2017

ANNUAL REPORT

ON EIB ACTIVITY IN AFRICA, THE CARIBBEAN AND THE PACIFIC, AND THE OVERSEAS COUNTRIES AND TERRITORIES

European Investment Bank

The EU bank

60 years

Annual Report 2017
on EIB Activity in Africa, the Caribbean and the Pacific,
and the Overseas Countries and Territories

Cover photo:
Migotiyo Plantations, sisal farm located in Kenya's Rift Valley Province.

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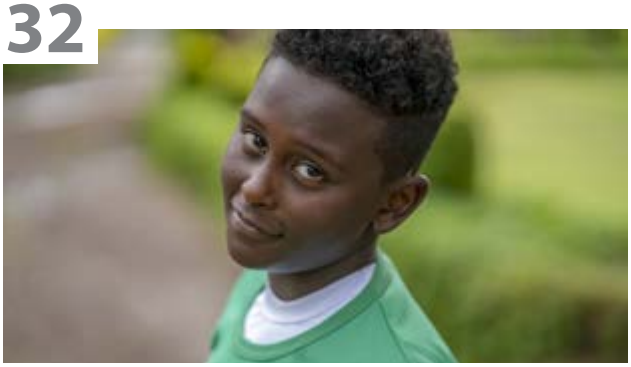


Our focus areas

48

List of ACP and OCT countries

Foreword

EIB Vice-President Ambroise Fayolle

The European Investment Bank has reached a landmark. We are celebrating 60 years of investment in great projects that create jobs and improve lives. For 55 of those years, the Bank has been operating outside the European Union. We have made a serious and long-term commitment to help partner countries across the world.

Our world is getting smaller in some ways. Transport infrastructure connects people, while digital networks provide instant pathways and promote the sharing of information on levels we have never seen before. At the same time, inequalities are hampering economic development. Rural communities are often forgotten, with women and girls and displaced populations left behind. We need a more inclusive and holistic approach to tackle these issues. The good news is that we are taking positive steps locally and globally.

Across the African, Caribbean and Pacific regions, there is enormous potential, but each location faces its own challenges. Through the Sustainable Development Goals, the world now has the framework in place to meet these challenges. But we need more investment. Attitudes toward development are changing and the world is becoming more aware of what needs to be done, which players can get involved and how much money must be spent. The EIB and our partners are playing a very active role.

In 2017, we invested EUR 1.47 billion in 40 projects in the ACP region, which is almost double the 2016 total of EUR 765 million. This increase came because many of the projects in our pipeline were approved and turned into excellent financing initiatives. It does not help to look at just the recent successful years. We must take a long-term view. There has been a lot of momentum to accomplish big things in the past few years. The EIB and our partners are trying to adapt to meet the new requirements that will maintain this momentum and serve the investment needs in all emerging economies.

The EIB has the instruments to meet these needs and to expand its impact. In 2017, we made a record investment in private equity, for example, of EUR 153 million in 12 funds and in one direct operation. We estimate that this will

> Across the world, the private sector can play a major role in sustainable development

create 17,100 good, permanent jobs in 157 companies. We are also improving societies. We made water supplies better for 2.1 million people across the ACP countries, and provided electricity to 1.7 million households. We improved transport for 179,000 passengers a day. The teams at our Luxembourg headquarters and our nine field offices in sub-Saharan Africa, the Caribbean and the Pacific have worked hard to deliver these results.

One key to success is private sector development. Across the world, the private sector can play a major role in sustainable development, as businesses create jobs and sustainable growth. The desire among major development banks to move from billions in development to trillions will require the EIB and our partners to attract more investment from the private sector. For this size of investment to happen, we need to offer more support and a bigger toolbox to tackle the challenges.

This is where the EIB comes in. Our project financing and stamp of approval attract other investors. In this way, the Bank promotes private sector development across the world. We are in a unique position. Our financial instruments enable us to provide the right backing for businesses of all sizes, from start-ups to large corporations with thousands of employees. The ACP Investment Facility revolving fund, for example, is crucial to our mission, as it lets us keep financing excellent projects and reinvesting the proceeds.

The Impact Financing Envelope does the same thing, but for projects with more risk for a higher developmental impact. Finally, the Bank also uses its own resources. The EIB can put debt financing, equity investment, global loans and credit lines to work in support of the European Union's external policy goals. We can help the private sector thrive by funding larger-scale infrastructure, often in the public sector or in public-private partnerships.

The EU's New Consensus on Development takes the previous ideas about development and enhances them, aligning them with the 2030 Agenda for Sustainable Development. We are proud to be part of it, as it helps us stay deeply connected to our partner institutions, the European Commission, the European Parliament and the European External Action Service.

We need to be more inclusive and place more emphasis on projects that help young people, women and girls, and rural populations. We don't just want to empower people through financial solutions. We want to make conditions fair for everybody by providing the right infrastructure.

Many global initiatives are seeking to do exactly this, calling for more financing and smarter investment. The EIB is ready to provide more support, working with other multilateral development banks and international financial institutions. We will bring our expertise and keep partnering with the European Commission to ensure the success of the External Investment Plan and develop even more innovative instruments in the future.

When I travel the world and meet people who have benefitted from our projects, the managers of funds we have invested in and small business leaders, I am always struck by their ambition. The EIB and our partners also have ambition — to support sustainable development and improve lives across the world. We are always looking for new ways to accomplish this.

Our impact **in 2017**

More than 2,000 loans for small businesses, better roads, cleaner water, equality, reliable electricity, improved education

Private sector

SME and mid-cap credit lines will result in 2,103 loans across the ACP regions and the Republic of South Africa. These will have an average size of EUR 188,000 and an average tenor of 4.6 years. They will sustain 67,835 jobs. Examples include I&M Bank Rwanda, Equity Bank Tanzania and the multiregional African Export and Import Bank.

Loans to microenterprises will sustain 57,500 jobs, 27% of which will be held by women and 44% by young people. Countries where these loans will make a difference include Mali, Senegal, Ethiopia and the Dominican Republic.

Microfinance Investment Vehicles will create 550 jobs in the financial sector, across 14 microfinance institutions, which will issue 402,000 loans to microenterprises. Twenty five percent of the final beneficiaries will be women. These cover several regional groupings across Africa, the Caribbean and the Pacific, including 8,503 loans to students in the Dominican Republic through Fundapec. Of these loans, 5,357 will go to women.

Private equity funds will invest an average of EUR 4.6 million in 157 investee companies, and create direct, permanent employment for 17,100 people. These will include small businesses in Cameroon, Senegal, Congo, Gabon and Chad, and sectors from technology to health and agribusiness.

Investment in mobile banking services will benefit 2.3 million people in Ethiopia, thanks to M-Birr.

We are bringing electricity to nearly 300,000 homes in Kenya and improving schools for many children in the Caribbean

Vital infrastructure

New power generation capacity of 517 MW, 100% of which is from renewables. Annual production of 2,066 GW/h, potentially serving 1.7 million households in Kenya and Madagascar.

36,400 kilometres of new or upgraded power lines, connecting 297,000 households to the grid in Kenya.

1,410 kilometres of new or upgraded domestic water pipes, and 95,600 new or upgraded domestic water connections. This will give improved water supply to 2.1 million people. New or upgraded wastewater treatment for 1.1 million people. 1,120 kilometres of new or upgraded sewer or storm pipes, and 13,270 new domestic sanitation connections. All benefitting 1.6 million people in Fiji, Côte d'Ivoire, Malawi, Rwanda and several Caribbean countries.

New or reconstructed dykes reducing flood risk for 676,300 people in Madagascar and the Caribbean.

Education facilities covering 1,500 m² constructed or rehabilitated, serving 2,000 school-age children in the Caribbean.

783 kilometres of roads built or upgraded in Kenya, the Caribbean and Senegal, benefitting 21,900 vehicles per day, saving EUR 86.3 million in vehicle operating costs and 25.6 million driver hours per year.

37 kilometres of upgraded urban transport routes in Senegal, including 23 stops and with 144 vehicles purchased. This will benefit 179,000 passengers per day saving 16.5 million passenger hours per year.

Activities in 2017

A strong pipeline of projects

Total EIB investment in sub-Saharan Africa, the Caribbean and the Pacific, including Overseas Countries and Territories and the Republic of South Africa reached a financial record in 2017 of EUR 1.468 billion. This is almost double the EUR 765 million for 2016 and shows how a strong pipeline of approvals is helping projects on the ground.

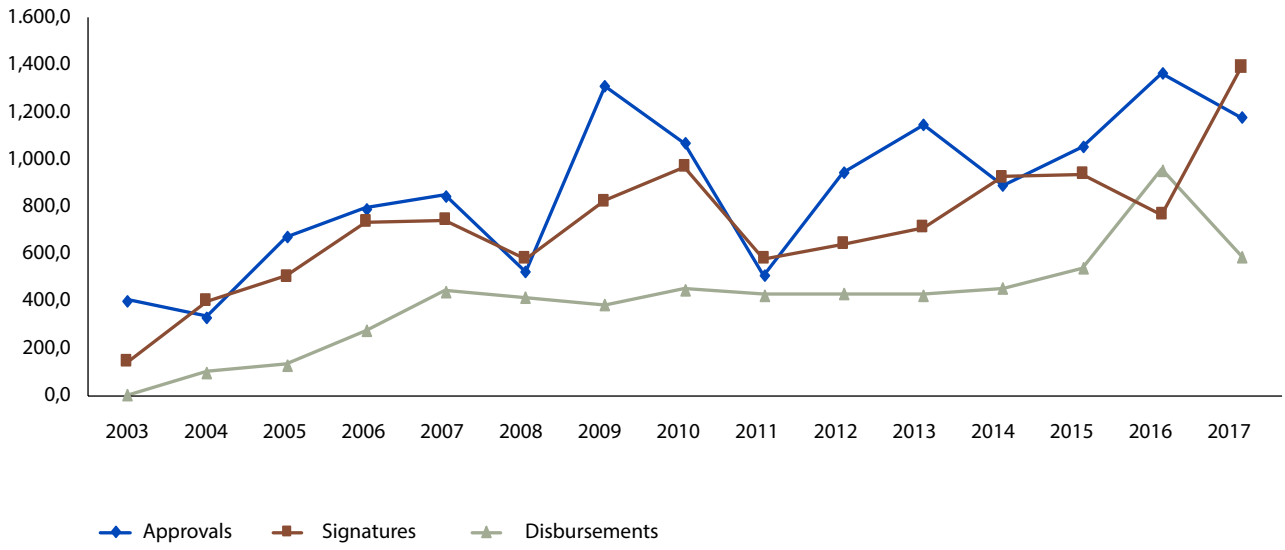
Approvals fell from EUR 1.384 billion in 2016 to EUR 1.277 billion in 2017. Disbursements also fell from a record high of EUR 954 million in 2016 to EUR 642 million in 2017, which is a return to the typical levels in the years before 2015. The record-high disbursements in 2016 can be explained by a review of the portfolio of undisbursed balances. These were amended. The high levels of approvals and disbursements, compared to signatures in the previous year, can be seen in the chart below, as can the increased volume of signatures for 2017.

Signed operations can be split into different sources of funding, which are generally used for different purposes. Signatures under the ACP Investment Facility, the revolving fund that the EIB manages, reached EUR 716 million. A further EUR 670 million was invested from the Bank's own resources. The Bank also invested EUR 66 million in the Republic of South Africa. Financing for South African operations comes from the European Union's External Lending Mandate, managed by the EIB, where there is a separate window of EUR 462 million for projects in that country. There are challenges when lending in South Africa, including stringent requirements for local content, which do not match the EIB's procurement guidelines, and the economy and politics are volatile.

The final EUR 16 million was invested in a facility – the Global Climate Partnership Fund – for the Republic of South Africa (which accounts for EUR 16 million of the EUR 66 million mentioned above) and other countries in the ACP region and other locations.

In the Investment Facility figures, there are high levels of credit lines and framework loans, demonstrating the Bank's continued support for financial sectors in the ACP region. We also invested a record amount of EUR 153 million in equity operations in 2017, showing that demand for these operations is increasing and that they are beginning to get a bigger foothold in diverse sectors of African, Caribbean and Pacific economies. Good examples are the Agri-Vie fund

ACP and OCT yearly and cumulative approvals, signatures and disbursements (2003-2017) in EUR m



and the TL COM Tide Africa Fund, one of two investments formalised under the Boost Africa initiative, the innovative platform targeting start-ups providing technological solutions to social and environmental problems.

Under our own resource lending, the Bank extended its relationship with the Caribbean Development Bank, with a second climate action line of credit. Additional capacity was added this summer to support projects in disaster recovery. This was timely given the serious hurricane season across the Caribbean in 2017. We are also funding an operation in Dakar, Senegal, to modernise the city's buses, and our long-standing relationship with renewable energy production in Kenya is continuing with a further investment in the Olkaria geothermal facility.

The EIB is always looking for projects that can reduce global poverty. In 2017, we signed our first investment with Afreximbank (The African Export Import Bank) to support SMEs and create jobs by focusing on trade-related investments across 40 African countries. The emphasis will be on sustainable industrialisation, as African countries want to develop manufacturing. This will create jobs and promote trade between African countries, but also between Africa and the European Union.

The EIB is trying to support regional integration in Africa in a different way. The EIB has a number of focus areas: private sector development, vital infrastructure, climate action and regional integration. In 2017, the Bank set up the ACP Infrastructure Package, which will enable us to meet our target investment in those essential projects. The ACP Migration Package, meanwhile, is up and running with signatures totalling EUR 228 million of the EUR 800 million total, in addition to a comprehensive pipeline.

Our financing **in 2017**

Total ACP signatures of

EUR **1.386** bn

EUR **66** m

in **the Republic of South Africa**

EUR **16** m

for **ACP** under **the Global Climate Partnership Fund**

38 **projects**

(**40 if we include** the Republic of South Africa)

52%

public sector

EUR **420** m

for **climate action**
(30% of total investment)

48%

private sector

Nearly EUR 1.4 billion spread across many countries and lending facilities

Projects in

16 countries

and **five** regional groupings

EUR **597**m

for the **financial sector** and **services** under the **ACP Investment Facility** including:

- **EUR 428m** (72%) supporting SMEs via credit lines signed with seven different intermediaries
- **EUR 16m** (3%) for microfinance
- **EUR 153m** (25%) of investment in 12 equity funds and one direct equity operation

EUR **716**m

under the **ACP Investment Facility**

EUR **670**m

from the **EIB's own resources**

EUR **98**m

under the ACP Impact **Financing Envelope**

EUR **4**m

for **direct financing** of **corporates** and **EUR 43m** in **guarantees**

List of contracts signed in 2017

Investment Facility contracts signed in 2017					
ACPs					
Botswana	INTERNATIONAL HOUSING SOLUTIONS FUND II	Urban development	Private	*	5.6
Côte d'Ivoire	OASIS AFRICA SME FUND	Financial Services	Private		2.7
Dominican Republic	FUNDAPEC	Education	Private	*	5.0
Ethiopia	LEASING AND LENDING FOR SMES ✔	Credit lines	Private	*	70.0
Ghana	OASIS AFRICA SME FUND	Financial Services	Private		4.1
Mali	KABALA II EAU ET ASSAINISSEMENT BAMAKO ✔	Water, sewerage	Public	*	50.0
Namibia	INTERNATIONAL HOUSING SOLUTIONS FUND II	Urban development	Private	*	11.2
Nigeria	DEVELOPMENT BANK OF NIGERIA	Financial Services	Private		16.9
Regional - ACP	ACCESS MICROFINANCE HOLDING III C	Financial Services	Private		2.3
Regional - Africa	AFREXIMBANK LOAN FOR PRIVATE SECTOR ▲	Credit lines	Private	*	100.0
Regional - Africa	AGRI-VIE FUND II	Agriculture, fisheries, forestry	Private		5.0
		Financial Services	Private		2.5
		Industry	Private		5.0
Regional - Africa	BANK OF AFRICA SUB-SAHARAN FINANCING FACILITY ▲	Credit lines	Private	*	34.0
Regional - Africa	SHORECAP III	Financial Services	Private		17.0
Regional - Africa	VANTAGE MEZZANINE FUND III	Financial Services	Private		23.6
Regional - Caribbean	CDB CLIMATE ACTION FL II ✔ ▲	Energy	Private	*	40.8
		Industry	Private	*	30.0
		Transport	Private	*	6.0
		Water, sewerage	Private	*	43.2
Regional - East Africa	CATALYST FUND II LP	Financial Services	Private		16.3
Regional - East Africa	EQUITY BANK MBIL (UGANDA) ▲	Credit lines	Private	*	19.0
Regional - East Africa	EQUITY BANK TANZANIA LTD ▲	Credit lines	Private	*	36.0
Regional - East Africa	I AND M BANK REGIONAL FINANCING FACILITY RWANDA	Credit lines	Private	*	8.5
Regional - East Africa	PROCREDIT CONGO SA ▲	Credit lines	Private	*	20.0
Regional - West Africa	WEST AFRICA MICROFINANCE FACILITY (MC MALI) ▲	Financial Services	Private		0.8
Regional - West Africa	WEST AFRICA MICROFINANCE FACILITY (MC SENEGAL) ▲	Financial Services	Private		0.8
Senegal	CORRIDOR COTIER - SECTION NORD ▲	Industry	Public		22.0
					598.3

OCTs					
New Caledonia	BCI PRIVATE ENTERPRISE FACILITY (NEW CALEDONIA)	Credit lines	Private	*	20.0
					20.0

Impact Financing Envelope Contracts					
ACPs					
Ethiopia	CEPHEUS ETHIOPIA SME FUND	Financial Services	Private		8.4
Ethiopia	M-BIRR MOBILE BANKING SERVICE	Telecommunications	Private		4.0
Regional - ACP	ACP SMALLHOLDER FINANCING FACILITY (ADVANS IC) ▲	Credit lines	Private	*	5.0
Regional - Africa	I AND P AFRIQUE ENTREPRENEURS II	Financial Services	Private		10.0
Regional - Africa	PARTECH AFRICA VENTURE CAPITAL FUND	Financial Services	Private		10.0
Regional - Africa	AFRICA ENERGY GUARANTEE FACILITY	Energy	Private	*	42.2
Regional - Caribbean	CARIBBEAN AND PACIFIC IMPACT FINANCE FACILITY ACME ✔ ▲	Credit lines	Private	*	3.0
Regional - East Africa	TLCOM TIDE AFRICA FUND	Financial Services	Private		4.4
Regional - West Africa	TLCOM TIDE AFRICA FUND	Financial Services	Private		4.4
Regional - West Africa	WEST AFRICA MICROFINANCE FACILITY (MC MALI) ▲	Financial Services	Private	*	3.2
Regional - West Africa	WEST AFRICA MICROFINANCE FACILITY (MC SENEGAL) ▲	Financial Services	Private	*	3.2
					97.8
IF TOTAL					716.0

EIB own resources contracts signed in 2017					
ACPs					
Côte d'Ivoire	AEP ABIDJAN ✔	Water, sewerage	Public	*	35.0
Fiji	FIJI WATER AND WASTEWATER PROJECT ✔ ▲	Water, sewerage	Public	*	64.4
Kenya	KENYA POWER DISTRIBUTION LAST MILE CONNECTIVITY ✔	Energy	Public		60.0
Kenya	OLKARIA I GEOTHERMAL EXTENSION ✔	Energy	Public	*	72.0
Kenya	REGIONAL MOMBASA PORT ACCESS ROAD	Transport	Public		50.0
Madagascar	JIRAMA ANDEKALEKA HYDRO EXPANSION ✔	Energy	Public	*	30.6
Madagascar	MODERNISATION RESEAU ROUTIER MADAGASCAR ▲	Transport	Public		110.0
Malawi	MALAWI NRWB WATER EFFICIENCY PROJECT ✔	Water, sewerage	Public	*	20.5
Rwanda	KIGALI CENTRAL SEWERAGE ✔ ▲	Water, sewerage	Public	*	45.0
Senegal	BRT BUS RAPID TRANSIT DAKAR ✔	Transport	Public	*	80.0
Zambia	LUSAKA SANITATION PROGRAM ✔ ▲	Water, sewerage	Public	*	102.5
					670.0
EIB OR TOTAL					670.0
GRAND TOTAL	**38 projects**	**41 contracts**			**1 386.0**

✔ Operations receiving/to receive an interest rate subsidy appropriation and/or an EU-Africa Infrastructure Trust Fund grant.

▲ Operations receiving a technical assistance grant.

* Operations supporting climate action. Climate action is recorded as a percentage of EIB financing operations signed, to the extent of their compliance with climate action definitions, sectors and activity types, in a granular manner (i.e. counting the relevant component, sub-component or proportion). For credit lines, unless a dedicated climate action window has been set, the Bank applied in 2017 an estimate of 2% as likely climate content that will be found in future allocations under credit lines signed in 2017.

M-Birr: Digital inclusion in Ethiopia

The digital economy is set to be a boom area in Africa

Ambitious start-ups are being launched and tech funds are emerging in the hubs of Nairobi, Lagos and Kampala, as well as in Dakar. But what about the services that these platforms create? In Ethiopia, millions of people are using a mobile money service, M-Birr, which is more advanced than the mobile banking technology most Europeans use. This is how we change lives.

Amadi leans back against the mud wall of her home and recalls the days she used to spend queueing in the burning Ethiopian sun to receive her social security payments. Often the money wouldn't be there and Amadi, an elderly woman, trekked hours back to her remote village with no money, only to go through the same ordeal another day. "There were a lot of troubles. It was very hard," she says. "But now we're in much better condition."

Amadi is one of two million Ethiopians who use **M-Birr**, a mobile banking service that takes its name from the birr, the country's currency. Now her government social payments are paid directly each month into her mobile M-Birr account at the regional Microfinance Institution (MFI). Instead of the long hike to collect her cash, she visits a nearby agent to make a withdrawal. "I am respected and I get my money," she says.

M-Birr plans to be the Ethiopian spearhead for the mobile phenomenon that's transforming finances for ordinary Africans, alongside other players such as MTN, M-Pesa and Orange. Apart from those few countries that use mobile banking, the continent relies heavily on cash payments. Logistics are not easy in Africa, so a mobile network makes it possible for money to move around safely and simply. Mobile platforms are effectively increasing financial inclusion.

Communities served

Bakala, a shop owner, is an M-Birr agent for the local MFI. Of 125 households in his village, all but three receive government social payments. The regularity of the M-Birr system allows recipients to plan their finances in a way that wasn't possible with the previous system. It's also good for Bakala's business. He plans to take out a loan to buy a machine for grinding corn meal and to open a restaurant where he'll employ several workers, because so many people now visit his shop.

But that's not the only reason he likes M-Birr. "M-Birr improves my community," he says. "I am serving my community. This mobile service has made a big impact on my community."

"I like it better this way"

Outside the shop, an old woman named Mareh pulls a mobile phone from a pouch around her neck. Most M-Birr users buy a phone for only a few dollars, but those who can't afford even that can get a scratch card with a PIN code that they enter during their visit to the M-Birr agent to recover their social payments. Mareh gestures emphatically with her phone as she lists the improvements to her life brought by M-Birr.

Like Amadi, she used to be exhausted by long walks to distribution points for government money that often turned out not to be available. "It's not easy for me to use a phone, but the agent helps me and I get my money through M-Birr," she says. "I like it better this way."

> The EIB is backing the next stage of M-Birr's expansion with a EUR 3 million equity investment – and EUR 1 million may be added to this

The investment was made under the Impact Financing Envelope. This is the first time the EIB has invested in mobile financial technology in Africa. This is a co-investment with DEG, a subsidiary of Germany's KfW.

Before its full roll-out in 2015, M-Birr ran a one-year programme that enabled five local microfinance institutions to offer mobile money services. The microfinance institutions offer M-Birr services in more than 7,000 locations – M-Birr MFI branches and agents in shops, pharmacies or petrol stations around Ethiopia. The company today processes social payments for over 750,000 households with around three million beneficiaries, as well as serving 280,000 mobile-money core clients. That's a transformation for a country where only one in five people has a bank account, while half of all adults own a mobile phone. "We play a big role in social inclusion," says M-Birr Executive Chairman Thierry Artaud. "The EIB investment will enable us to develop the business and help the country to grow."

With the EIB investment, M-Birr plans to expand into other sectors of the Ethiopian economy, serving small businesses that can run into danger or extra expenses while moving daily cash earnings from one place to another. M-Birr is also supporting the microfinance institutions offering the M-Birr service, so they can set up more agents and branches.

In a country the size of France and Spain combined, a broader network is vital. M-Birr and its partners are opening up Ethiopia to a whole world of mobile money that will have a tremendous impact on the daily lives of users. The company is really meeting a need and plans to spread access across all sectors of the economy.

Creating jobs and fulfilling dreams

Supporting entrepreneurs and innovative start-ups

Formally announced in 2016, Boost Africa is a joint venture between the EIB, the African Development Bank and the European Commission. It is a fund of funds, designed to support entrepreneurs and innovative start-ups in the digital space in sub-Saharan Africa, and plans to create 25,000 jobs.

The first investment under the initiative was made in 2017, in the TL Com Tide Africa Fund. TL Com is investing in an interesting platform dedicated to turning Africa into a genuine force in the next generation of software engineers. Andela was founded in 2014 by Christina Sass, Brice Nkengsa and Jeremy Johnson and has received investments from many sources, including the Chan Zuckerberg initiative. The EIB, through TL Com, has invested USD 3 million in Andela, which is built on the premise that talent can be found anywhere, but not opportunities. The aim is to train 100,000 African software developers in the first decade of operation.

It seems to be working. Andela started out in Lagos, Nigeria, in 2014 and has since added hubs in Nairobi, Kenya and the Ugandan capital, Kampala. Young and ambitious African people are trained by Andela in the art of coding and are then placed with companies to join development teams, usually remotely, and with salaries equivalent to the United States or Europe for people in their field. By joining these development teams, the Andela graduates gain good professional experience, but also speak of being empowered to follow their ambitions.

Around 25% of Andela's graduates are female. The global average for software developers is 7%, so this is impressive. The company hopes female graduates will reach 50%.

Andela's plan to train 100,000 developers is possible only if the company continues to grow at its current rate. It started with six people and four students in 2014 and now has 600 people and several thousand students. Boost Africa is targeting the technology sector to create opportunities in Africa. Andela is one company meeting this ambition.

As a tech start-up serving the African market, Andela has made a prolific start over its first few years. Fund managers are beginning to see that Africa is primed for take-off in the field of private equity and venture capital. This growth is something that Partech Ventures is also looking to play a part in, having just launched its Partech Africa fund, based out of Dakar, Senegal. The EIB is investing EUR 10 million from the Impact Financing Envelope into the fund, and the

> The EIB is investing in African start-ups led by young entrepreneurs offering new services in banking, insurance and mobile communications

target size is EUR 100 million. This money will be invested in African start-ups led by young, local entrepreneurs, who are creating new and innovative platforms in financial inclusion, notably in the fields of banking and insurance, as well as online and mobile consumer services.

In addition to the hubs of Kenya and Nigeria, Partech Africa wants to invest in start-ups in Cameroon, Côte d'Ivoire and Senegal. Initially, they will target 25-30 of them, with investments of EUR 500,000 to EUR 5 million, but mainly in the middle of that range. Partech Africa's general partners believe that the fund will benefit from its unique position. "Tech venture capital investment in Africa is growing all the time," says Cyril Collon. "It has gone from USD 40 million in 2012 to USD 367 million in 2016, and is on track to break the billion mark by 2020, but a lot of this has been led by US and EU investors. We believe the ecosystem is ready for local players. African teams can finance the best African start-ups."

The fund is well on its way to the target, and Tidjane Dème adds, "Partech will bring great experience to African founders and businesses. And our business development team will expose African start-ups to European and US markets and help create long-term strategic partnerships."

Partech has had success around the world with its investee companies. It's time for African companies to join the club.

Clean water in Suva, Fiji's economic motor

The battle against numerous threats

In February 2016, Fiji's largest island, Viti Levu, took a direct hit from Cyclone Winston. More than 40 Fijians lost their lives and entire villages were left beyond repair. Thousands of people had no water and power afterwards. The country's economy lost the equivalent of about 20% of its gross domestic product.

Climate change poses an existential threat to the Pacific Islands, through rising sea levels and the increase in extreme weather events such as Cyclone Winston. The effects can be numerous and lethal, from ruined crop harvests in villages and rural areas to the proliferation of waterborne diseases.

In Fiji, inadequate water systems that cannot withstand the effects of flooding are a real problem, and as the population of the capital, Suva, increases, it is crucial that the water and wastewater systems meet the needs of the people.

Fiji's government has put together a comprehensive programme to meet the needs of 224,000 inhabitants of the Greater Suva Area. The EIB is supporting the programme with a loan of just under EUR 65 million, alongside assistance from the Asian Development Bank. It is our first operation in Fiji in 18 years and our first operation in an ACP country co-financed by the Green Climate Fund, a United Nations programme helping developing countries tackle climate change. Fiji's programme is being managed by the Water Authority of Fiji and will significantly increase Suva's resilience against shocks by upgrading the water infrastructure in several ways to adapt to climate change.

A new water intake will be built on the Rewa, the largest river on Viti Letu. It will be located further inland, which reduces the risk of salt contamination, as existing infrastructure at the river delta is more exposed to the Pacific Ocean. A treatment plant and pumping station will be added, along with a new reservoir, which will be connected to Suva's current water network. In addition to these new supplies of fresh water, existing wastewater treatment facilities will be expanded. The capacity at the Kinoya sewerage treatment plant will be increased by 164%, meaning it will meet the requirements of an equivalent of 277,000 people. In addition to this, and to cope with the increased demands on the systems, around

18 kilometres of trunk mains will be upgraded. The wastewater network will be extended to an additional 4,500 households that are not served by the public system and have to use septic tanks.

Sustainable development in Fiji depends on an inclusive and resilient approach to vital services such as the water supply and treatment facilities. Overall, this project will make clean water available to more people, and will minimise breaks in service, which remain an issue. This inclusive approach does not stop at the water supply. It also includes a plan to promote gender equality. The Water Authority of Fiji will employ a social impact specialist to make sure the project provides equal opportunities for women to work both on technical issues and maintenance.

Suva is a vital urban centre for Fiji, but it's also important for the Pacific region, because it hosts many larger companies in the private and financial sectors. This water project will provide peace of mind over the coming years, and improve the health and lives of people across the area.

Sustainable development in Fiji depends on an inclusive and resilient approach to vital services such as the water supply and waste treatment

A growing sense of urgency

EIB's large appetite for climate action

As in the Pacific, climate change is the major challenge facing the Caribbean, posing major problems for the region's development. Extreme rainfall and drought are a huge danger to overall health, economic productivity, agriculture and quality of life. Increased sea and air temperatures lead to climate volatility which hurts the food supply and allows a resurgence in malaria as well as new diseases such as the Zika virus.

The summer of 2017 offered reminders of the dangers of life in the Caribbean as Hurricanes Irma and Maria arrived. It is rare for two Category 5 storms to make landfall in one season, and all the more destructive. These two storms struck within a few weeks of each other in September, adding to the burden.

"This summer, almost all countries suffered damage to infrastructure," says Cheryl Dixon, lead environmental specialist at the Caribbean Development Bank (CDB). "This ranges from physical infrastructure, so the roads, bridges, coastal and river defences and water and electricity transmission and distribution systems, to social infrastructure, damage to schools, hospitals and health centres. Resources are needed to finance these investments."

> "We need to improve our management of water resources and particularly potable water supplies."

There is a large appetite for climate action in the region. The EIB and the CDB have a long relationship spanning 40 years. Our institutions worked together on a framework loan for climate change mitigation and adaption projects that was signed in 2011. This project has invested in nine operations in eight countries, including water infrastructure in the Bahamas, the Belize Northern Highway, and a large-scale street lighting upgrade in Jamaica.

In May 2017, we signed a second line of credit for climate action. At over EUR 100 million, or about USD 124 million, it is twice the size of the 2011 operation. The demand for financing in these projects is huge, and the CDB had already identified a pipeline of eligible projects worth around USD 300 million. "There is now a greater sense of urgency to see tangible expression of action on the ground in our Borrowing Member Countries," Dixon says.

This call to action is taking several forms as the Caribbean countries take an active role in fighting climate change and "building it better," which means they are incorporating climate action as much as possible into their projects. There is an understanding of the issue here that outstrips other places. "The need for financing is particularly high for hardening physical infrastructure. Here I am referring to roads, drainage and coastal defences, for example," says Dixon. "But at the same time we need to improve our management of water resources and particularly potable water supplies."

These actions will help soften the blow that comes with extreme weather by building resilience, but there is more to it. The project to install LED street lights in Jamaica has several benefits. Street lights are an essential public service, but in Jamaica they were the second-largest consumer of electricity in the country. The previous bulbs lasted around five years, and 20% of them had to be replaced each year. The new LED lights are more reliable and far more efficient, which saves energy and cuts emissions. They are also brighter, which helps make urban areas safer.

The second line of credit is focusing on similar projects to the first credit line, but more of them. There will be more street lighting investment in St. Vincent and the Grenadines and St. Lucia as well as further support for Jamaica's project. There will be extra investments in coastal defences and education, as well as renewable energy. An investment in the former, along with some road and bridge reconstructions, have been agreed in Antigua and Barbuda.

There is a lot of work to do. This is why the EIB and the CDB have set up a financing initiative for post-hurricane infrastructure reconstruction. The EIB has invested USD 24 million in this new initiative. The facility was set up in a matter of weeks as the extent of the damage from Irma and Maria became clear. The financing will also assist the urgent rehabilitation and reconstruction of vital infrastructure, in particular electricity networks, water systems and roads.

"The financial resources required to address the climate change challenge comprehensively, across all aspects of mitigation and adaptation, are extremely large," Dixon says. The Caribbean Development Bank has real expertise in projects in this field, and EIB and CDB technical staff have benefitted a lot from working together. The Caribbean region is taking the right road towards a sustainable future by preparing for the challenges and making its own environmental footprint smaller through this holistic approach, which combines a fast response to financing with changing mindsets. Over time, the results will speak for themselves.

Project snapshots

From urban modernisation and food production to power plants and better jobs

Easing congestion and bottlenecks in Senegal

The Senegalese capital, Dakar, is home to almost a quarter of the country's population, and is growing rapidly. The city's transport infrastructure is under great pressure because of this growth as well as a lack of investment.

Under a government programme for urban modernisation, the EIB is investing EUR 80 million to support a EUR 370 million project that will rejuvenate public transport in Dakar. The project will create bus lanes along strategic routes and add 23 bus stations and 144 articulated buses. This will ease congestion in the city and assist economic development by providing fast, affordable and cleaner transport for around 65 million passengers per year. This project supports many

Sustainable Development Goals, such as Decent Work and Economic Growth; Industry, Innovation and Infrastructure; Sustainable Cities and Communities; and Climate Action.

> Our agricultural assistance in South Africa will sustain several thousand jobs for younger, emerging farmers in rural communities

The EIB is also investing in the Pont de Rosso, a bridge across the Senegal river. This project is a vital part of Africa's transport network plans. The structure, running nearly 1.5 kilometres, will shorten journey times and cut emissions significantly by reducing reliance on ferries, and it connects Senegal with Mauritania. As the only fixed link between the two nations, this bridge will significantly help the economies in both regions. It is co-financed by the World Bank, the African Development Bank and the European Union, through the African Investment Facility (AfIF).

Climate action and food production in South Africa

The EIB is providing a EUR 50 million loan to the Land and Agricultural Development Bank of South Africa (Land Bank). The bank will use this money to offer loans in the agriculture food chain to small and medium-sized projects, up to 35% of which must have a climate action focus. This operation will address Sustainable Development Goal (SDG) 2, Zero Hunger, and SDG 13, Climate Action. Agribusiness is a significant sector of the South African economy, if not quite as important as in the rest of sub-Saharan Africa. Agri-food represents about 12% of the country's gross domestic product and employs 7% to 10% of the active population.

Agribusiness is underfunded in the country. Land Bank is focused entirely on the sector. As a state-owned institution, it has more capacity than traditional commercial banks, which are put off by the higher risks associated with adverse weather and a lack of collateral for small farmers. The EIB operation seeks to rectify this gap by attracting more finance to the sector and making it available to a range of players.

This range includes emerging and small-scale farmers, who are traditionally underserved, but also larger private sector entities that want to modernise their processes or equipment and improve productivity. The climate action part of the operation is a new step, as it includes natural resource management, new technologies and carbon sequestering initiatives.

We expect this operation to improve lives in rural areas and help food security in South Africa, while sustaining around 3,900 jobs, most of them involving younger, emerging farmers in rural communities.

Kenya's ambitious power plans

As part of its medium and long-term development plans for the country – outlined in a programme called KenyaVision 2030 – the Kenyan government wants to ensure electricity access for the whole population. It plans to diversify production and complete a comprehensive electrification programme. The EIB signed loans for projects in both of these fields in 2017, in the form of the Last Mile Connectivity Programme and a further increase in capacity at the Olkaria geothermal facility. These projects will contribute towards several Sustainable Development Goals, notably No Poverty, Affordable and Clean Energy, Decent Work and Economic Growth, and Climate Action.

The EIB is co-financing a programme called Last Mile with the Agence Française de Développement. This project is also getting a grant from the European Union under the EU-Africa Infrastructure Trust Fund. Under the programme, power lines will be extended into rural areas of 32 of the 47 counties in Kenya. It is set to connect over 300,000 households to the grid, bringing power to around 1.5 million Kenyans. This is equivalent to more than the population of Mombasa, the country's second largest city. It makes the 2020 completion target ambitious, but also achievable thanks to the use of tried and tested equipment that can be rolled out quickly.

On the power generation side, the Bank has invested in an extension to the Olkaria I geothermal plant, with the installation of an additional turbine, which will add 70 MW to the facility's total output, bringing it to a level potentially providing power to 529,000 households. Geothermal power is renewable and clean as it uses hot springs and geysers for energy.

> The Last Mile Connectivity Programme is helping Kenya make progress in its goal to bring electricity to the whole population

The EIB has worked with the promoter, KenGen, for around three decades, involving six operations. The partnership has been fruitful and together we are learning how to carry out projects in the best way. Following some issues regarding the resettlement of local populations, the Bank and KenGen are ensuring high environmental and social standards, while KenGen is working with the Kenyan Wildlife Service to minimise the impact on the diverse wildlife in Hell's Gate National Park, where Olkaria is located. Geothermal power is a key part of Kenya's energy mix. It can also be sustainable and beneficial to everyone.

Creating opportunities across New Caledonia

Though average incomes in the French Overseas Territory are high, the Pacific island group faces income inequality and sluggish growth, and access to finance is difficult for local business owners. Add to that the depressed global price for nickel, the islands' principal export commodity. The EIB is lending EUR 20 million to the Banque Calédonienne d'Investissement (BCI) in a programme that will focus on helping small businesses, though funding will also be available for the public sector.

This will contribute to SDG 8, Decent Work and Economic Growth, as well as SDG 10, Reduced Inequalities. New Caledonia's outer islands are severely disadvantaged when compared to the capital city Nouméa, on the main island, and its surrounding areas. BCI has an advantage here in that its reach is good. The operation is expected to support around 500 loans to small businesses based in the archipelago, averaging around EUR 40,000 each. This will sustain around 5,000 jobs in the territory, as well as developing the local private and financial sectors.

EIB Infrastructure Package **for ACP**

A big bump in financing

In November 2017, the EIB mobilised EUR 1.5 billion in additional resources for lending to the public sector in the ACP and OCT regions from 2018 to 2020. This will mobilise EUR 5 billion of investment for essential projects.

The ACP Infrastructure Package represents a significant increase in EIB support for the public sector in ACP and addresses the infrastructure gap in the region, which will boost the private sector by helping it develop and diversify. In the spirit of the EU Global Strategy, this will enable the EIB to maximise its support for local, national and regional economies, as well as creating opportunities for rural populations, young people, and women and girls.

By mobilising these funds, we provide investment where it is needed most. Through the Infrastructure Package, the EIB can increase its efforts to tackle the causes of migration as well as improving the conditions in countries along migration routes. We can also speed up recovery efforts after disasters or conflicts and help with climate change mitigation and adaptation.

This is a transition measure to boost investment until the end of 2020, taking in the last three years of the Cotonou Agreement. It builds on the significant levels of EIB financing to the public and private sectors in the ACP region and complements other funding managed by the EIB. As with all the Bank's instruments, we are working with our partners to support sustainable economic growth, diversification, regional integration and job creation.

How will the Infrastructure Package be used?

The EIB Infrastructure Package can be used to provide loans to sovereigns that could then lend the money to governmental bodies and public sector companies. These loans to the ACP states and the OCT region will finance infrastructure investments. Some loans might include interest rate subsidies and technical assistance.

Which projects **are eligible?**

- **Energy:** renewable energy generation, power distribution, energy efficiency.
- **Transport:** roads and railways, ports, maritime and river routes, air transport.
- **Water and waste management:** water supply, treatment and sanitation plants, solid waste processing facilities.
- **Agriculture and food security:** irrigation systems, processing plants, refrigeration and storage facilities, local markets.
- **Industry:** all infrastructure for industrialisation, such as industrial zones or upgrading production linked to natural resources, developing better regional industrial integration and value chains.
- **Digital economy:** all types of infrastructure for telecommunication network coverage and capacity as well as public ICT-based systems, apps and services.
- **Post-disaster reconstruction of infrastructure:** all types.

What sets the EIB apart

Going far beyond lending

The EIB is the largest multilateral borrower and lender in the world. It is active in around 160 countries, investing in projects that meet stringent criteria on bankability, sustainability, environmental and social impact and potential for creating jobs and reducing poverty.

We improve lives by offering financing terms that cannot be provided by the market alone and by helping prepare and implement projects. The Bank rarely finances more than 50% of the cost of a project. Instead, we hope that our proportion of financing toward a project will attract more investment from partner institutions or other parties, such as private banks. We have managed the ACP Investment Facility since it began in 2003. This facility is making a big difference in the region and places us firmly at the heart of the European effort to tackle global challenges.

Our role goes beyond lending. We also work on blending, which means we combine EIB loans with EU grants, and we do advising. EIB loans extend the typical repayment terms available to projects, and the terms are flexible enough to adjust on a case-by-case basis.

Dedicated blending facilities are becoming ever more important. The investment needs across all sectors are enormous, and sourcing funding from European institutions in addition to development banks will give the private sector a certain reassurance in viability, quite separate from the standards we maintain for our projects.

The EIB helps fragile economies as well as robust ones. Our range of financing options is flexible enough that we operate in countries facing civil and political struggles. The Bank is a long-term financial institution, and the fragile countries often require the most investment, because they lack what others take for granted.

Blending grants and loans

As the EU bank, we act as a catalyst for loans from other organisations. We ensure that our grants and investments in development provide the highest sustainable long-term impact.

The use of innovative financing instruments that leverage additional finance is crucial to ensuring the success of projects in developing countries.

Subsidies enable us to support the economic and financial soundness of projects with substantial environmental or social impacts and to help when basic infrastructure has been damaged by conflict or natural disaster in poorer or less developed countries.

Technical assistance provided at all stages of the project can fund feasibility studies, project preparation and implementation, capacity building for financial intermediaries and beneficiaries, and staff training to help raise environmental, social and governance standards.

Thus, blending ensures the efficiency and the best use of resources available. It can improve project quality and long-term impact, optimise the Bank's service to beneficiaries, something we are always trying to improve, and promote donor cooperation between European aid organisations.

We can help clients mitigate foreign exchange risk by financing in local currencies. This especially helps smaller businesses, which need local currency loans more than most firms. Up to 40% of the EUR 3.7 billion capital endowment of the ACP Investment Facility can be lent in local currencies. Lending in local currencies is a significant part of our private sector support and it is essential to getting projects moving and showing results.

The European Union sets the highest environmental and social standards. The EIB shares these values and wishes to see them broadened across the world.

Our offerings stand apart from the market alternatives in three main areas:

Long-term resources adapted to project needs: Five indicators are used: extension of typical maturity, match with asset life, local currency funding, grant element and innovative products.

Technical contribution: In addition to financing, we can help improve the project characteristics in business, developmental, social, environmental or corporate governance terms.

Standards and resource mobilisation: Our participation in the transaction adds to the project's value by providing demonstration effects, raising standards or mobilising other financial resources, particularly among our European partner financing institutions.

In response to global needs, the EIB continually develops innovative instruments to ensure that its lending best meets borrowers' needs and addresses funding gaps. This applies to our support for the Sustainable Development Goals and the New EU Consensus on Development, which promotes a holistic and interconnected approach to tackling global issues.

The blending of loans and grants is a key element of this, enabling the Bank to help make projects a success in challenging sectors or countries. Grants are provided in various forms: technical assistance, interest rate subsidies, investment grants or risk mitigation instruments.

Technical assistance supports project preparation and implementation and capacity building for borrowers and final beneficiaries, and helps raise environmental, social and governance standards. This benefits the project cycle and improves the overall quality. In an endorsement of the EIB's technical assistance, the budget for it under the Investment Facility has reached EUR 95 million for the period 2014-2020, compared with just over EUR 40 million for the previous period.

Subsidies boost the economic and financial soundness of projects offering substantial environmental or social impacts, or essential infrastructure projects in poorer or less developed countries, or regions suffering from conflict or natural disaster. Investment grants and risk mitigation instruments may further help make projects bankable or reduce their risks.

Transparency

Transparency and accountability are extremely important to the EIB. As a policy-driven public financial institution, the Bank must be transparent about how we make decisions and implement EU policies in partner countries.

We are accountable to citizens and must retain the highest level of credibility. Our guiding principles are openness, good governance, participation and democratic accountability. To enhance this, our data are published in line with the International Aid Transparency Initiative (IATI) standard. This is a technical framework for publishing information and data on development cooperation activities. We have been doing this since 2014. On the EIB website, www.eib.org, anyone can download the details about how the information we publish on our activities compares to these international standards.

Also in 2014, the EIB launched a public register. This contains the social and environmental project assessments of our operations. This information can also be viewed on the EIB website.

Our financing options

Different instruments for different needs

The EIB employs different instruments to finance different kinds of operations in sub-Saharan Africa, the Caribbean and the Pacific. In general, we finance public sector operations, mainly in infrastructure, in the form of senior loans. These funds can also be used for intermediated loans. The ACP Investment Facility is geared towards private sector investment. In addition to senior and intermediated loans, we carry out equity and quasi-equity investments, junior and subordinated loans, and provide guarantees, interest rate subsidies and technical assistance.

The Impact Financing Envelope is a separate window of the Investment Facility, and is used for higher impact projects that have bigger risks and higher returns. This is used to reach initiatives that go beyond the financial, geographical or sectoral scope of other instruments. It can also be used for loans to financial intermediaries in riskier markets, or for those who seek to invest in riskier sectors.

Senior loans
Intermediated loans

Instruments also available under IF
Widely traded currencies

Investment Facility (IF) revolving fund

9th, 10th, 11th EDF

- ACPs EUR 3 637m (incl EUR 500m for Impact Financing
- OCTs EUR 48.5m

- Junior or subordinated loans
- Quasi-equity funding
- Equity funding
- Guarantees

Widely traded currencies and local currencies

Subsidy Envelope 11th EDF

- ACPs EUR 634m
- OCTs EUR 5m

- Interest rate subsidies
- Technical assistance (up to 15%)

EIB own resources

11th EDF

- ACPs up to EUR 2 500m
- OCTs up to EUR 100m

Our focus **areas**

Making a difference in vital infrastructure

The EIB focuses on private sector development and vital infrastructure in sub-Saharan Africa, the Caribbean and the Pacific. Our activities are in line with the EU Agenda for Change, the new EU Consensus on Development and the Sustainable Development Goals.

This means that we can reach many kinds of operations, from the smallest of businesses to massive regional projects such as electricity and transport networks. Some of our focus areas intertwine with other areas, meaning that projects can make a difference in more than one area.

The private sector

Financial sectors
Developing local and regional financial sectors is vital to enhancing access to finance and to sustainable economic development. We provide credit lines in local currency, as well as guarantees, and we invest in funds and microfinance. We provide financing for the capital expenditure of financial institutions and build capacity across the board.

Small and medium-sized businesses
We provide the financial resources, tools and advice to invest in small enterprises – the driving force for economic growth and employment across the world. The EIB also makes financing available to mid-caps (companies with over 2,500 employees).

Corporates and industry
We support European businesses looking to invest in non-EU regions and sustainable industrial development programmes in the ACP/OCT regions.

Digital economy
The EIB believes in businesses that use technology to benefit the poorest people, finding solutions for healthcare, education and financial services. We invest in the infrastructure , but also in funds that target ambitious start-ups that are using technology to provide the essentials in innovative ways.

Sustainable infrastructure

The EIB invests in sustainable infrastructure involving water and sanitation, energy, transport and telecommunications. These are the foundations that the private sector needs to develop.

Cross-cutting priorities

Climate action
The Bank invests in climate change mitigation and adaptation. Mitigation concerns the reduction of emissions and pollution in the fight against global temperature rises. Adaptation is about building resilience to climate change, including more extreme weather. The Bank has a new climate action strategy for the ACP region.

Fragile economies
The EIB provides long-term financing and technical assistance to lift economies in countries hurt by conflict, natural disasters and epidemics. Our Impact Financing Envelope also enables us to take more risk in markets that would not meet our requirements using traditional financing methods.

Food security
The EIB invests in agribusiness projects, increasing food security and creating good jobs in rural areas. We are exploring agricultural value chains as well as investing in funds dedicated to this sector.

Gender equality and youth
The EIB gives priority to initiatives that support women and young people, and that level the playing field. The Bank has created a new strategy to make gender equality more prominent across all activities, and we will actively promote projects that support women and girls and create opportunities for them.

Migration
We are tackling the causes of migration by meeting the needs of smallholders and small businesses, creating dedicated financial instruments and exploring new and emerging sectors. We finance investments that improve economic resilience in ACP countries that are burdened by a large number of refugees. The EIB has created special instruments for these projects, notably the ACP Migration Package. This supports public sector infrastructure projects as well as private sector operations that create jobs.

Regional integration
The Bank supports projects bringing countries and regions together, in the financial sector and in shared infrastructure operations connecting people and businesses.

The EIB's priorities in the ACP region can be broken down into the four major categories: private sector development, vital infrastructure, climate action and regional integration. Many ACP countries have a lot of potential for development, but they lack the required infrastructure. This applies for the architecture of their financial sectors, which can lack sophistication and diversity, but also for the physical infrastructure. Here, we are looking at water and sanitation, energy, electrical networks, health services, as well as transport and communication networks.

Generally, private sector operations and support for the financial sector are financed from the ACP Investment Facility, the efficient revolving fund under the EIB's management. The EIB's own resource lending covers public sector projects. These are often centred on infrastructure. Economies cannot develop to their full potential if the right conditions are not in place. In response to the global refugee and migration situation, quicker solutions are required. For the EIB, this has meant adjusting our instruments.

The ACP Impact Financing Envelope has been increased from EUR 500 million to EUR 800 million, and has been turned into a revolving fund, with a fair proportion of allocations destined for projects with a migration focus. This separate window of the Investment Facility is used for private sector operations that go beyond the levels of risk presented by traditional operations but that will have a large developmental impact for as many people as possible. People in the ACP region have the same entrepreneurial spirit and creative ideas as anywhere else. The Impact Financing Envelope is one of the ways we fuel this creativity.

The ACP Investment Facility itself has been enhanced, too. Since the revolving fund began operating back in 2003, over 80% of the allocations have gone to the private sector. This includes financial sectors in African, Caribbean and Pacific countries. In the same time frame, 66% of the EIB's own resource investments in these countries have targeted the public sector, with the remainder going to private operations. In order to address the lack of infrastructure to support the private sector, the Investment Facility will allocate a further EUR 500 million to support public sector projects.

The decision to do this has been taken with private sector development in mind. These projects will lay the foundations to enable good jobs to be created, and to tackle the migration crisis, which is putting pressure on countries all over the world and, more importantly, causing lives to be lost.

As demand for investment in infrastructure rises, the EIB is also responding with the ACP Infrastructure Package. This EUR 1.5 billion facility will be financed from our own resources, and over the next two years will leverage EUR 5 billion in investment for sound infrastructure projects that meet the needs of people on the ground in the ACP region.

A range of options

Looking deeper into the Bank's private sector priorities, our approach is multi-pronged. This applies to the financial instruments offered as well as to the sectors targeted. The Investment Facility will reduce poverty by creating jobs and sustainable growth. The EIB provides long-term finance, but it also maintains a flexible approach and brings alternative financing options to the table. This applies to the troubles related to migration. It is a crisis and it is up to organisations like the EIB to offer investment and to encourage others to invest, to tackle the root causes of such issues. The ACP migration package works with the new Economic Resilience Initiative to provide a package of financing options that lift local economies and bridge financing gaps for small businesses.

In the ACP region, the EIB is focused on developing financial sectors. With some exceptions, banks in this region often are not modern in their outlook or the range of transaction types they can carry out. This leads them to avoid risk and fail to maximise their potential to support local economies. This fear of risk can hurt local microenterprises, small firms and even larger businesses. The EIB continues to provide credit lines to banks, in local currencies as well as the standard ones, to encourage support for small businesses.

We are also placing more emphasis on investing in private equity funds, with SMEs and microfinance in mind. Private equity investments have increased in recent years. For the EIB, we have had some success in this domain outside and within the EU, where venture capital is more established. There is an increased appetite for equity as an alternative to traditional institutional financing. This is the case in Africa, where new fund managers are emerging and targeting companies that use technology to address social and environmental issues. Boost Africa is one new initiative in this space. It is a fund of funds targeting technology sectors across the continent.

As the EIB seeks to maximise its effectiveness in the ACP region, the proportion of credit lines weighed against total private sector and financial sector investment will not be increased. The benefits to final users of EIB funding have to be maximised. These are the companies looking to evolve, but the financial sector offers them neither the means nor the expertise needed. The EIB is trying to address this gap.

Bringing more

We provide technical assistance to promote best practices amongst financial institutions, but we also look at the end users of the financing. These private sector companies at the end of the chain must know what they can do. Technical assistance can help in this case.

For this, the EIB has to embrace multiple sectors. An example is agriculture and agribusiness. This sector employs a high proportion of people in many ACP countries. It is not a new sector for the Bank; we have long been active in it. Its importance cannot be understated as a means to produce food for growing populations, but also as a target sector for economic development and growth. There is much more to agriculture than growing crops or raising livestock. This sector involves whole value chains of production.

The EIB wants to invest in these whole value chains, in cooperation with our partners. Support for these businesses in the value chain is essential. It not only provides the means for established players to grow and to innovate, but also enables the economy to expand by bringing more people into it. As a multilateral and multiregional institution, the EIB learns lessons in one field or region and then applies

them in another. Over the course of the past two years, we have been working with the United Nations Industrial Development Organization (UNIDO) on identifying projects in sustainable industry value chains, with some options identified in Ethiopia.

There are many examples of learning lessons and then applying the new knowledge elsewhere. What we have learnt on a technical and procedural level by financing a project in the European Union can be applied to an investment in the same kind of facility in sub-Saharan Africa, the Caribbean or the Pacific, and this also happens in reverse.

Vital platforms

In infrastructure, as with private sector investment, the EIB is aligned with the global EU strategy in the ACP region, where vital services simply are not available to all. We focus on investment for the poor as well as on regional integration. On the first point, using the African continent as an example, more than half of the population does not have access to electricity. Clean water and sanitation are luxuries. Likewise, climate change is a huge challenge in the Pacific and the Caribbean. The Bank prioritises these investments in those regions. In this report, we take a closer look at two such operations: a water and sanitation project in the Fijian capital of Suva and its surrounding areas, and the second line of credit for climate action with the Caribbean Development Bank. This will support a range of initiatives in mitigation and adaptation.

Economic exchange between countries should be promoted and trade should be encouraged. Thus, all countries are helped if they have access to the same essential services. If one country is held back by poor infrastructure, another will be, too. The EIB invests in transport infrastructure, such as ports, airports and roads, to ensure there are stronger physical links between countries, many of which share borders but not connections.

Likewise, we invest in regional electricity distribution networks. These are important for a number of reasons. A lack of access to power is a major obstacle for economic development. Transmission networks not only bring that electricity to more people across more countries, but by modernising the systems there is less waste and less impact on the environment.

In ACP countries, infrastructure programmes of a certain scale tend to be in the hands of the public sector. The EIB can lend directly to the public sector or to public-private partnership structures to get these programmes up and running, while we are also looking at other ways to facilitate investment. The Africa Energy Guarantee Facility, for example, is an innovative operation, as it will pool resources to create a risk-sharing facility dedicated to insurance for Sustainable Energy for All projects. The upshot of this should be that investors are encouraged to get involved with projects that are essential but where financing is an obstacle.

Green and clean

Climate action is at the heart of everything the EIB does. On the occasion of COP 21 in Paris, towards the end of 2015, the European Investment Bank pledged to expand its investment in climate change mitigation and adaptation. Our target is to dedicate 35% of all non-EU lending to climate action projects by 2020, and naturally this will have an effect on ACP operations. We notice fluctuations from one year to the next, but on average, we are not far from our goal. The Bank's new Climate Action Strategy will provide the frameworks needed to ensure our investment goes towards more and better projects.

ACP countries are especially vulnerable to climate change. Energy investments will be made with this in mind. Our focus is on renewables, but whole systems need to be considered, from resilient distribution networks to production that is more resistant to natural disasters. We are also investing in equity funds that focus on renewable energies, and small-scale projects with climate action at their heart, and find sustainable solutions for gaps in essential services for underserved populations.

How we measure results

Strengthening the power of our loans

Outside the EU, the EIB uses its Results Measurement (ReM) Framework to track project results, the contribution to EU and country objectives and the difference that EIB involvement makes relative to what local markets offer. This strengthens the appraisal process, supports monitoring throughout the project cycle and complements the EIB's due diligence process.

At the beginning of the project cycle, appropriate indicators are identified. Baselines and expected values are then set to capture economic, social and environmental outcomes of the operation. Projects are then rated according to three "pillars" covering the achievement of the policy objectives, the quality and soundness of the operation and expected results, and the contribution of the EIB. The EIB works with other development agencies and financial institutions to further improve the coordination and harmonisation of the results indicators we use.

Project performance against the estimates provided is monitored at different stages of a project's life. For direct investments, which are typically infrastructure projects, results are monitored when the project is completed and again three years after completion. For intermediated operations, results are monitored at the end of the allocation period in the case of credit lines, or at the end of the investment period for equity funds. Equity fund results are monitored again at the end of the fund's life. An enhanced "ReM+" framework is used for projects financed under our Impact Financing Envelope.

How ReM+ helps our monitoring

ReM+ improves the monitoring of Impact Financing Envelope projects. This data helps with lesson learning, development effectiveness and external transparency. The EIB used ReM to develop the enhanced ReM+ framework.

Pillar 1 of ReM+ covers the contribution of the project to EIB, EU and national priorities. This is similar to the ReM framework outlined above, but differs by adding an assessment of intent and capacity of the promoter to implement and monitor projects with high development impact and providing goods and services to the Bottom of the Pyramid (BoP). Experience has shown that these are key factors for the success of a project.

Pillar 2 deals with the quality and soundness of the project and results. For the IFE, Pillar 2 is monitored annually, and is distinguished by the addition of deeper social and sectoral performance indicators and by going further down the beneficiary line to track project results at the level of the small enterprises, employees, households and individuals that are the ultimate beneficiaries of the EIB projects. It also looks deeper into the profile of these beneficiaries, estimating the share of BoP beneficiaries as well as gender and youth dimensions.

Pillar 3 covers the EIB's technical and financial contributions.

The indicators recorded and tracked in the ReM+ are tailored to capture the relevant development results for each instrument and project context. Indicators are harmonised where possible in order to facilitate aggregation, but both the definition of direct and indirect beneficiaries and the nature of the EIB contribution to those beneficiaries vary substantially across the four IFE instruments, and as a consequence it is not always possible to aggregate the data.

Overall, the impact of IFE investments will go well beyond that reflected by the size of the EIB's stake. Some of the IFE operations can seem comparatively small and yet reach many thousands of people. These investments will catalyse growth. Recognising this, ReM+ tracks the results of the overall project to which the EIB contributes, which then need to be seen in the context of the project as a whole, including project type, the amount of leverage and the information on the EIB technical and financial contribution provided by Pillar 3 of the ReM.

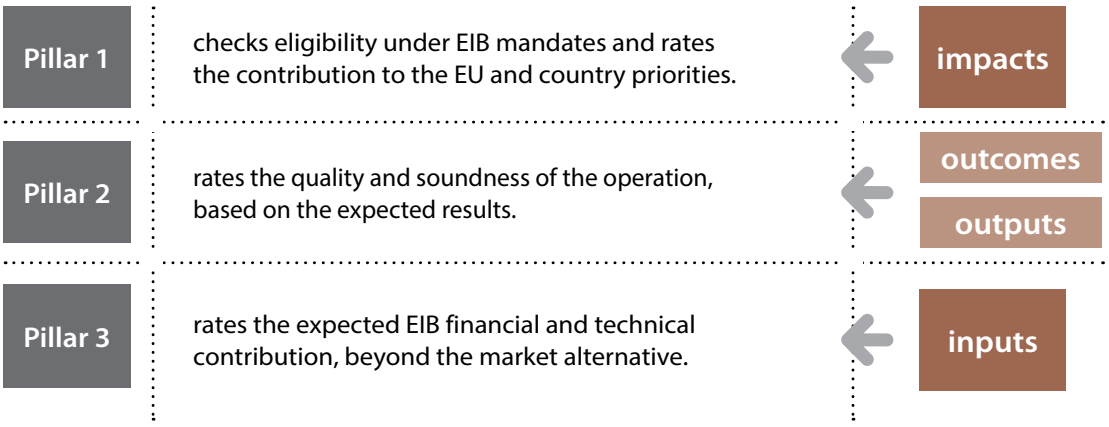
The Bank has also launched a research programme alongside the Global Development Network to apply cutting-edge techniques to project evaluation for operations under the IFE. In this training and mentorship programme, a group of 12 fellows will spend a year evaluating the impact of projects financed under the Bank's Impact Financing Envelope. The young researchers come from countries such as Cameroon, Côte d'Ivoire, Ethiopia, Ghana, Mali, Nigeria and Senegal. They were selected via a competitive application process for an EIB-Global Development Network (GDN) Fellowship in Applied Development Finance.

ReM technical assistance

The technical assistance used by the EIB is highly diverse and covers the full range of sectors, from small-scale private to large-scale infrastructure. This is directly or indirectly related to lending operations to ensure that they are appropriately targeted, are of good quality and are sustainable. Technical assistance also helps promoters, national authorities and financial intermediaries to improve set-ups, project identification, assessment methods and financial and risk management.

Technical assistance operations are also assessed using a three-pillar methodology, and measuring these results enables the Bank to refine and improve the process, and to understand what kinds of operations work best in any given situation.

ReM Framework



Partnerships and global initiatives

The EIB remains committed to its work outside Europe

Our ties with EU companies, institutions and delegations in Africa, the Caribbean and the Pacific regions are long-standing and stable. We take our lead from the European Commission and the European External Action Service, and invest in the projects and initiatives set out in the EU Agenda for Change, the Cotonou Agreement and the New Consensus on Development.

The Bank has long worked with European Development Finance Institutions on projects outside the European Union. These have proven vitally important. Later in this report, we cover the Mutual Reliance Initiative, our joint venture with the Agence Française de Développement (AFD) and Germany's KfW, which tends to focus on the public sector. Our relationship with these partners is deep. In the past two decades in the ACP regions, we have co-financed 90 projects with a total cost of EUR 16.3 billion with AFD and 48 for EUR 11.7 billion with KfW. These collaborations are effective when it comes to crowding-in finance. The EIB's total financial contribution to the overall figures, in both cases, is less than 25%. In the cases of AFD and KfW, this figure is less than 15%, which demonstrates that by joining forces, we can catalyse significant investment from other sources. In the private sector, and especially in the growth area of private equity, the EIB has frequently co-financed projects with Proparco, which is partially owned by AFD and KfW's subsidiary, DEG. These enable us to work together and bring more financing to the underserved: small and medium-sized enterprises, start-ups and entrepreneurs. These sectors and people will create the bulk of the jobs needed for the young, emerging populations in Africa, the Caribbean and the Pacific.

Our organisations share common goals: To meet the SDGs and to put together the financing the ACP region needs, it is important to form more partnerships. Achieving the SDGs across the world will require USD 11.5 trillion per year over the coming decade and a half, according to United Nations estimates.

Multilateral development banks (MDBs) and international financial institutions (IFIs) cannot do this alone. The EIB works in partnership with other organisations to share ideas and expertise as well as to collaborate on future projects in a wide range of sectors. Working together makes sure that more good projects get off the ground.

European Commission and European External Action Service

As a European institution, the EIB partners with the European Commission and European External Action Service (EEAS) to promote EU development policies abroad. The Bank will continue to play a significant role in ACP countries and regions, thereby helping the Agenda for Change, the EC Private Sector Development strategy (PSD) and the New European Consensus on Development.

The new consensus is especially important today as it is adapted to include Agenda 2030 and the 17 Sustainable Development Goals, finding a balance among the economic, social and environmental dimensions of sustainable development. This is structured around the five core themes of Agenda 2030, the "5 Ps": people, planet, prosperity, peace and partnership.

Sustainable Energy for All

The Sustainable Energy for All (SEforALL) objectives of universal access, doubling the global rate of improvement in energy efficiency, and doubling the share of renewable energy are now reflected in SDG 7, Affordable and Clean Energy. This represents a major landmark in the recognition of the links between energy and sustainable development.

The EIB's substantial loan portfolio, and strategic focus on renewable energy, takes into account the sector's pivotal role for development and the EIB's involvement in the EU response to the UN's SEforALL initiative and to the SDGs.

The Bank is actively helping the EU respond to this initiative and it is working with the European Commission to scale up efforts in the energy sector significantly, notably through dedicated use of grant-loan blending and initiatives to attract private sector investment. Within the ACP region, this includes a number of facilities to support SEforALL in sub-Saharan Africa that have benefitted from reallocated EDF and Member State funding.

The EIB has also developed a number of financing initiatives to address specific gaps in the energy market and constraints to private sector investment in meeting SEforAll objectives. These include:

- **The Global Energy Efficiency and Renewable Energy Fund (GEEREF)** is a EUR 220 million risk-tiered fund-of-funds that provides risk capital to mobilise private investments in renewable energy and energy efficiency projects in developing countries. By raising an equal amount of public and private capital, GEEREF was one of the first vehicles to demonstrate how to use public risk capital to attract the private sector in development and climate finance. At the end of 2017, GEEREF had invested in 13 funds across developing markets, five of which are dedicated to projects in sub-Saharan Africa, with one also targeting the Caribbean as well as Latin America. In total, GEEREF-backed funds have developed around 90 projects, which represent over 1.6 GW of clean energy capacity, including 330 MW in sub-Saharan Africa.

- **GEEREF NeXt**, the successor to GEEREF, has received an approval for USD 265 million from the Green Climate Fund (USD 250 million for a junior equity tranche and USD 15 million for technical assistance). With the public capital in place, GEEREF NeXt will raise an additional USD 500 million from a diversified pool of private investors, including pension funds. The fund is expected to have its first close in mid-2018 and then start investment activities. In its five-year investment period, GEEREF NeXt will commit capital to over 20 funds and catalyse up to USD 30 billion for renewable energy and energy efficiency projects in developing countries.

- The EIB signed a deal in December 2017 to invest up to USD 75 million in the **Global Climate Partnership Fund (GCPF)**. The Bank's participation will help the fund invest more money in sub-Saharan Africa for energy efficiency and renewable energy projects. The GCPF is a stand-alone operation, but it will complement other EIB initiatives to support SEforALL, notably the **Renewable Energy Performance Platform (REPP)**, which has been developed by the EIB and the United Nations Environment Programme (UNEP) in response to the SEforALL initiative. REPP is a donor platform that will help develop at least 150 MW of small-scale renewable energy projects in sub-Saharan Africa. It provides access to existing risk mitigation instruments, technical assistance, financial structuring and due diligence services, and results-based financial support. The EIB has not invested directly in REPP.

The Africa Energy Guarantee Facility

Softening the aversion to risk

Getting infrastructure projects off the ground in Africa remains a challenge, given the distance between the need for investment and the appetite. There are different obstacles facing different financiers and insurance providers, risk aversion being a significant one. The EIB and Munich Re are working with the African Trade Insurance Agency (ATI) to soften this risk and make African energy projects more appealing to investors and insurers.

The Africa Energy Guarantee Facility, signed in December 2017, will bring peace of mind to investors. It will be a boon to the sustainable energy market across the continent, and encourage the private sector to increase funding across the board for SEforALL-eligible investments that also meet the EIB's own environmental and social standards.

The annual shortfall in investment to meet Africa's energy needs is estimated to be around USD 20 billion, and yet the continent has enormous potential to become a global leader in sustainable, renewable energy production. Energy efficiency and access needs are also chronically underfunded. With a rapidly expanding young population expected to reach almost two billion in 2030, it is time to put the correct infrastructure in place. Around 600 million people in sub-Saharan Africa lack access to electricity, while power shortages are frequent and highly disruptive.

There are several ways to tackle these challenges. Sometimes, small-scale, personal solutions will work. In other instances, large infrastructure is needed, but the financing is often not available because of perceived long-term political risks. Different steps must be taken to address the large funding gaps for infrastructure.

"A country's ability to provide reliable and clean energy to companies and its citizens is at the heart of sustainable growth," says George Otieno, the head of African Trade Insurance. "For the past five years, we have placed the energy sector at the core of our business development and growth objectives. This strategic focus has evolved as a result of listening to our African government stakeholders who have clearly stated that improving energy access is one of their key priorities in the foreseeable future."

The Africa Energy Guarantee Facility is a move towards improving energy access. Although in its infancy, the AEGF will enable more projects to be financed, and potentially benefit millions of people by increasing the availability of investment insurance for financiers looking at projects in Africa. In our first operation of this kind, the EIB is contributing USD 50 million from the Impact Financing Envelope, enabling Munich Re to mobilise other investors and provide a pot of USD 1 billion for long-tenor investment insurance.

By doing this, insurers will be able to offer more risk coverage that is better suited to the African market, where capacity needs to be increased. This will enable more good projects to come to fruition as promoters will have more opportunities to buy insurance for their equity investment. Banks and institutional investors will have increased capacity to operate in these sectors, and there will be more equity and debt financing available.

The facility is designed to share political and sovereign risk in PPPs, and help increase the availability of insurance products in ATI member countries. The risks will be underwritten by ATI, which has local knowledge of the markets in its member countries and can thus tailor the products accordingly, while risk monitoring will be up to Munich Re and EIB standards.

These products will include insurance against sovereign or sub-sovereign non-payment and traditional political risk in-

surance perils such as expropriation or currency inconvertibility. Capacity will be built thanks to the facility's open architecture, which enables different investors to play different parts in a cohesive unit, all under the management of one agency, the purpose-made Sustainable Finance Risk Consulting. Financial institutions will be able to participate at the guarantee level, which underpins the whole model, while insurers, reinsurers and export credit agencies will be able to play the roles of insurers and reinsurers in countries in which they may not previously have been active, and offer products to project investors that were not previously available in those markets.

Africa requires significant investment in energy if it is going to meet its own ambitions. This facility will help get new SEforALL-eligible investments off the drawing board, but it also offers a blueprint for risk sharing between insurers and international financial institutions. This model can help mobilise reinsurer balance sheets to mitigate key investment risks in emerging countries. There is significant potential development impact in sustainable energy for Africa, but also in other sectors and regions in need of further private investment.

Mutual Reliance Initiative

In the ACP countries, since completion of the pilot phase, 23 new operations have started applying the **Mutual Reliance Initiative** (MRI) approach. Three had to be withdrawn as the investment project stalled or the lenders' financing approach changed. The EIB is involved in 14 of the remaining 20 operations. The Bank is the lead financier in six of these, including water sector projects in the Seychelles, Tanzania and Zambia, an electricity project in Mozambique, and a port development project in Kenya. Overall, the MRI builds stronger ties with our partners AFD and KfW, and promotes more effective European finance outside the EU. It improves the relationship with project promoters and reduces their administrative burdens. Ways of scaling up the initiative are being explored.

European Financing Partners and Interact Climate Action Facility

At the operational level, the EIB and other European development finance institutions (EDFIs) cooperate wherever justified with joint financing, but mostly in the context of two initiatives:

The European Financing Partners (EFP) initiative: as of 2017, out of the IF's total contribution of EUR 490 million for EFP I to V, a total of EUR 205 million had been committed to 33 projects. The bulk of these commitments were to financial intermediaries (35%), communication (20%) and industry (17%) sectors. The largest proportion of investments were made in Nigeria (29%) and Kenya (22%).

The Interact Climate Action Facility (ICCF) is a EUR 300 million climate change fund, set up in 2011 with a EUR 50 million commitment from the IF, and it builds on the concept of the EFP with the participation of the Agence Française de Développement. As of 2017, nine projects in the ACP region at a value of EUR 135 million had been approved or were under appraisal. The EIB is participating in three of these projects through ICCF with a total commitment of EUR 12.8 million, and is directly financing three others. The bulk of ICCF projects are in the wind (43%) and solar (27%) sectors.

The EIB is also managing the EU-EDFI Private Sector Development Facility (EEDF) for the European Commission. This EUR 45 million facility provides partial credit guarantees for eligible projects under SEforALL that are submitted for financing to EFP or ICCF. To date, the EIB has issued one guarantee of EUR 5.35 million for an ICCF project with Mobisol, which sells pay-as-you-go solar home systems for low-income customers in Rwanda and Tanzania. A second project, involving a solar plant in Kenya, was approved by the ICCF Investment Committee in November 2015 and is expected to be signed this year.

MDB initiatives

In the context of Agenda 2030, the MDBs, including the EIB, are scaling up financing for development as well as increasing their capacity to support the SDGs by leveraging, mobilising and catalysing resources at all levels. SDG 17, which will mobilise additional finance for developing countries from multiple sources, calls on the MDBs for coordinated action.

The EIB cooperates with the other MDBs in the context of the G20 and G7. This includes the request by member countries to discuss the best ways to enhance cooperation among MDBs and reinforce policy objectives.

At the G7 in Bari in May 2017, member countries agreed to principles requiring a progressive alignment of safeguards and more cooperation. The G20 asked MDBs to work jointly on infrastructure financing and on the mobilisation of private sector resources for the next three years. Over the past two years, the G20 has also been working on actions to optimise MDB balance sheets in view of the demand for new capital from the growing institutions.

The Compact with Africa

The EIB is involved in discussions on investment priorities, at the global and country levels, under the German G20 presidency initiative "Compact with Africa" (CwA), which reflects a shift in development cooperation and finance that requires collective action and enhanced complementary actions among countries, donors and financial institutions. This is in harmony with the New EU Consensus on Development and with the EIB's own ambitions for the coming years.

The CwA is intended to offer significant opportunities for the comprehensive planning of complementary interventions, combining policy dialogue, capacity building and sector-focused investment programmes. It is vital for the governance of the compact to allow for complementary instruments, based on expertise and strengths. The EIB can take an active role at different levels, from policy dialogue to knowledge sharing and co-financing. The Bank is taking an active role at country-level missions and in discussions with national authorities as well as other international organisations.

A list of all MDBs' instruments that support the private sector is available on the CwA website, with a view to providing more information for partner countries and beneficiaries.

Climate

Coordination with the MDBs is particularly intense in the area of climate action. The EIB tracks climate finance using definitions developed in cooperation with peer institutions. There are five voluntary principles: committing to climate strategies, managing climate risks, promoting climate smart objectives, improving climate performance, and accounting for climate action.

In 2017, the EIB and the Green Climate Fund signed an Accreditation Master Agreement (AMA), enabling them to work together to finance climate action in developing countries. The signing of AMAs is a prerequisite to implementing GCF-approved projects in collaboration with National Designated Authorities. The adoption of this AMA enables collaboration to advance on two EIB-led projects already approved by the GCF Board: Sustainable Landscapes in Eastern Madagascar and the aforementioned GEEREF NeXt.

Migration

On the margins of the World Bank/International Monetary Fund Spring Meetings in Washington in April 2017, the

MDBs agreed to formalise the joint Working Group on Migration and Forced Displacement, to develop common positions, enhance knowledge sharing and foster stronger collaboration between the seven institutions, partly by seeking synergies at the country level.

The EIB cooperates with other MDBs on initiatives launched by individual institutions to address economic migration and forced displacement, including the WBG Global Concessional Financing Facility, the EIB ERI and the G20 endorsement of the Compact for Africa and the further development of the External Investment Plan (EIP).

Infrastructure

In 2016, of the USD 350 billion that the MDBs jointly financed and mobilised from other investors for investment projects, USD 150 billion went to infrastructure projects, including power, water, transportation, telecoms, IT and social infrastructure such as schools and hospitals.

During the 2017 Global Infrastructure Forum organised by the EIB and the Islamic Development Bank in Washington in April 2017, leaders of the MDBs agreed to deepen their collaboration to encourage private sector investment in vital infrastructure to support sustainable and inclusive economic growth throughout the world. The MDBs pledged to join forces to co-finance projects. They also vowed to help generate interest among private sector investors in public-private partnerships and in the development of infrastructure as an asset class for institutional investors. Initiatives are underway in this regard, and there is much potential in the Africa Energy Guarantee Facility, covered elsewhere in this report.

Mobilisation of private investment and finance

In the context of Agenda 2030, and considering the objective to move from billions to trillions in development investment, the mobilisation of private sector investment and finance has become a focal area for MDBs. A joint MDB Task Force was set up to define common metrics and come up with joint reporting on mobilising private investment. Development of institutional cooperation among MDBs and DFIs will involve refining principles on the use of blended finance and developing new approaches to prioritising the use of public funds and ensuring that they leverage private investment. This includes initiatives on "de-risking" and risk-sharing instruments and guarantee schemes to crowd-in private finance.

Cooperation with the UN system

To maximise the impact of our projects, and to explore new ways of doing things and new sectors to target on the road to the 2030 Agenda, the Bank is partnering with several organisations to combine our financial know-how with their technical expertise and local knowledge. Taken together, we are boosting our capabilities in several sectors entirely relevant to the SDGs.

The EIB collaborates with a number of UN agencies in these sectors. One agency is the United Nations Industrial Development Organization (UNIDO), in the field of industrialisation and support for value chains in Ethiopia, for example, where the government has asked the EIB to finance two projects relating to the industrialisation strategy of the country — Modjo Leather City and the Agri-Business Parks. For the first project, UNIDO will work on the value chain under EC funding. UNIDO will also be the main partner of EIB Africa Day in November 2018 in Addis Ababa.

The partnership with the United Nations Development Programme (UNDP) is expanding rapidly at institutional and operational levels. UNDP is playing an increasing role in engaging MDBs and DFIs at an early stage in the frame of national development plans, in order to foster the mobilisation of international resources. The EIB and UNDP hold regular discussions on operating regions (Africa/Caribbean), and on potential joint operations, in particular under GCF. Other promising exchanges are being explored with our other UN partners, the United Nations Capital Development Fund (UNCDF), the Food and Agriculture Organisation of the United Nations (FAO) and the International Fund for Agricultural Development (IFAD). The EIB and IFAD are exploring joint operations under the ACP Smallholder Financing Facility.

ACP Blending facilities

Reducing poverty and improving infrastructure

Ten years later: the EU Africa Infrastructure Trust Fund

Starting off as an idea between the late EIB president Philippe Maystadt, and the EU Commissioner for Development, Louis Michel, the EU-Africa Infrastructure Trust Fund marked 10 years of operations in 2017. The fund has covered a lot of ground towards its goal to reduce poverty by promoting infrastructure investment in sub-Saharan Africa, supporting more than 80 infrastructure projects in transport, energy, water and information and communication technology (ICT).

This support comes from grants, provided by the donors of the Trust Fund, namely the European Commission and several EU Member States, and blended with long-term finance from the EIB and other participating financiers. Each euro provided by the EU-AITF has unlocked EUR 18.1 of new infrastructure investment, for a total investment of EUR 8.1 billion.

Here are some of the milestones of EU-AITF:

- From 10 initial donors (the European Commission and nine EU Member States) and EUR 87 million in contributions, the fund has grown to 14 donors and EUR 813 million of paid-in contributions. From four grants worth EUR 15.5 million approved in the EU-AITF's first year, 2007, 119 grants totalling EUR 733.9 million have now been approved.
- The focus in the early years was on regional projects promoting interconnectivity, trade and regional integration, as well as projects listed as priorities in the Programme for Infrastructure Development in Africa (PIDA). Funded from an original "regional" envelope of EUR 483 million, most of these projects have been implemented by the public sector. Grant funding for one transport project with a regional dimension was approved in 2017 for EUR 9.4 million.
- In 2013, the Sustainable Energy For All funding envelope was created, worth EUR 330 million. An expanding number of national energy projects have been supported and there has been an increasing focus on the private sector. The EU-AITF has helped a growing variety of operations in rural electrification or in situations where an intermediary financial institution lends funds with advantageous conditions to final beneficiaries towards energy efficiency or renewable energy investments. In 2017, the EU-AITF approved support for six SEforALL projects worth EUR 64.2 million.
- As the EU-AITF's support shifted from mostly public sector projects to private or a mix of public and private deals, the use of financial instruments has increased, from guarantees to risk sharing mechanisms to equity participation. In 2017, the EU-AITF approved two such types of grants.
- Since the fund started, a number of projects have received several grants at different stages of their lives. EU-AITF grant support is flexible enough to address different project stages and take the form of various instruments, including technical assistance, interest rate subsidies, investment grants and financial instruments.

- A good example of this is the third hydropower plant on the Ruzizi river, between Rwanda and the Democratic Republic of Congo. The EU-AITF provided a technical assistance grant in 2008 for feasibility studies. In 2017, with the project well advanced, an investment grant was allocated to fill a gap in the financing plan to ensure targeted maximum electricity tariffs are not exceeded. In between, two further grants were provided, one investment and one technical assistance. The former was for the co-financing of project development costs, the latter for technical reviews from the development phase to commercial operation.

- In 2017, the EU-AITF allocated all of its resources, but money is still available for the facility because of savings during an operation's implementation or from cancellations of deals. The EU-AITF now will focus on managing this money, accelerating disbursements, implementing projects and monitoring results.

Africa Investment Facility

In operation since 2016, the **Africa Investment Facility** (AfIF) is the latest of the EU Regional Blending Facilities. The European Commission will tentatively allocate at least EUR 1.8 billion to the AfIF from 2016 to 2020. By the end of 2017, EUR 1.5 billion had been allocated to the AfIF from various programmes under the European Development Fund and the Development Cooperation Instrument (Regional Indicative Programmes and National Indicative Programmes). More money will be allocated from the Intra-ACP programme in 2017, which will open up possibilities for blending in support of private sector development and the Boost Africa programme.

Total approved grants under the Facility in 2017 amounted to EUR 967 million. After a modest 2016, the EIB significantly increased use of the AfIF in 2017. The board approved grants for six different projects worth a total of EUR 287 million, leveraging EIB lending of EUR 373 million. The Bank is also a co-financier in five other approved projects. Additional grant applications will be prepared in 2018 and 2019.

Caribbean Investment Facility

We will use the **Caribbean Investment Facility** (CIF) on a case-by-case basis to support infrastructure, such as the energy and water sectors, and potentially microfinance. One operation in the Dominican Republic with the EIB as lead financier has been approved under the CIF, with a grant of EUR 9.3 million. Total grants approved under the facility amounted to EUR 92 million at the end of 2017, out of EUR 102 million allocated. There is one EIB-led operation in the Dominican Republic in the pipeline and we are seeking other co-financing opportunities.

Investment Facility for the Pacific

Programming of the 11th EDF includes an allocation for the **Investment Facility for the Pacific** (IFP) estimated at EUR 20 million. As with the Caribbean Investment Facility, the EIB will use IFP resources on a case-by-case basis, focusing on climate. Two operations in Fiji and Timor-Leste with the EIB as lead financier have been approved under the IFP for a total grant amount of EUR 10 million, though the latter has been suspended. During an official visit to Fiji in late 2016, we signed an extension of the EIB's technical assistance programme with the Fiji Electricity Authority.

This technical assistance will focus on Viti Levu, the largest island of the Fijian archipelago, which was hit hard by the category 5 Cyclone Winston in February 2016. The assistance will help establish a Transmission Network Development Plan, which will make the island's power supplies more resilient to problems related to climate change. This TA is part of a broader technical assistance initiative that provides a project preparation study for hydropower development on the Qaliwana river.

EIB organisation

Wide range of experts ensure success in ACP region

The EIB's Global Partners Department manages activities in the ACP, the Republic of South Africa and the Overseas Countries and Territories. The department also implements ACP-relevant activities under special mandates. Many other people ensure the success of the ACP operations, including staff in the projects directorate, mandate management department, transaction management and restructuring, monitoring, equity and microfinance, trust funds and blending, and legal services.

At the end of 2017, some 107 staff members were working on the ACP in the EIB's headquarters in Luxembourg and in regional offices and desks around the ACP region.

We have external offices or desks in Addis Ababa, Abidjan, Dakar, Nairobi and Yaoundé for East, West and Central Africa, Pretoria for Southern Africa, Sydney for the Pacific and Santo Domingo and Barbados for the Caribbean.

We employ staff members in regional offices because this helps us assess markets, organise projects, analyse work and communicate better with local partners. A local presence within EU delegations, such as in the Yaoundé and Santo Domingo offices, enhances dialogue and reinforces synergies between the two financing arms of EU development cooperation. The Addis Ababa office, meanwhile, brings the EIB closer to the African Union headquarters, and enables the Bank to have better ties with that organisation. The West African regional office has moved from Dakar to Abidjan to bring us closer to the headquarters of the African Development Bank, a partner of real importance on the continent.

The years to come

Sustainable development and more jobs

As the financial arm of the European Union and as a multilateral development bank, the EIB will keep playing a key role in global development. The Bank is the world's largest lender by volume for climate action and one of the largest lenders for water projects. These sectors are important for the structural development of emerging economies. We also remain committed to supporting private sector development and have a wide range of instruments for such projects over the coming years.

The Cotonou Agreement will end in 2020, but the EIB will maintain its support for inclusive and sustainable economic development in Africa, the Caribbean and the Pacific for decades.

Over the coming years, we will focus on supporting the Sustainable Development Goals and creating jobs. We will also be active in helping the European Union meet its objectives on migration, sustainable growth and poverty alleviation. We have taken real steps to refine our offering from the ACP Migration Package to the Infrastructure Package and Boost Africa. With these initiatives, we expect to support many excellent projects in the future.

The EIB is not a stand-alone actor, nor do we wish to be. It is vital that we increase our coordination with European bilateral agencies, the European Commission and the European External Action Service, as well as other global development banks. We will explore more ways to partner with other organisations and to co-finance our projects, making better use of limited public resources. This will help us support private sector development and attract more capital from the private sector. We will continue to play a key role in wider initiatives, such as the European External Investment Plan.

Coordinated development efforts will have the greatest chances of success and have the biggest impact on people's lives. By working together, we can have the biggest impact across the world.

List of ACP and OCT **countries**

Africa

- Angola
- Benin
- Botswana
- Burkina Faso
- Burundi
- Cameroon
- Cape Verde
- Central African Republic
- Chad
- Comoros
- Congo
- Democratic Republic of Congo
- Côte d'Ivoire
- Djibouti
- Equatorial Guinea*
- Eritrea
- Ethiopia
- Gabon
- Gambia
- Ghana
- Guinea
- Guinea-Bissau
- Kenya
- Lesotho
- Liberia
- Madagascar
- Malawi
- Mali
- Mauritania
- Mauritius
- Mozambique
- Namibia
- Niger
- Nigeria
- Rwanda
- São Tomé and Principe
- Senegal
- Seychelles
- Sierra Leone
- Somalia
- South Africa**
- Sudan*
- South Sudan*
- Swaziland
- Tanzania
- Togo
- Uganda
- Zambia
- Zimbabwe

Caribbean

- Antigua and Barbuda
- Bahamas
- Barbados
- Belize
- Cuba*
- Dominica
- Dominican Republic
- Grenada
- Guyana
- Haiti
- Jamaica
- Saint Kitts and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines
- Suriname
- Trinidad and Tobago

Pacific

- Cook Islands
- Fiji
- Kiribati
- Marshall Islands
- Micronesia
- Nauru
- Niue
- Palau
- Papua New Guinea
- Samoa
- Solomon Islands
- Timor-Leste
- Tonga
- Tuvalu
- Vanuatu

OCTs

- Anguilla
- Aruba
- Bermuda
- Bonaire
- British Antarctic Territory
- British Indian Ocean Territory
- British Virgin Islands
- Cayman Islands
- Curaçao
- Falkland Islands
- French Polynesia
- French Southern and Antarctic Territories
- Greenland
- Montserrat
- New Caledonia and Dependencies
- Pitcairn
- Saba
- Saint Barthélemy
- Saint Helena and Dependencies
- Saint Pierre and Miquelon
- Sint Eustatius
- Sint Maarten
- South Georgia and the South Sandwich Islands
- Turks and Caicos Islands
- Wallis and Futuna

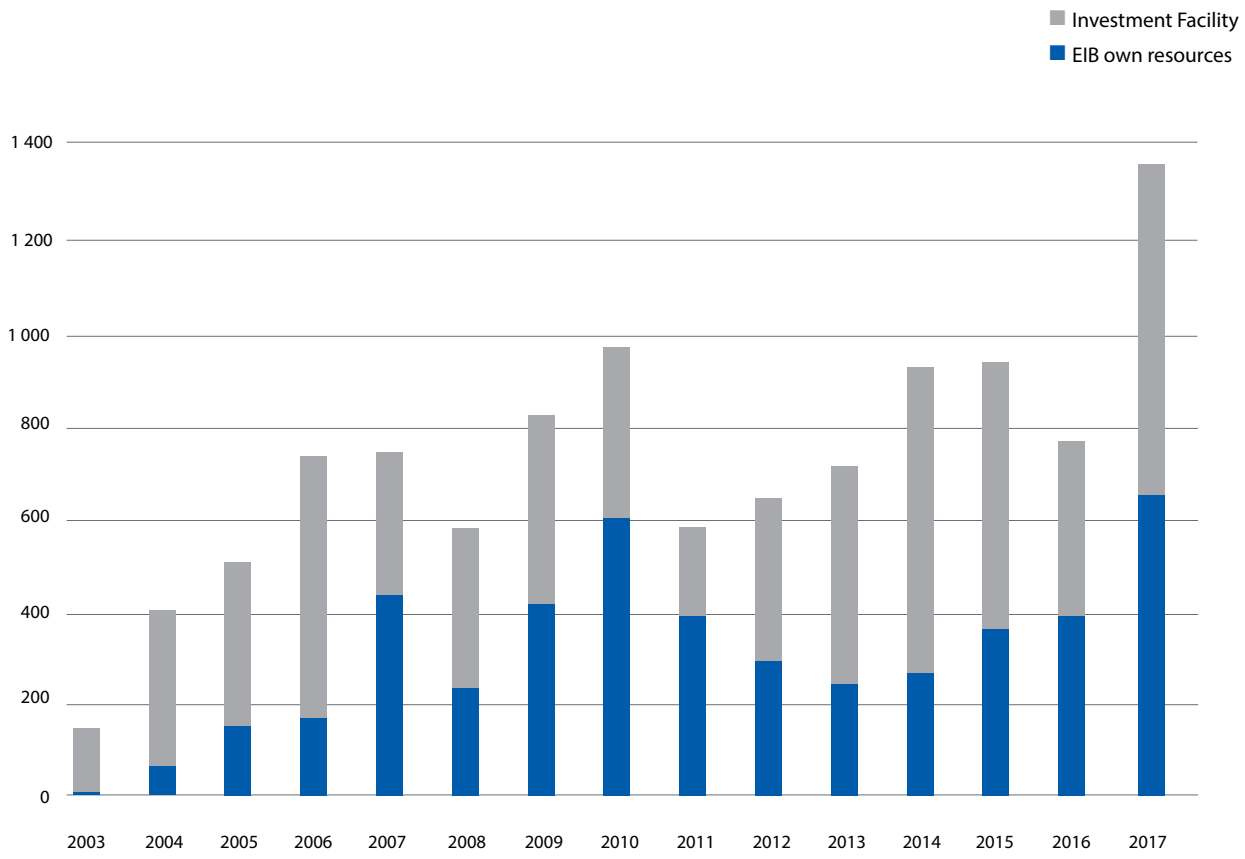
* ACP country not signatory to or not having ratified the revised Cotonou Partnership Agreement.

** RSA: although part of the ACP regional grouping and signatory to the Cotonou Partnership Agreement, South Africa receives assistance from the EIB under a different mandate.

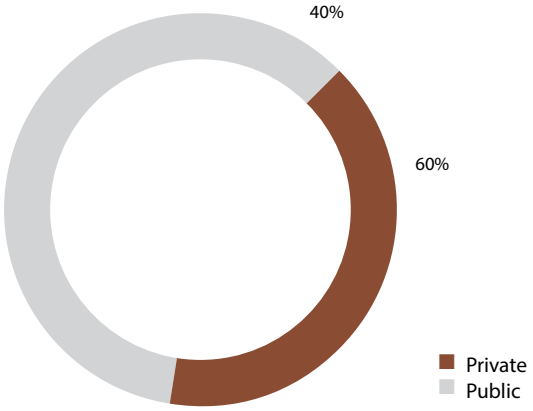
Our ACP operations profiled

The EIB has been managing the ACP Investment Facility since it launched, in 2003. Over the following pages, we will look at where the investment has gone, by region and by sector, and compare them. We will also compare the profiles of 2017 operations with those that went before them.

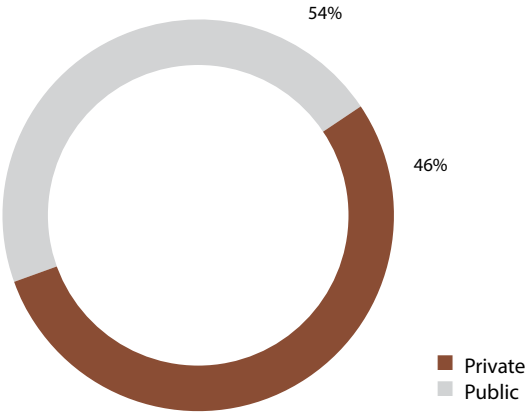
The evolution of lending from the ACP Investment Facility and Own Resources over the years, in EUR m



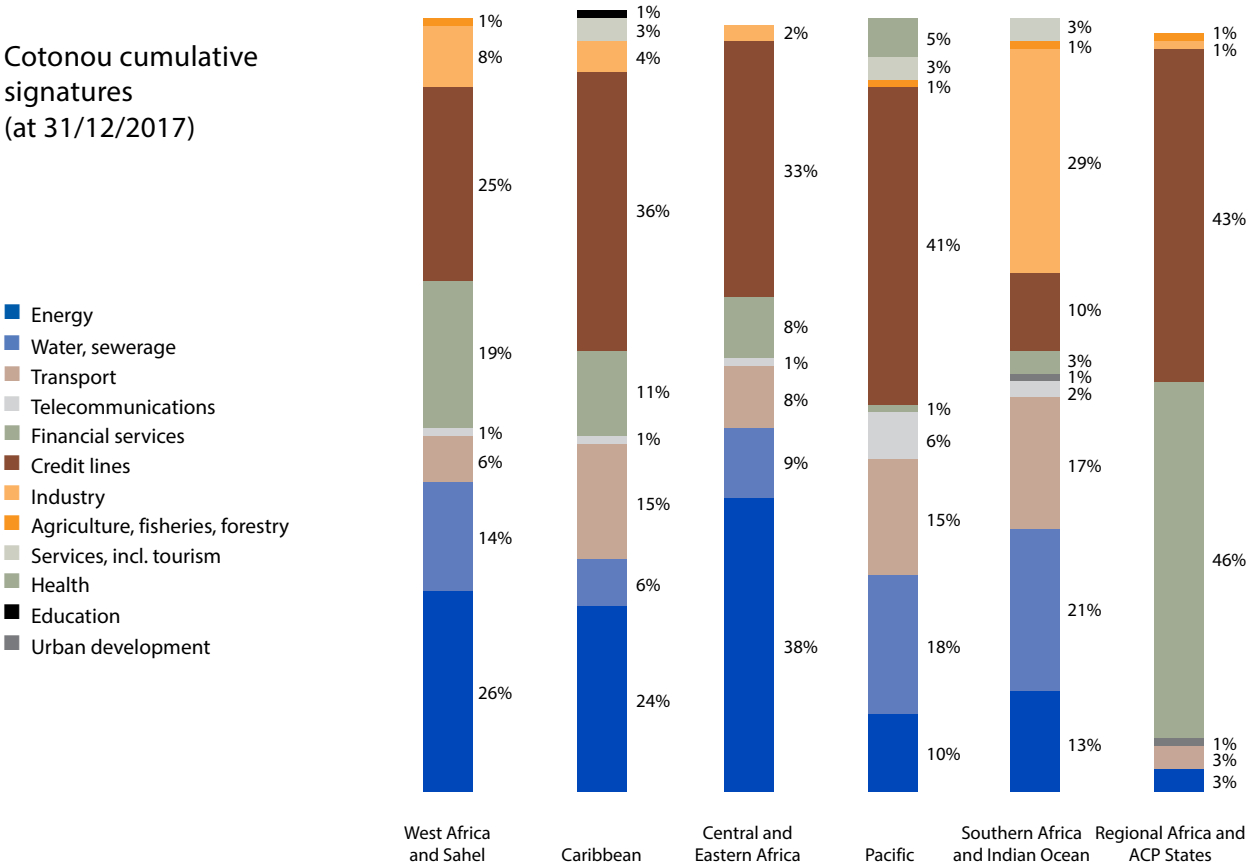
Public and private sector from 2003-2017



Public and private sector 2017 only

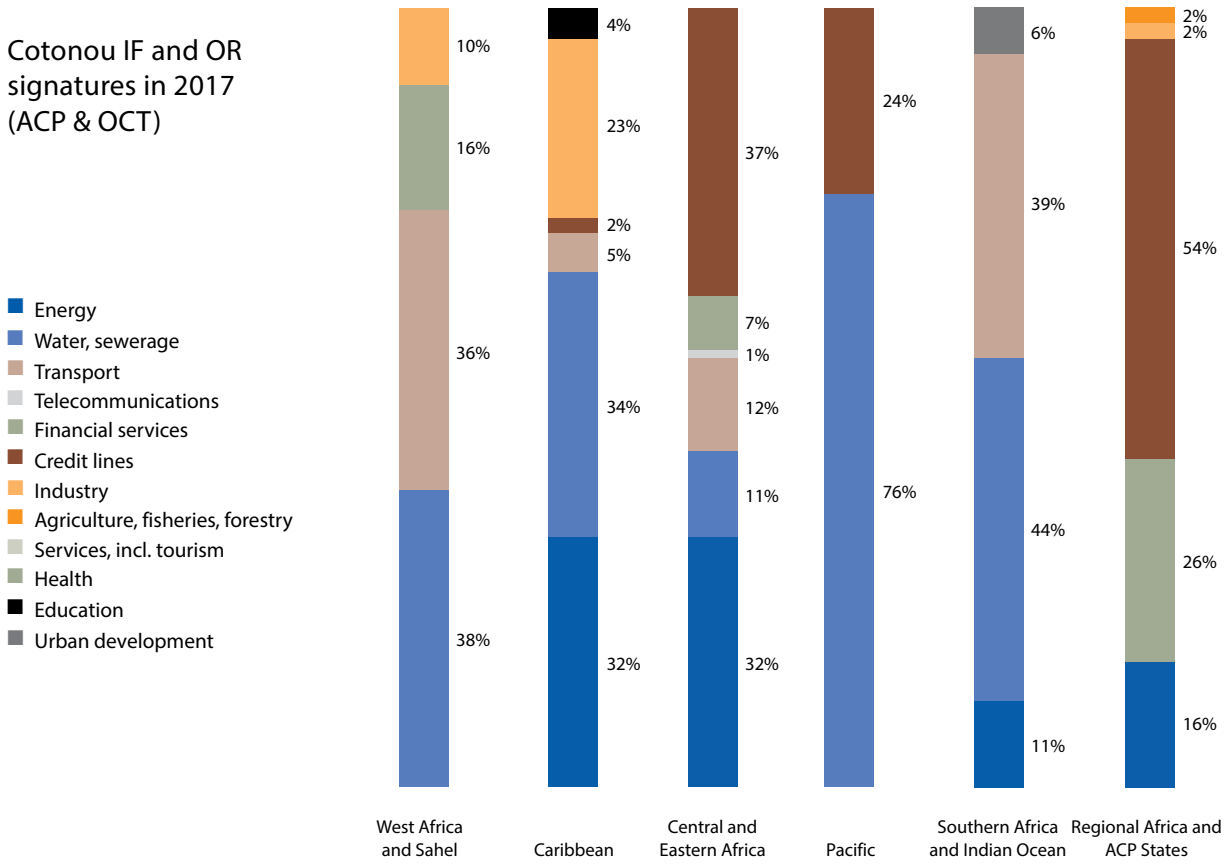


Breakdown by sector* by region since 2003



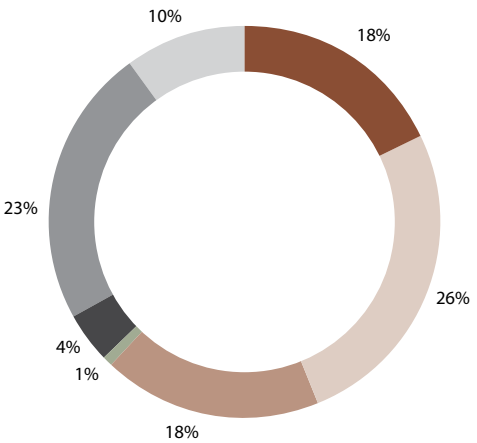
* Some smaller values have been removed for overall clarity

Breakdown by sector* by region in 2017



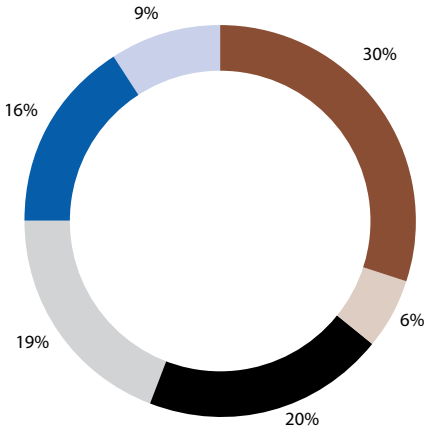
* Some smaller values have been removed for overall clarity

2017 signed operations by sector



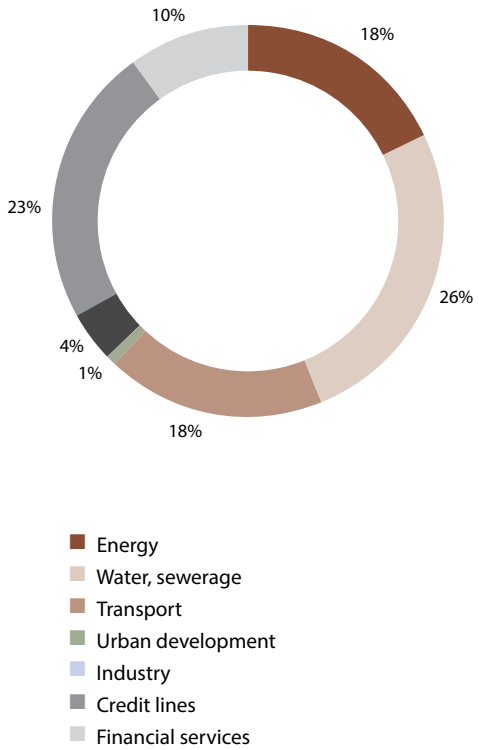
- Energy
- Water, sewerage
- Transport
- Urban development
- Industry
- Credit lines
- Financial services

2017 signed operations by region



- Central and Eastern Africa
- Pacific
- Southern Africa and Indian Ocean
- Regional Africa and ACP States
- West Africa and Sahel
- Caribbean

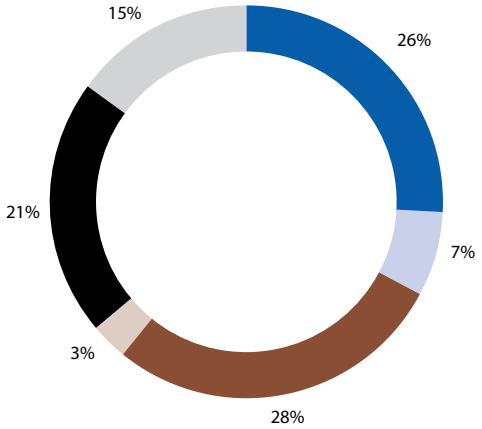
Breakdown by region since 2003



Yearly and cumulative approvals, signatures and disbursements 2003-2017

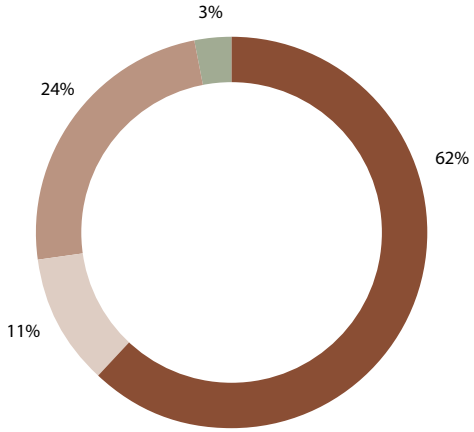
(ACP & OCT)		2003	2004	2005	2006	2007	2008	2009
ACP-IF (2003-2020) (EUR 3 185.5m)	Approvals	360.7	288.0	500.9	586.2	297.3	309.5	647.3
	Signatures	136.9	336.2	353.6	566.2	310.0	344.7	409.3
	Disbursements	4.1	91.8	107.8	132.7	268.2	211.7	199.5
IFE-IF ACP COTONOU III (EUR 500m)	Approvals							
	Signatures							
	Disbursements							
ACP-Own Resources Prot. 1 (EUR 1 720m)	Approvals	43.1	47.3	170.0	207.2	550.3	133.0	
	Signatures	6.1	62.2	150.9	167.3	431.8	148.8	0.0
	Disbursements	0.0	6.1	8.4	23.0	86.2	187.9	156.5
ACP-Own Resources Prot. 2 (EUR 2 030m)	Approvals						83.8	663.2
	Signatures						83.8	413.2
	Disbursements						0.0	26.7
ACP-Own Resources Prot. 3 (EUR 2 600m)	Approvals							
	Signatures							
	Disbursements							

Breakdown by region since 2003



- West Africa and Sahel
- Caribbean
- Central and Eastern Africa
- Pacific
- Southern Africa and Indian Ocean
- Regional Africa and ACP States

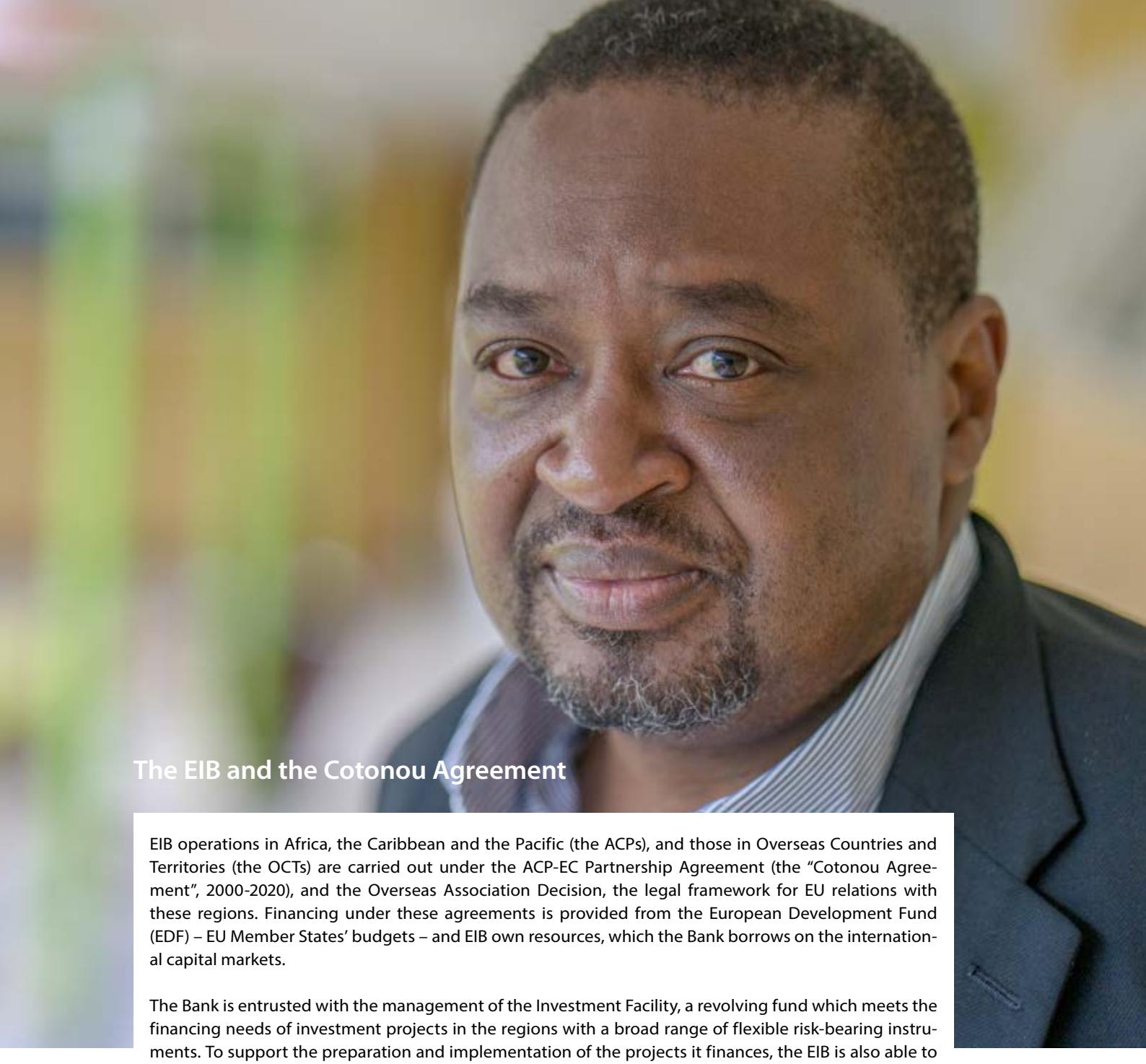
2017 operations by financial instrument



- Senior loans
- Equity
- MBIL*
- Guarantees

*Multiple beneficiary intermediated loans

2010	2011	2012	2013	2014	2015	2016	2017	Total
395.5	381.1	561.0	834.0	448.5	479.7	654.8	479.7	**7 235.8**
369.0	193.0	353.6	471.5	652.6	516.5	282.1	618.3	**5 913.7**
260.0	305.5	315.1	277.2	290.5	348.9	597.1	411.1	**3 962.7**
				88.3	63.9	139.4	105.1	**396.3**
				8.0	60.0	96.7	97.8	**262.5**
				0.0	2.3	64.9	24.3	**98.2**
						0.0	0.0	**1,150.9**
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**967.0**
34.3	60.4	28.8	27.8	8.7	12.9	10.4	0.0	**651.4**
672.0	129.7	382.5	308.5			0.0	0.0	**2 239.7**
597.8	386.6	289.5	240.5	93.0	0.0	0.0	0.0	**2 104.4**
156.4	62.2	85.9	123.1	155.9	174.3	254.9	143.5	**1 182.9**
			4.0	353.4	498.2	569.7	594.5	**2 019.0**
				171.0	359.1	386.3	670.0	**1 586.3**
				0.0	0.0	20.0	12.9	**32.9**



The EIB and the Cotonou Agreement

EIB operations in Africa, the Caribbean and the Pacific (the ACPs), and those in Overseas Countries and Territories (the OCTs) are carried out under the ACP-EC Partnership Agreement (the "Cotonou Agreement", 2000-2020), and the Overseas Association Decision, the legal framework for EU relations with these regions. Financing under these agreements is provided from the European Development Fund (EDF) – EU Member States' budgets – and EIB own resources, which the Bank borrows on the international capital markets.

The Bank is entrusted with the management of the Investment Facility, a revolving fund which meets the financing needs of investment projects in the regions with a broad range of flexible risk-bearing instruments. To support the preparation and implementation of the projects it finances, the EIB is also able to provide grants in the form of interest rate subsidies and technical assistance to its borrowers and final beneficiaries.

Under the Cotonou Agreement (signed in 2000, revised in 2005 and 2010) the central objective of ACP-EU cooperation is poverty reduction; sustainable development; and the progressive integration of the ACP countries in the world economy (Article 19.1).

The agreement further provides that "ACP-EU cooperation strategies […] shall aim at achieving rapid and sustained job-creating economic growth, developing the private sector, increasing employment, improving access to productive economic activities and resources, and fostering regional cooperation and integration." (Article 20.1)

In line with the new EU Consensus on Development, the UN Millennium Development Goals and now the UN Sustainable Development Goals, the EIB's activities in the ACP support projects that deliver sustainable social, economic and environmental benefits whilst ensuring strict accountability for public funds.

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The EU bank

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THE CARIBBEAN AND THE PACIFIC,
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AND TERRITORIES

2017