Annual Press Conference 2006

Briefing Note N° 08

Luxembourg, 9 February 2006

ACP/Cotonou Agreement

Under the European Union-African Caribbean and Pacific States Partnership Agreement (Cotonou Agreement), the EIB is providing up to EUR 1.7 billion of its own resources and a further EUR 2 billion that it manages under the Investment Facility (IF) between 2003-2008. The Investment Facility makes available long-term capital in the form of various risk-sharing instruments focused on the financing of private sector operations and public sector infrastructure essential for economic growth and the development of private sector investment. In specific cases, notably projects with an important environmental and/or social component, loans may be granted on concessional terms

Negotiations on the revision of the Cotonou Agreement were concluded last June. Under the revision, projects located in Heavily Indebted Poor Countries (HIPC) and in post-natural disaster areas also become eligible for concessional financing. Negotiations on the Cotonou financial endowment for the next six years are ongoing.

Cotonou Partnership Agreement

	Financial Protocol (first 5 years)		
	EUR m	%	Financing for the OCT[1] in EUR m
Grant financing from the European Development Fund *(European Commission managed)*	11 300	75.2	155
Funds managed by the EIB			
Investment Facility (revolving fund)	2 037[2]	13.5	20
Loans from EIB own resources	1 700	11.3	20
Total	**15 037**	**100**	**195**

South Africa mandates – EIB own resources		EUR million
Republic of South Africa (RSA[3])	1995-1996	300
	1997-1999	375
	2000-2007	825
Total		**1 500**

Lending to ACP, OCT and RSA in 2005 and in 2001-2005 (EUR million) from own resources and the IF

Lending by sector	ACP (2001-2005)	ACP 2005	OCT (2001-2005)	RSA (2001-2005)	RSA 2005
Energy	597	184	-	50	-
Transport & Telecoms	183	10	-	50	-
Environment	190	-	-	245	145
Industry, Services	451	207	-	-	-
SMEs (Global loans)	835	137	3	360	-
Total	**2 256**	**537**	**3**	**705**	**145**

[1] Overseas Countries and Territories of the European Union Member States
[2] The initial endowment of EUR 2 200 million for the IF has been revised downwards proportionally to EUR 2 037 million following the setting-up during 2004 of the EUR 500 million EU Water Facility and the EUR 250 million EU Energy Facility under the 9th EDF.
[3] In 1998, South Africa became an associate member of the EU-ACP Agreement.

The EIB's mandate under the Cotonou Agreement

The central objective of the Cotonou Agreement is the reduction and ultimate eradication of poverty. The IF contributes to this by financing operations fostering economic growth and the integration of the ACP economies into the world economy.

The Investment Facility

- The focus is on developing the private sector, seen as the main engine of economic growth, and commercially managed public infrastructure. Viable revenue-generating projects in all economic sectors are eligible. Over the last year, operations have concentrated on the financial sector in the ACP countries as the most effective way to reach SMEs (small and medium-sized enterprises), and on infrastructure projects.
- The IF is:
    - Managed along commercial lines with the aim of being financially sustainable
    - A revolving fund, with re-flows re-invested in new projects, so ensuring the long-term availability of resources
- Own resource loans continue to be available alongside financing from the IF on a best efforts basis.

2005 highlights

Financing provided by the EIB in 2005 in the ACP totalled EUR 351 million from the Investment Facility (+EUR 15m remaining from Lomé IV) and EUR 151 million from own resources. Including the Republic of South Africa (EUR 145 million), the total came to EUR 682 million, some 26% more than in 2004. Cumulative financing under the IF, since 2003, amounts to EUR 820 million (signatures), 40% of the EUR 2 037 million foreseen under the current first financial protocol of the Cotonou mandate.

2005 saw the Nairobi, Dakar and Pretoria (Thswane) the EIB's regional representations become fully operational. Through these offices, project identification will become more effective. However, the inability – for political reasons – to operate in some of the countries in which activity has traditionally been extensive[4], and difficult economic conditions in many ACPs, continued to influence EIB and IF activities in 2005.

In 2005, a significant effort was made to support the microfinance sector and to establish a development impact assessment framework for IF projects. In November, the EIB held a conference for the International Financing Institutions' private equity working party to discuss development impact assessment indicators for development funds in which the IFIs invest.

Of the EUR 682 million in signatures in the ACP and South Africa, close to 80% was provided to ACP countries, with EUR 145 million going to investment in South Africa in the water and municipal infrastructure sectors.

Project highlights for 2005

- EUR 124 million (USD 150 million) was signed for a greenfield cement plant in Nigeria, with an annual capacity of 4.4 million tonnes, located at Obajana (Kogi State) in the centre of the country.

- A loan of CFAF 14.3 billion (EUR 11.8 million equivalent) by a group of banks from the CEMAC region (Communauté Économique et Monétaire de l'Afrique Centrale) to Compagnie Sucrière du Tchad (CST) was guaranteed together with Proparco and DEG. The operation is supporting the sugar sector in Central Africa as well as the syndicate's banks, expanding their capacity to lend to the sector.

- EUR 32.5 million for a geothermal power plant project and EUR 43 million for Kenyan Power Distribution. The extension of the Olkaria II geothermal power plant and the upgrading of the Kenyan electricity distribution grid will increase the volume and reliability of the power supply to households and businesses in Kenya using indigenous sources of energy.

- EUR 10 million for the Dakar-Ziguinchor Sea Link a RO/RO ferry for transporting passengers and goods between Dakar and the Casamance region.

[4] e.g. the Congos, Côte d'Ivoire and Zimbabwe.

- In South Africa, two EUR 30 million loans for the co-financing of urban infrastructure to the cities of Tshwane (Pretoria) and eThekwini (Durban) were signed with the “Infrastructure Finance Corporation” (INCA), the South African municipal financing institution. The infrastructure investments to be financed by the EIB will be selected from the multi-annual expenditure programmes of the two municipalities on the basis of their contribution to social cohesion and sustainable development.

Outlook

The strategic focus of the Investment Facility will be on infrastructure and the financial sector, while remaining responsive to opportunities in other sectors.

In the infrastructure field, basic development such as energy, sanitation and water projects will be the focus whenever possible, with priority given to projects initiated by the private sector and regional initiatives (projects involving or having an impact on more than one country).

Financial sector operations meet a double objective: they provide finance to local SMEs and they contribute in the long term to developing the local financial market, thereby reducing their dependence on external finance. In the financial sector, the IF will further increase its cooperation with financial intermediaries with the promotion of new financial instruments, e.g. guarantees, equity-type financing and investment in private equity funds.

For further information on the EIB, visit its website www.eib.org/acp.

Press Contacts:	*Bram Schim van der Loeff, a.schimvanderloeff@eib.org,* *Tel: +352 43 79 31 30; Fax: +352 43 79 31 91*
General Questions:	*EIB Infodesk, info@eib.org; Tel: +352 43 79 31 22; Fax: +352 43 79 31 91*