

ACP countries and South Africa

The EIB helps to finance development in the African, Caribbean and Pacific countries in the framework of the EU's development co-operation policy with third countries that have signed either co-operation or association agreements with the Union. Since the mid 1970s the Bank's financing in ACP has been carried out under the successive Lomé Conventions. The Fourth Convention is about to come to an end and will be replaced by the Cotonou Agreement, signed in June 2000, which is expected to come into force shortly following its ratification by all the Member States.

Under the first five year financial protocol of the Cotonou Agreement the Bank will manage a total of EUR 3.9 billion consisting of EUR 1.7 billion from the EIB's own resources and 2.2 billion (up from 1.0 billion initially under Lomé IV) of budgetary funds provided by the Member States. These will be managed in the form of a new INVESTMENT FACILITY. The INVESTMENT FACILITY (IF) will provide long-term capital in the form of both loans and various risk sharing instruments on market related terms. The IF will be managed as a revolving fund and aim at being financially sustainable. Reflows that previously returned to the Member States, will be available to finance new projects.

EIB lending in South Africa, which started in 1995, is all from the Bank's own resources and is undertaken in the context of a separate mandate (see below for details).

FUNDS MANAGED BY THE EIB

Lomé IV Convention (71 ACP countries are signatories)	1st Protocol (1991-1995) EUR million		2nd Protocol (1996-2000) EUR million	
Loans from EIB own resources	1 200	59%	1 658	55%
Loans and equity investments from risk capital resources (EDF)	825	41%	*1 350	45%
TOTAL	2 025	100%	3 008	100%

* Initial amount for loans and equity investment on risk capital resources, i.e. EU budgetary funds, under the Lomé IV Convention was EUR 1 000 million. The ACP-EC Council of Ministers approved additional amounts of a total of EUR 350 million pending the ratification of the Cotonou Agreement.

Cotonou Partnership Agreement (signed in June 2000 by 77 countries, ratified by ACP, <u>currently awaiting ratification by all EU member States</u>)	Financial Protocol (first 5 years) EUR million	
Loans from EIB own resources	1 700	43,6%
Investment Facility (revolving fund)	2 200	56,4%
TOTAL	3 900	100%

South Africa Mandates:	EUR million	
Republic of South Africa (RSA)	1995-1996	300
(EIB own resources only)	1997-1999	375
	2000-2007	825
TOTAL		1 500

LENDING TO ACP, OCT & RSA 1998-2002

Lending by sector :	ACP (1998-2002)	ACP 2002 Figures	OCT (1998-2001)	RSA (1998-2002)	RSA 2002 Figures
(EUR million)					
• Energy	658	37	6	57	-
• Transport & Telecomms	270	87	5	145	-
• Environment	184	38		45	-
• Industry, Services	377	30		25	-
• SMEs (Global loans)	625	106	20	**355	50
TOTAL	2 114	298	31	627	50

** Also includes support for smaller scale municipal infrastructure schemes.

THE EIB MANDATE UNDER THE COTONOU AGREEMENT

The prime objective of the Cotonou Agreement is poverty reduction. The Bank has been asked to give priority to supporting the private sector and in particular to fostering the development of ACP financial markets in order to assist SMEs and smaller-scale domestic investments.

SOME PROJECT HIGHLIGHTS IN 2002

70% of EIB's lending to ACP and South Africa in 2002 went to the private sector or the commercially run public sector (energy and water infrastructure). Examples include ;

- EUR 22million to the l'Office des Postes et Télécommunications de la République gabonaise for financing the part of Gabon in the SAT 3/WASC/SAFE fibre-optic sub-marine telephone cable; which will connect the EU with South Africa and many coastal African states with links to a number of land-locked countries.
- EUR 20 million for airport and traffic control infrastructure in the Republic of Cap Verde (Empresa Nacional de Aeroporto e Segurança Aérea) which aims at modernising the air transport infrastructure of the Cape Verde archipelago and improving the monitoring of air traffic on the main transatlantic air routes linking Europe to South America.
- EUR 33 million to the "Agence pour la sécurité de la navigation aérienne en Afrique et à Madagascar", a French-African international organisation, for financing air traffic control for West and Central Africa and Madagascar. This loan will contribute to improve air traffic safety between Africa and Europe and Africa and in the Indian Ocean airspace.
- EUR 15 million for a Global Loan to the Republic of Uganda for the financing of small and medium sized investments of private enterprise. The Central Bank of Uganda will on-lend the funds to selected commercial banks. These intermediary banks will in turn on-lend the funds to clients at market-determined rates with a focus on strengthening and diversifying exports.