps Projects < EUR 50m
- **Projects Finance**
- **Individual loans to MidCaps and Corporates**
- **Loans to sovereign/sub-sovereign institutions**

### Risk profile

- High
- Medium
- Low

### Eligibility

**Project**
- The project must:
  - Be compatible with the mandate given by the EU
    - Private Sector Development: SMEs, MidCaps, Corporates
    - Development of economic and social infrastructure
    - Fight against climate change
  - Contribute to inclusive growth, job creation, overall be positive for the economy
  - To be technically viable and economically profitable
  - Be in line with the principles and standards adopted by the EIB in social and environmental matters, and in line with the EIB’s procurement guidelines
  - Respect the standards of integrity and the requirements of good tax governance

**Credit**
- The credit risk profile of the borrower and its solvency must be acceptable

**Exclusion**
- Projects related to the following activities are not eligible: (i) weapons manufacture and distribution, (ii) tobacco manufacture and distribution, (iii) waste incineration, (iv) toxic waste treatment, (v) gambling, (vi) any other sectors and activities damaging the reputation of the EIB

**Financing**
- Up to 50% of the project cost with a minimum size of EUR 15 million (Possibility of adjustments on an exceptional basis)
- Eligible components: tangible and intangible assets, including R&D, except MOD costs, land acquisition and real estate development
Supporting growth, vital infrastructure and social cohesion
The EIB’s Economic Resilience Initiative aims rapidly to mobilise **additional financing in support of growth, vital infrastructure and social cohesion** in the Western Balkans and Southern Neighbourhood.

It consists of an integrated package of loans, concessional finance and innovative instruments designed to enable financing of €15 bn of investments needed to achieve these long-term aims.
Economic Resilience Initiative (ERI)

Challenges and proposed solutions

**Financing challenges**

**Public Sector**
- **Fiscal constraints**
- Large investment needs in social sectors, with high economic but limited financial returns.
- Need for support with capacity building and swift project implementation

**Private Sector**
- Limited access to finance for micro-enterprises and SMEs
- Limited risk absorption capacity of undercapitalized financial sectors
- Insufficient availability of long-term financing

**Proposed solutions**

- Concessional lending: **Blending** of EIB loans with grant funds
- **Advice** alongside financing solutions

- Take riskier portion of financing packages
- Lend to riskier counterparts
- Lend longer maturities
- Capacity building
- Impact financing

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**ERI Financing 2016-2020 in Southern Neighbourhood**

- Baseline (€6.45 bn)
- Higher risk private sector lending (€2.1bn)
- Concessional and TA-intensive (€0.9bn)
- Additional own effort (€1.5bn)
EIB intervention
Case study

Social infrastructure and urban development

Improve quality of life, public services, and promote regional development
PROJECT “UNIVERSITE EURO-MEDITERRANEENNE DE FES”

Need to invest in the skills of young people, to enhance private sector development and inclusive growth in Morocco.

The project "Université Euro-méditerranéenne de Fès" aims to support this transformation through the construction of a 123,000m² eco-campus: 6,600 students, 200 researchers, and another 300 planned for lifelong learning and training.

A strong education focus on engineering, around one quarter of the facilities will be devoted to research and development activities and reinforce linkages between teaching, research and local industries.

A flagship project of the Union for the Mediterranean, the university will promote partnerships between institutions across Europe and Morocco, enabling substantive gains in the quality of teaching and research.

A contribution to sustainability: energy efficiency emphasis in the design of the university.

EIB support: a long-term EUR 70m loan combined with a EUR 13m grant under the EU’s Neighbourhood Investment Facility.
Social infrastructure and urban development

Provide funding to innovative businesses in growth and seed stage

PROJECT “SAWARI VENTURES FUND” (MA, TN, EG)

A regional venture capital fund investing in growth and seed stage innovative businesses in Egypt, Morocco and Tunisia.

Fully in line with EU policies regarding the financing of SMEs in the MENA region.

The first EIB operation under the Risk Capital Facility (RCF) of the Economic Resilience Initiative. The RCF seeks to foster private sector development and job creation through investments in VC and PE funds.

Aims to generate a significant developmental impact, given: focus on innovative young businesses; potential to create quality jobs; provision of SMEs growth financing; provision of seed stage financing through a local affiliated accelerator; financial and technical support to innovative businesses.

Other investors in the fund include CDC (UK), Proparco (France) and DGGF (Netherlands). The EIB will crowd-in additional local capital in the fund through the creation of an Egypt based co-investment vehicle.

**EIB support**: an USD 11.3 million investment in Sawari Ventures Fund I, a leading venture capital firm based in Cairo.
Provide access to reliable, clean, and sustainable energy

PROJECT “GREEN FOR GROWTH FUND III” (MA, TN, EG, JO, LI, PA),

GGF is a unique PPP to promote energy efficiency in target regions and to reduce CO2 emissions.

Established in 2009 by the EIB Group and KfW, with participation from the European Commission ("EC") and the German Ministry of Economic Cooperation ("BMZ"). Other investors include the IFC, EBRD, FMO, ÖEB and private funds.

GGF's investments seek to achieve a 20% reduction in energy consumption and/or a 20% reduction in CO2 emissions by:

Refinancing Financial Institutions, providing loans to households, businesses, municipalities and public sector for energy efficiency measures or renewable energy projects, combined with Technical Assistance.

Providing direct financing to Non-Financial Institutions (companies, energy service companies, renewable energy companies or projects, small scale renewable energy and energy efficiency service and supply companies) that meet GGF energy saving and/or emissions targets

**EIB Support**: The EIB has invested in GGF EUR 75m to date, in three equal tranches in 2009, 2013 and in 2018
EIB intervention

Case study

Water and sanitation

Increasing access to water and sanitation, improving service delivery

PROJECT “BMCE LIGNE BLEUE”

Credit line dedicated to financing high impact small scale projects promoting water treatment, reuse and wastewater treatment/recycling for mainly industries and water intensive private entities in Morocco.

Morocco is a water-scarce country confronted with decreasing groundwater reserves. Further water resources decreases are projected with climate change.

A national strategy based on the development of the water and sanitation sectors implemented by the Government of Morocco.

EIB, AFD and BMCE Bank of Africa signed a Memorandum of Understanding in support of the protection of water resources and adaptation to climate change in Morocco during the world climate conference COP22.

A technical assistance (TA) provides support to BMCE in the business development and implementation of the facility, and its clients to receive support in project implementation.

EIB support: 20 MEUR provided by EIB and AFD (50% co-financing by each institution).
External Investment Plan (EIP)
EIB committed to making EIP a success together with EC, Member States and international partners.

European Fund for Sustainable Development (EFSD)
- New guarantee to reduce risk
- Blending loans and grants
  - Africa Investment Platform
  - EU Neighbourhood Investment Platform

Technical Assistance
- Support local authorities and companies preparing bankable projects
- Improving the investment climate in close engagement with the Private Sector

Investment Climate
- Structured dialogue with business
- Market Intelligence & Analytics
- Policy and political dialogue
  - EU Cooperation
Thank you!

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