

## ITALY

Palermo, 20 May

### Mediterranean Partnership Fund (MPF)

#### *Summary*

#### **1. Regional dimension**

The regional dimension of the “Arab Spring” in the Mediterranean area calls for a global, coordinated response to rebuild the cooperation policies related to political dialogue, security, development, migration and civil society.

Italy has proposed a New Pact for the Mediterranean aimed at supporting the transformation and transition processes building upon existing institutional and financial tools, while providing additional resources for the region. A renewed approach entails a robust and consistent effort, similar to the case of the “Marshall Plan” for post-war Europe, and promote: integration among economies and markets of the region; further trade liberalisation; infrastructural integration, namely in the energy and transport sectors, promotion of SMEs and micro-credit; involvement of IFIs and private sector; mobility for students and a comprehensive approach to migration; support to production and job creation.

#### **2. Existing International Financial Institutions, Regional Development Banks and experiences**

The Mediterranean area is the only one without a dedicated Multilateral or Regional Bank. Financial support for the development of the African continent is provided by the African Development Bank (AfDB), which partially covers the Mediterranean shore. The European Union operates programmes targeted to the region. The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) – a European Investment Bank/EIB – supports partner countries of the Mediterranean in economic and social modernization and regional integration. The European Bank for Reconstruction and Development (EBRD), is dedicated to Central and Eastern Europe to foster the transition towards a market-oriented economy, promote private initiatives in countries committed to the principles of rule of law, multi-party democracy and open economy. An important step forward would be upgrading the FEMIP into an autonomous institution, participated by EIB and Governments (or other institutions) of the MENA region. This could be coupled with the extension of the EBRD area of intervention and the set-up of a financial instrument specifically oriented to support SME's.

#### **3. Elements for a “Mediterranean Partnership Fund”**

In order to foster economic and social development of the region, Italy proposes a new instrument – a Mediterranean Partnership Fund (MPF) – to support the private

sector and SMEs, open to public investors of European and non-European countries, MENA region countries including interested Development Funds, as well as private investors (e.g. Investment Funds) with the support of existing IFIs.

The MPF shall be complementary to existing financial institutions. It shall be innovative in approach, funding and instruments. Main features would be strong cooperation and partnership between governments and private actors. It shall act as instrument of corporate banking, project innovation, portfolio diversification and risk management with focus on SMEs and venture capital for the whole region concerned. Such an instrument would entail broader spill-over in domestic economic and social structure, build up of human capital, transfer of technology and special skills, attenuation of rationing and inefficient local capital markets, support for institutional capabilities.

#### **a. Mission**

Mission of the MPF is to support dynamics of growth of the MENA countries by promoting private and entrepreneurial initiatives with specific focus on SMEs.

#### **b. Purpose**

The MPF shall specifically: (a) promote the establishment and expansion of a competitive private sector, namely SMEs; (b) foster productive investment to support entrepreneurial initiatives for an efficient and stable business environment, qualified formal employment and higher productivity, better standard of living and labour conditions; (c) provide technical assistance for the implementation of projects; (d) support projects encouraging cross-border integration and partnerships.

#### **c. Financial Products**

The financial products of the MPF would include: (a) loans to companies; (b) guarantees and swaps; (c) participation to the equity of enterprises and joint ventures.

#### **d. Governance**

The governance of MPF shall be open to all contributing countries, from both shores of the Mediterranean and from other areas, as well as to IFIs and to interested private parties, reflecting the level of participation to the capital.