Annual Report 2007

European Investment Bank • European Investment Bank • European Investment Bank • European Investment Bank • European Investment Bank

1958 / 2008

Investment Facility

ACP-EU Cotonou Partnership Agreement

Annual Report 2007

European Investment Bank • European Investment Bank • European Investment Bank • European Investment Bank • European Investment Bank

1958 / 2008

Investment Facility

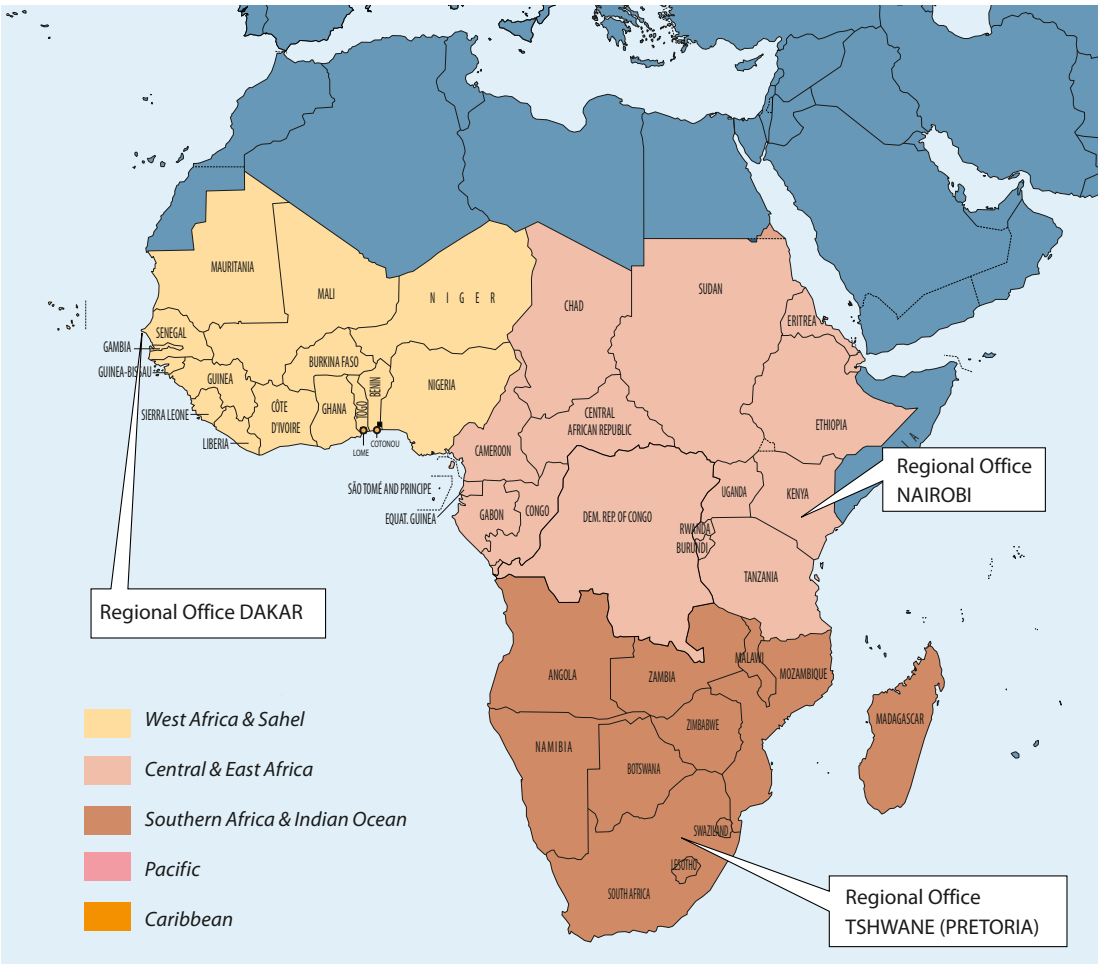
ACP-EU Cotonou Partnership Agreement

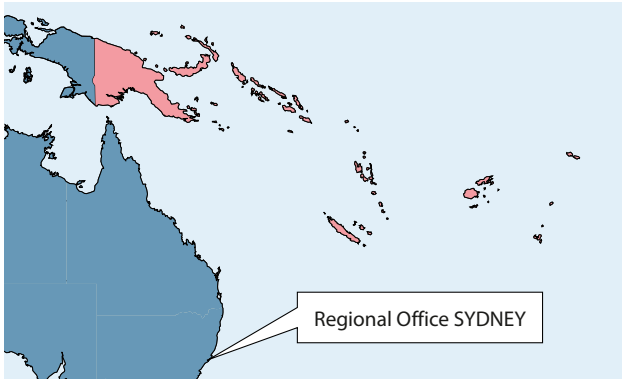
"The **Investment Facility** shall operate in all economic sectors and support investments of private and commercially run public sector entities, including revenue-generating economic and technological infrastructure critical for the private sector. The Facility shall:

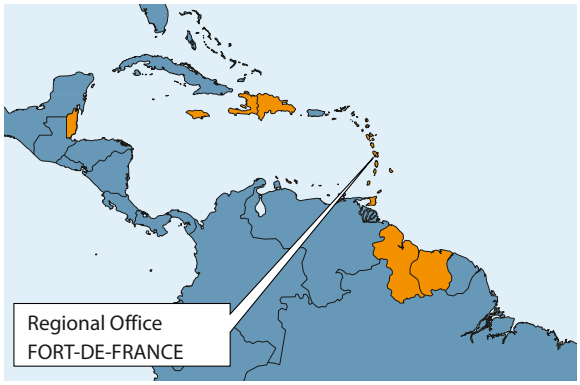
- be managed as a revolving fund and aim at being financially sustainable. Its operations shall be on market-related terms and conditions and shall avoid creating distortions on local markets and displacing private sources of finance;
- support the ACP financial sector and have a catalytic effect by encouraging the mobilisation of long-term local resources and attracting foreign private investors and lenders to projects in the ACPs;
- bear part of the risk of the projects it funds, its financial sustainability being ensured through the portfolio as a whole and not from individual interventions; and
- seek to channel funds through ACP national and regional institutions and programmes that promote the development of small and medium-sized enterprises (SMEs)."

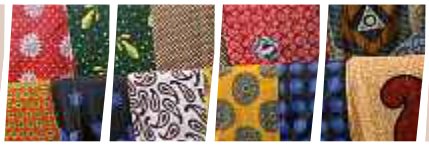
Revised Cotonou Partnership Agreement, Annex II, Article 3

Map of ACPs and OCTs









ACP Countries and OCTs

Africa

- Angola
- Benin
- Botswana
- Burkina Faso
- Burundi
- Cameroon
- Cape Verde
- Central African Republic
- Chad
- Comoros
- Congo
- Côte d'Ivoire
- Democratic Republic of the Congo
- 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
- Swaziland
- Tanzania
- Togo
- Uganda
- Zambia
- Zimbabwe

Pacific

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

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

OCTs

- Anguilla
- Aruba
- British Antarctic Territory
- British Indian Ocean Territory
- British Virgin Islands
- Cayman Islands
- Falkland Islands
- French Polynesia
- French Southern and Antarctic Lands
- Greenland
- Mayotte
- Montserrat
- Netherlands Antilles
- New Caledonia
- Pitcairn Islands
- Saint Helena
- Saint Pierre and Miquelon
- South Georgia and the South Sandwich Islands
- Turks and Caicos Islands
- Wallis and Futuna

*ACP countries not signatory to the Cotonou Partnership Agreement

Mission of the Investment Facility

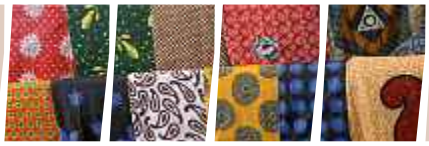
Reducing poverty through sustainable economic growth

The European Investment Bank supports the European Union's cooperation and development policies in the African, Caribbean and Pacific regions under the Cotonou Partnership Agreement between the EU and 77 African, Caribbean and Pacific (ACP) countries. The EIB manages the ACP Investment Facility, a EUR 2 037m risk-bearing instrument financed from the European Development Fund and geared specifically to fostering private sector investment in the ACP countries.

In managing the Investment Facility, the Bank seeks to support the private sector whilst ensuring that projects financed by the Facility have a development impact on the wider community or region. In line with the aims and objectives articulated by the international community in the UN Millennium Development Goals, it supports projects that will deliver sustainable social, economic and environmental benefits whilst ensuring strict accountability for public funds. In addition to the ACP Investment Facility, the Bank is currently authorised to lend up to a further EUR 1 700m to the ACP countries from its own resources. Such own resources lending in the ACPs, usually on a long-term basis, is guaranteed by the EU Member States.

A parallel, EUR 20m Investment Facility for Overseas Countries and Territories (OCTs) was set up in accordance with a European Council Decision of 27 November 2001. Also managed by the EIB, it seeks to provide the 20 OCTs situated in the Caribbean, Pacific and Atlantic with similar support to that provided to the ACPs. The Bank is currently authorised to lend up to a further EUR 20m to the OCTs from its own resources.

The Cotonou Agreement was concluded in June 2000 for a 20-year period; separate, multiannual protocols define the aggregate amount of Community aid to the ACPs for each successive financial period.

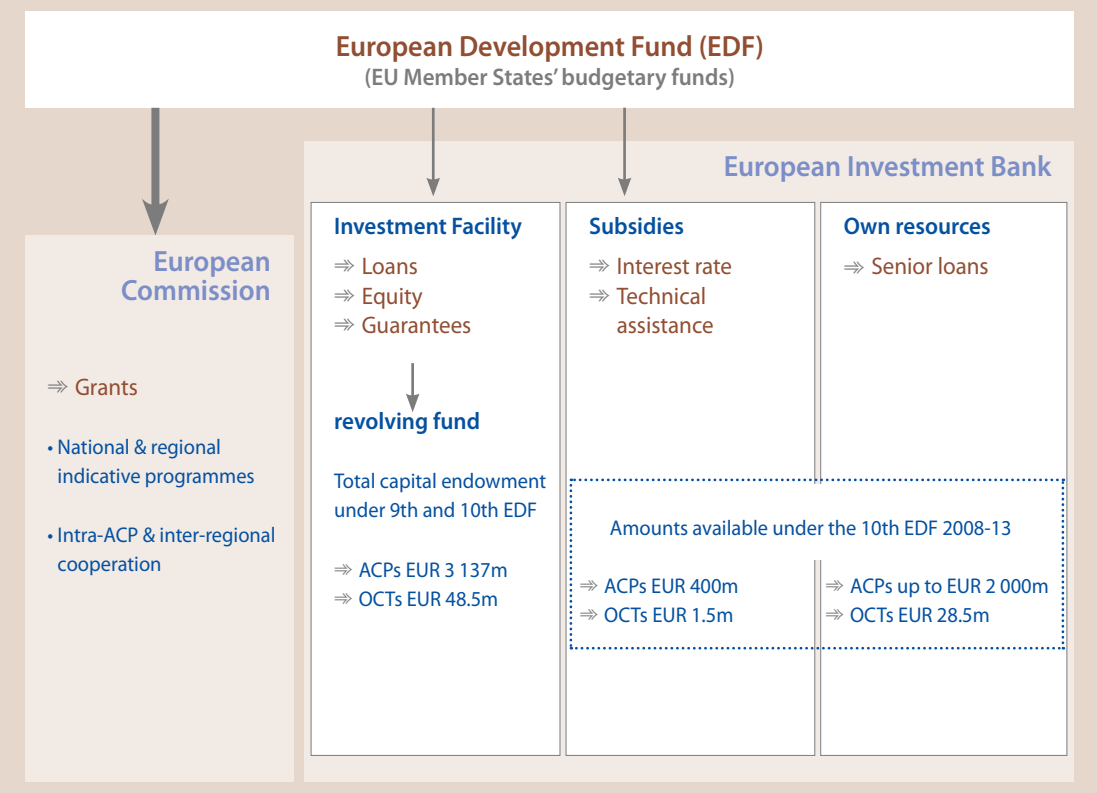


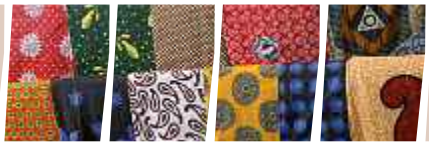
The second Financial Protocol, covering the period 2008-2013, was signed in June 2006 on the occasion of the ACP-EU Council of Ministers meeting in Port Moresby (Papua New Guinea). It includes an additional EUR 1.53bn Investment Facility allocation, to be managed by the EIB as follows:

- EUR 1 100m as a second capital endowment for the ACP Investment Facility;
- EUR 400m for subsidies, of which up to 10% can be used for project-related technical assistance. If suitable projects can be identified, up to EUR 100m of this subsidy package will be allocated on a best-efforts basis to assist ACP sugar producers to adapt to new world market conditions, following the phasing out of the EU-ACP Sugar Protocol;
- EUR 30m as a second capital endowment for the OCT Investment Facility;

This will be supplemented by a new mandate for EIB own resources lending of up to EUR 2 000m in the ACPs and EUR 30m in the OCTs. As in the past, such own resources lending will be covered by a specific guarantee from EU Member States. New guidelines were agreed in 2007, allowing for a managed increase in risk exposure, thereby enabling the Bank to undertake a wider range of own resources operations in a larger group of ACP countries.

The new Financial Protocol is expected to come into force during the second half of 2008, upon completion of the ratification process for the revised Cotonou Agreement ("Cotonou II").





Contents

Operational highlights for 2007

2007, final year of the Cotonou I mandate. Selective management of the project pipeline.

2007 was the final full year of the Cotonou I mandate and the associated Financial Protocol, pending ratification and entry into force of Cotonou II. With only just over EUR 300m remaining available for new approvals under the IF at the start of 2007, the Bank had to selectively manage the pipeline of projects. Hence signed IF commitments during the year totalled EUR 314.6m, compared with EUR 569.6m in 2006.

Additional recourse to own resources lending

The relative scarcity of IF resources, allied to new guidelines for extending own resources lending, contributed to an increase in annual own resources lending to EUR 431.8m in 2007, compared to EUR 167.3m in 2006. Cumulative own resources lending under Cotonou stood at EUR 818.3m at the end of 2007 (EUR 386.5m at the end of 2006). As a result, the overall level of ACP lending remained stable in 2007 at EUR 746.4m (compared to EUR 736.9m in 2006).

ACP lending in EUR m	ACP Investment Facility	Own resources	Total
2006	569.6	167.3	**736.9**
2007	314.6	431.8	**746.4**

Innovative financing to support the environment

Two innovative lines of credit in favour of the environment, totalling EUR 10m, were signed under the separate financial facility available to the Overseas Countries and Territories.

Increased IF disbursements as projects reach their implementation stage

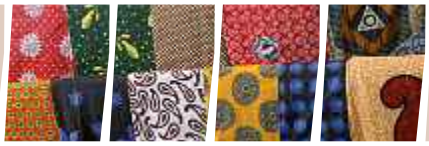
A number of projects for which commitments were made during the period 2003–2007 are now being actively implemented. As a result, there was a marked increase in IF disbursements (EUR 329.2m during 2007), which were covered by Member State contributions as well as reflows from IF operations for an amount of EUR 73.8m. At the end of 2007 cumulative IF disbursements stood at EUR 725.2m. Own resources disbursements amounted to EUR 110.6m in 2007, over half of the cumulative total of EUR 216.9m for the period 2003-2007.

Approved and signed operations close to IF's initial capital endowment

Taking the IF mandate as a whole, total approved and signed operations amount to EUR 1 987m and EUR 1 713m[1] respectively, equivalent to approximately 98%[2] and 84%[3] of the IF's initial capital endowment. The current IF portfolio comprises 90 projects, of which 30 are regional (either covering the entire ACP or a specified sub-region); country-specific operations under the IF benefit 29 ACPs. EIB own resources operations support 21 projects, of which three are regional, with the remainder targeting 12 ACP countries[4].

Strong support for private sector operations

Projects promoted by the private sector accounted for 79% of IF portfolio signatures at the end of 2007. From a sector viewpoint, 52% of the current IF portfolio targets financial services and support for SMEs (including facilities for microfinance) and 17%



relates to productive industrial and mining investments. A further 28% of signed operations relate to basic infrastructure, covering energy, water, transport and telecommunications investments, with the remaining 3% dedicated to agriculture and tourism.

Enhanced assessment of the development impact of EIB operations

The methodology to assess the development impact of EIB operations in the ACP countries was further refined during 2007. Following an initial pilot phase, the recently renamed ESIAF (Economic and Social Impact Assessment Framework) was applied to all non-financial sector operations in 2007, and additional modifications will now allow ESIAF to be applied to operations in the financial sector as well.

Further cooperation with development finance partners

The Bank has continued to promote cooperation with European and international development finance institutions working in the ACP area, for example within the European Financing Partners consortium and the EIB-managed EU-Africa Infrastructure Trust Fund[5]. A positive assessment of the early performance of the Trust Fund has recently led Donors to approve additional contributions.

Strengthened dialogue with national operators

The Bank's network of ACP regional offices was completed in 2007 with the opening of EIB offices in Fort-de-France and Sydney. They will contribute to improving project access and maintaining dialogue with the Bank's various stakeholders in the Caribbean and Pacific regions, while helping to overcome the problems of distance and time-zone differentials.

Reaching out to civil society and NGOs

The Bank has stepped up its dialogue with civil society and non-governmental organisations. At project level the Bank seeks to systematically consult local stakeholders, for example during the preparation of the Bujagali Hydroelectric project (see Box 6) and the Ambatovy Nickel project (see Box 8). More generally the Bank has reinforced its communication on ACP-related issues and now organises regular workshops with civil society organisations. The most recent workshop – on the theme of environmental and social impact assessment – took place in Lisbon in November 2007, within the framework of the European Development Days event hosted by the Portuguese EU Presidency.

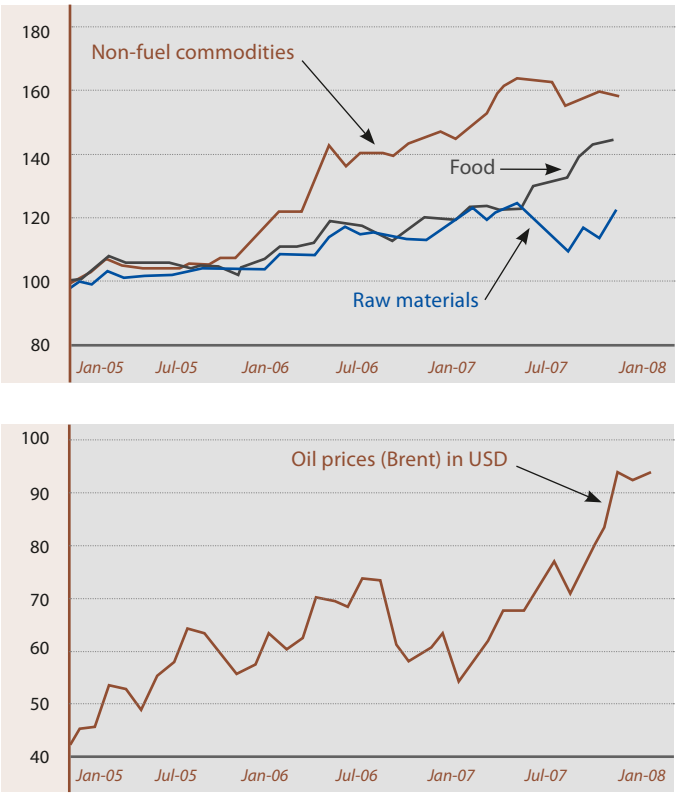
[1] *This amount does not take into account partial cancellation of signed amounts equivalent to EUR 69m at the end of 2007.*
[2] *Approvals net of cancellations represent 92% of the IF initial capital endowment at the end of 2007.*
[3] *Signatures net of cancellations represent 81% of the IF initial capital endowment at the end of 2007.*
[4] *At the end of 2006, IF bilateral operations covered 28 countries and own resources bilateral operations covered eight countries.*
[5] *The first Annual Report of the EU-Africa Infrastructure Trust Fund will be published in 2008.*

Investment conditions in ACP countries

Despite increased uncertainty associated with turbulence in the financial markets of developed economies, the short and medium-term economic outlook for the ACP partner countries is relatively benign. ACP countries – notably in sub-Saharan Africa – have remained mostly insulated from the ongoing financial volatility and are expected to remain so due to their limited integration in the world economy and the modest size of local capital markets. A significant number of ACP countries have also benefited from the overall increase in commodity prices, even if the benefits accrue primarily to net oil exporters – to the cost of net oil importers. Economic conditions could, however, deteriorate if the ongoing financial woes lead to a significant growth slowdown among developed countries, which would then trickle down to developing economies through reduced trade and foreign investment flows. Economic stability could also come under strain in the event of large exchange rate fluctuations.

Chart 1: Commodity prices

Commodity price Indices (2005=100)

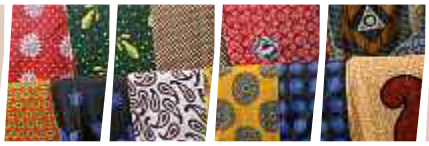


Source: IMF.

Sub-Saharan Africa

The economic news out of sub-Saharan Africa over the last few years has been broadly positive. GDP grew by 5.7% in 2006 and by an estimated 6.1% in 2007. While only marginally above the world average – and not as spectacular as the pace of growth in certain developing regions – this performance nonetheless shores up the trend initiated in the last few years. The last four years are the only ones on record since 1980 in which income per capita grew by more than 3%. Growth was particularly strong in oil-producing countries, notably Angola, which at 15.3% in 2006 and an estimated 23.6% in 2007, recorded some of the highest growth rates in the world. Several non-oil producing countries also performed well, due to favourable non-oil commodity price developments, a much improved external debt situation and the beneficial impact of a weaker US dollar.

The rising trend in oil and other commodity prices in the context of the sustained growth of the world economy has had a positive impact on resource-rich sub-Saharan African countries, notably through an improvement in their terms of trade. The excellent overall performance of oil exporters is, however, mostly due to Angola and Nigeria, the two larg-



est producers. With the exception of Cameroon, all other oil exporters – Chad, Republic of Congo, Côte d'Ivoire, Equatorial Guinea and Gabon – have had a mixed record in the last couple of years, with very little progress in their income per capita and even a reduction in the case of Chad. This can be partially explained by capacity constraints on oil production in most of these countries. In Chad and Côte d'Ivoire the poor economic performance is also closely linked to political strife. Nevertheless, higher commodity prices have reinforced the investment push of the last few years. This investment surge is broadly expected to provide a boost to productivity levels and also to contribute to some strengthening of GDP growth over the medium term.

Macroeconomic conditions generally improved across the oil-exporting nations (see Table 1). Inflation has remained under control and, despite increased government spending on the back of oil revenues, domestic savings have grown rapidly. The oil exporters currently have a savings to GDP ratio of about 40%. At the same time, international reserves have been growing steadily, reaching 7.6 months of import coverage in 2006.

Among net oil importers – the majority of sub-Saharan nations – economic performance benefited from strong economic growth at a global level, particularly during the second half of 2006, when oil import bills receded. Economic growth was only marginally below the level attained by oil exporters, with noteworthy performances by Ethiopia – driven mainly by strong coffee prices and robust agricultural growth along with expansion in industry and services, in the context of ongoing policy reforms – and Mozambique, where growth was boosted by investments in Moatize Coal and other medium-sized projects. Strong demand for some non-fuel commodities – notably minerals – led to increases in world prices and sustained activity in countries such as Namibia, South Africa, Tanzania and Zambia.

Table 1: Macroeconomic indicators for African countries

	Real GDP growth (%)				Inflation (%)				Current account balance (% of GDP)				Fiscal balance (% of GDP)			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Sub-Saharan Africa	5.8	6.4	6.2	6.7	6.7	8.5	7.1	7.1	-1.9	-0.8	-0.1	-3.0	0.1	1.8	4.9	0.7
Oil-producing countries[a]	7.1	8.3	7.7	8.9	13.0	13.3	8.0	6.7	0.9	5.3	8.3	1.3	3.9	6.5	9.6	2.4
East Africa[b]	6.4	7.6	8.6	8.8	8.3	8.0	9.6	8.8	-3.4	-5.7	-9.2	-7.5	-0.9	-2.4	-3.8	-3.8
Central Africa[c]	9.3	4.7	2.4	5.0	1.5	5.8	6.4	6.2	-3.4	0.2	2.6	0.8	1.6	6.1	16.0	7.4
West Africa[d]	4.8	6.1	5.0	4.3	10.0	14.0	7.3	5.4	0.8	2.9	5.6	-1.2	3.0	4.6	7.0	0.4
Southern Africa[e]	5.4	6.5	6.8	7.7	5.6	6.2	6.5	7.7	-2.6	-1.6	-1.2	-3.2	-1.4	0.6	4.1	0.9

[a] Angola, Cameroon, Chad, Republic of Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Mauritania, Nigeria and Sudan.
[b] Djibouti, Eritrea, Ethiopia, Kenya, Sudan, Tanzania and Uganda.
[c] Burundi, Cameroon, Central African Republic, Chad, Republic of Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, Rwanda and São Tomé & Príncipe.
[d] Benin, Burkina Faso, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo.
[e] Angola, Botswana, Lesotho, Madagascar, Malawi, Mozambique, Namibia, South Africa, Swaziland and Zambia.

Source: IMF.

Box 1: China's investment in Africa

Since the late 1990s, Chinese foreign direct investment (FDI), official assistance and bilateral loans in Africa have increased markedly, the result of a policy aimed at securing access to natural resources, expanding and diversifying exports as well as gaining political and financial leverage. Annual Chinese aid flows were estimated at some USD 2-3bn per year in 2004. China has recently pledged to increase its assistance to Africa under a new partnership based on mutual benefits. In November 2006 China announced the doubling of its assistance to Africa, the provision of USD 5bn in preferential loans and increased debt relief.

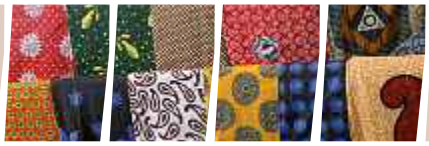
China is by far the largest of non-OECD donors and creditors in Africa, and in some areas is gradually overtaking traditional donors. Aid flows include grants, mostly in kind, as well as technical assistance, training and military assistance. A growing number of official Chinese institutions provide loans to governments in Africa, including Eximbank and China Development Bank.

China's increasing financial involvement in Africa has been accompanied by growing trade. Its annual trade with sub-Saharan Africa surged from USD 9bn to USD 45bn between 2000 and 2006. China has become Africa's third-largest trading partner, behind the US and France. However, China's trade with Africa remains concentrated on a limited number of countries, notably oil exporters such as Angola, Nigeria and Sudan. Natural resources account for about 90% of total Chinese imports from Africa, while Chinese exports are concentrated in consumer and investment goods.

The stock of Chinese foreign direct investment in Africa is estimated at about USD 6bn, or 10% of worldwide Chinese FDI. Investment flows are currently running at USD 1bn a year, up from only USD 100m a year in 2000. Chinese investment in Africa is decentralised, with hundreds of Chinese enterprises estimated to be present on the continent, active in sectors such as agriculture, manufacturing, energy, mining, timber, telecommunications and construction.

External and fiscal balances throughout the region are in relatively good shape, mainly due to higher prices for oil and other commodities. In addition, most countries have adopted prudent macroeconomic frameworks in recent years, partly to satisfy the requirements of the HIPC Initiative[6]. More broadly, the HIPC Initiative and the MDRI have contributed to a substantial reduction in the region's debt overhang. This is reflected in the progressive improvement of sovereign ratings and at the same time in the lower level of risk as perceived by investors in the region. Foreign investment inflows have therefore progressed quite rapidly. As shown in Box 1, this partly reflects the increased importance of Asia – and in particular China – as a strategic partner for the region.

While the last few years have brought economic growth back to the region, progress is limited and the challenges ahead remain enormous. Poverty remains widespread and in fact only a small minority of countries are currently on track to meet the Millennium Development Goals. Although the number of open military conflicts appears to be waning and political stability is on the rise, the region still occupies the majority



of top positions in indicators such as the 2006 Failed States Index published by the Washington-based Fund for Peace[7]. Furthermore, even some of the more stable countries face significant institutional challenges and governance problems – as highlighted by the World Bank's governance indicators. In this context, it is not surprising that the reforms undertaken to address economic and social bottlenecks remain tentative, which discourages investment. One commonly cited measure that attempts to characterise the prevailing business environments is the set of Doing Business Indicators compiled by the World Bank. The overwhelming majority of countries in the region continue to rank at the bottom of the 178 world economies currently surveyed (9 out of the 10 worst business environments in the world are in sub-Saharan Africa). This notwithstanding, there are some promising signs – the 2007 edition of the report highlights the wave of reforms in the region, and placed two sub-Saharan countries among the top ten reformers.

[6] The Heavily Indebted Poor Countries (HIPC) Initiative is a comprehensive approach to debt reduction for heavily indebted poor countries pursuing IMF and World Bank-supported adjustment and reform programmes. The Multilateral Debt Relief Initiative (MDRI) allows for 100 per cent relief on eligible debts by three multilateral institutions: the IMF, the World Bank's International Development Association (IDA) and the African Development Fund (AfDF). Funding of the operations varies across institutions. The IMF uses its own resources to provide 100 per cent relief for all countries with a per capita income of USD 380 a year or less; for the other countries, it receives bilateral contributions. In the case of the IDA and AfDF, bilateral donors pledge to provide full financing of the MDRI operation. Recently the Inter-American Development Bank also decided to provide debt relief to the five HIPCs in the Western Hemisphere.

[7] Six of the top ten countries in the 2006 index are in sub-Saharan Africa (Sudan, Democratic Republic of Congo, Côte d'Ivoire, Zimbabwe, Chad and Somalia, in decreasing order of violent internal conflicts).

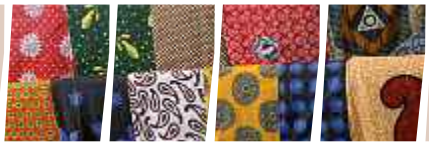
In addition to the difficult institutional environment, the region's growth outlook remains hampered by several other bottlenecks, notably weak infrastructures (see Box 2). On the other hand, the region should benefit from strong commodity prices and a relatively weak US dollar. The lack of economic diversification, however, exposes many sub-Saharan countries to the vagaries of oil prices and of other external commodities. In addition, as already mentioned, the region is not immune to a negative demand shock caused by a significant growth slowdown in developed economies.

Box 2: Energy in Africa

Reliable supplies of competitively-priced energy, especially electricity, are necessary to foster economic development and industrial activity, as well as to improve education facilities and provide decent health care. Increased energy supplies are necessary in order for Africa to achieve the Millennium Development Goals. Yet, throughout the continent, the needs of the local population and of companies are not being met. Investment in the African energy sector over the past decade has been below expectations, and not sufficient to keep up with rising demand.

According to the World Energy Outlook 2006 report, Africa needs to invest about USD 484bn over the next 25 years for the generation, transmission and distribution of electricity. Private investment in African electricity infrastructure during the period 2001-2004 was below USD 2bn a year. It is estimated that power shortages in recent years have reduced African GDP growth rates by 1-2% per annum.

An important challenge is to overcome investor perceptions of limited market opportunity and relatively high risk for energy investments outside the oil and gas sectors. Another objective is to improve the performance of public utilities, to ensure that the financial and technical capacity exists to properly maintain infrastructure. There is a consensus that public financing will need to play a bigger and more innovative role in African infrastructure, in partnership with the private sector. Public sector involvement is also essential to ensure downstream energy delivery in rural areas of Africa. In parallel to new physical infrastructure, many African countries are also seeking to implement structural reforms, including improved regulation and tariff structures.



Caribbean countries

In the **Caribbean countries** economic developments have been mostly positive over the last couple of years. Driven by the strong performance of construction and tourism, the regional economy grew by 8.3% in 2006 and by a more modest – but still clearly above-trend – 5.5% in 2007. The Dominican Republic and Trinidad and Tobago registered the strongest individual performances, with the Dominican Republic growing at almost 11% in 2006 and 8% in 2007, driven by strong consumption and investment. In Trinidad and Tobago, activity expanded at 12% in 2006, benefiting from high energy prices, increased capacity in the gas-processing industry, and a construction boom led by public expenditure. This public stimulus in the context of a slightly overheated economy stoked inflationary pressures, which seemed however to have abated in 2007 as growth slowed.

Economic prospects for the Caribbean in the next couple of years are also positive. Most countries enjoy political and macroeconomic stability and recent efforts to improve the legislative and regulatory environment (to reduce money laundering and related criminal activity) have bolstered the region's external attractiveness. Continued structural reforms to diversify the economy and improve socioeconomic conditions remain necessary. The recently initiated Caribbean Community Single Market and Economy (CSME) agreement is perceived as key to the development of the region. Inaugurated on 1 January 2006, the single market component of the CSME has been adopted by 12 states (Jamaica, Barbados, Belize, Guyana, Suriname, Trinidad and Tobago, Antigua and Barbuda, Dominica, Grenada, St. Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines). The establishment of the single economy component of CSME is scheduled for the end of 2008, and will encompass a population of about 6 million persons with a combined GDP of approximately USD 40bn.

Despite these positive developments, the region remains exposed to external shocks. In addition to the permanent threat posed by hurricanes, the economic outlook for the next couple of years will depend upon the extent of the growth slowdown in North America. A sharp decline in activity in the United States would impact the Caribbean economies – not only as regards tourism, but also because of strong linkages through remittances and foreign investment flows. Furthermore, the region's public finances have failed to fully benefit from the economic cycle and high recurrent expenditures on disaster relief, support for infrastructure development, as well as the preparations for the Cricket World Cup have increased pressure on many government balances. In an effort to counter this, many authorities have implemented reforms to improve the efficiency and effectiveness of public finance management. However, these efforts as well as the rise in government revenue collections have not significantly decreased overall public indebtedness, with public debt levels reaching over 90% of GDP in 2006.

Table 2: Macroeconomic indicators for Caribbean economies

	Real GDP growth (%)				Inflation (%)				Current account balance (% of GDP)				Fiscal balance (% of GDP)			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Caribbean[1]	3.4	6.3	8.2	5.7	21.5	6.9	7.7	6.4	1.9	0.2	0.1	-0.6	-3.5	-1.3	-1.3	-1.1

[1] *Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Lucia, Suriname, and Trinidad and Tobago.*

Source: IMF.

Pacific islands

Economic development in the **Pacific islands** is influenced by geography – these economies are not only small in terms of land area and population but are also quite distant from each other and from major world markets. In the last few years, growth has stabilised at low levels. Among the main growth drivers are commodity prices (notably for Papua New Guinea), tourism and aid flows. After severe civil unrest early on in the decade, the Solomon Islands has sustained one of the highest growth rates in the region. Similarly, in 2007 Timor-Leste experienced a large economic expansion following years of political strife. On the other hand, inflationary pressures have increased, due to the higher costs of imported fuel, rapid credit growth and significant inflows of private remittances. Because of their narrow production base, the Pacific islands are all dependent on imported goods, mainly from Australia and New Zealand. With the exception of Papua New Guinea, trade deficits are a regular feature in the countries' balance of payments. Regional trade deficits are typically offset by private transfers and remittances from nationals living overseas, as well as through official transfers.

Fiscal positions are quite varied across the region. Papua New Guinea expects an overall fiscal surplus for the third successive year in 2007, although the underlying non-mineral deficit has widened due to higher spending and lower non-mineral tax revenue. On account of oil royalties, Timor-Leste has accumulated large fiscal surpluses (183.6% of GDP in 2006) and in turn it has increased government spending sharply. A new policy framework in Fiji reaffirmed the government's intention to further narrow the deficit over the medium term in order to reduce its debt burden, which stood at 55% of GDP in 2006.

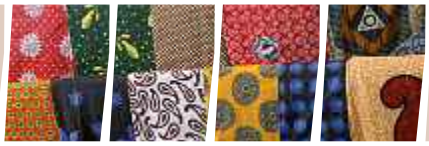


Table 3: Macroeconomic indicators for Pacific economies[1]

	Real GDP growth (%)				Inflation (%)				Current account balance (% of GDP)				Fiscal balance (% of GDP)			
	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007	2004	2005	2006	2007
Pacific	3.8	2.7	2.9	3.4	3.0	2.5	2.7	4.0	-1.4	0.5	-0.8	1.6	0.0	1.0	3.1	2.0

[1] *Each indicator is a GDP-weighted average of available data for the Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu and Vanuatu.*

Source: IMF and Asian Development Bank.

Box 3: Economic Partnership Agreements

On the economic front, an important feature of the EU-ACP relationship in 2007 was the negotiation of Economic Partnership Agreements (EPAs). When the original Cotonou Agreement was signed, it was recognised that the trade provisions of the Agreement were not fully compatible with World Trade Organization rules, so a waiver was secured until 31 December 2007. The Cotonou Agreement therefore included a commitment to move towards WTO-compatible EPAs: "Economic partnership agreements shall be negotiated during the preparatory period which shall end by 31 December 2007 at the latest. Formal negotiations of the new trading arrangements shall start in September 2002 and the new trading arrangements shall enter into force by 1 January 2008, unless earlier dates are agreed between the Parties" (Article 37(1) of the Cotonou Agreement.

Although negotiators from the European Commission and six ACP sub-regions continued to make good progress in 2007, the challenging objective of signing full EPAs with all ACP regions by the end of the year proved to be beyond reach. For some ACP sub-regions, partial agreements have been signed, and negotiations will continue in 2008. The EU believes that high tariffs in certain ACP countries protect uncompetitive industries, maintain high prices for local consumers and may encourage smuggling, whereas the increased trade provided by the EPAs (including greater inter-regional trade flows) will compensate the ACPs for reduced tariff revenues. However, some ACP countries argue that the EPAs will expose them to strong competition and are seeking additional safeguards and development aid prior to signing an agreement. Ultimately, EPAs should cover all the main trade issues between the EU and the ACP countries – not only goods but also areas such as services and intellectual property.

Operations in 2007

Active management of the investment portfolio

With the end of the Cotonou I mandate in sight, careful selection of projects financed under the IF – coupled with new guidelines for own resources financing – enabled the EIB to further expand the portfolio of investment loans designed to promote the sustainable development of ACP countries. With the objective of contributing as much as possible to the Millennium Development Goals, the Bank has ensured that all new projects in the ACPs now benefit from the agreed development criteria contained in ESIAF[8].

Signatures under the IF during 2007 totalled EUR 314.6m, to which can be added a record EUR 431.8m from the Bank's own resources, making an annual total of EUR 746.4m for new signatures in the ACPs (detailed lists of signed operations are presented in Annexes 1 and 2). Good progress was achieved in project implementation, with disbursement having commenced for over two thirds of the IF finance contracts signed so far, including a number of projects signed in the earlier years of the Facility. At the end of 2007, cumulative disbursements under the IF reached EUR 725.2m (compared to EUR 396.0m at the end of 2006). As reflows on existing operations gradually build up, these are used to partly cover new disbursements; EUR 73.8m of reflows had been applied in this way at the end of 2007.

[8] *Economic and Social Impact Assessment Framework (see Box 5).*

⇛ Investment Facility operations[9]

The **financial sector** is a key focus of the Cotonou Agreement. The IF further contributed to the development of ACP national and regional financial markets, notably by providing resources to creditworthy institutions so that they can support SMEs in a sustainable manner, as well as by developing new financial instruments suitable for local markets.

- **Rwanda Credit Line B: Private Sector Support** will further enable the Banque Commerciale du Rwanda and the Banque Rwandaise de Développement, two of the most sound and dynamic banks in the country, to finance critical medium to long-term loans in euros and local currency. The EUR 7.0m facility supplements a first tranche of EUR 3.0m signed in 2006 and will target SMEs and microenterprises operating in productive and services sectors such as agribusiness, health, education and tourism. This new global facility is expected to have a high development impact, notably by serving segments of the market which currently have limited access to financial services.

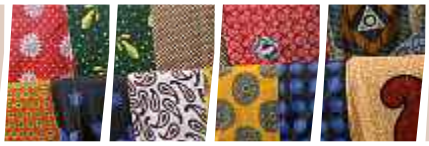
- Under the **Gabon Credit Line III**, a loan equivalent to EUR 7.0m in local currency was granted for on-lending to the Banque Gabonaise de Développement and the Financial Bank Gabon. Both banks have a good track record in supporting local SMEs and microfinance institutions (MFIs). Funds will be directed at private and public sector commercial operators, as well as microfinance institutions in Gabon. By supporting the development of the financial sector, the loan will increase the current low levels of access to banking services and address the Government's priority to diversify the economy away from oil production.

- **PRO-PME** is the only financial institution in Cameroon that specialises in providing loans to small and very small companies. In spite of a challenging operating environment, the track record of EIB's first credit line to PRO-PME has been good. Accordingly, a EUR 4.0m credit line was granted to PRO-PME over 10 years, with drawdown available in local currency. To boost its financing capacity and help it diversify into leasing activities, technical assistance is also being provided by the Bank. Leasing is particularly attractive to smaller companies, providing them with access to machinery and equipment when they cannot purchase them outright due to lack of funds and/or loan collateral. The enhanced competitiveness of local firms should generate new jobs and additional income, thus helping to fight poverty.

- In recent years, Uganda has significantly improved the supervisory and regulatory frameworks for the financial sector. However, long-term funding remains in short supply. In this context, the IF is funding a **Private Enterprise Finance Facility (PEFF – Uganda)**, providing up to EUR 30.0m long-term funds in Ugandan shillings and foreign currencies, as well as guarantees to a pool of selected intermediary banks. The purpose of this facility is to help to promote Ugandan enterprises throughout the business cycle – from start-up to business diversification – and to provide a boost to the microcredit sector. By promoting private sector initiatives, the facility will stimulate trade, which acts as a catalyst for economic growth. The targeted scope of this credit facility complements lines of credit provided by other international financial institutions.

- A similar, EUR 20.0m **Private Enterprise Finance Facility** is being established in Kenya **(PEFF – Kenya)**. Funds will be made available through three well-established local banks in Kenyan shillings or foreign

[9] *This section describes all 2007 operations fully funded by the IF or funded by a combination of IF funds and EIB own resources. A separate section covers 2007 operations that were financed exclusively from EIB own resources.*



Box 4: EIB Support for the financial sector in ACP countries

Since the entry into force of the Cotonou Agreement in April 2003, the Bank has signed 75 agreements with ACP financial sector counterparts for a total of EUR 1 110m, representing 30% of the combined ACP portfolio of IF and EIB own resources operations. Of this total, EUR 565m (51%) was for credit lines to financial institutions, of which 32 lines were provided under the Investment Facility and four from own resources. During 2007, a total of seven new credit line agreements were signed under the IF with financial institutions in Africa, the Caribbean and the Pacific:

Africa:	5 new credit lines totalling EUR 48.0m
Caribbean:	1 new credit line for EUR 10.0m
Pacific:	1 new credit line for EUR 2.0m.

In addition, a further two credit lines, totalling EUR 10.0m, were signed in the Pacific region under the separate OCT Facility.

Given the nature of credit lines, it is normal for their absorption by local banks to be a gradual process. During 2007, allocations under IF credit lines rose to EUR 127.8m, involving 324 individual allocations and representing 38% of signatures (up from 27% at the end of 2006).

EIB support extends beyond strictly project-related activities. In November 2007, a team from the EIB's Office of the Chief Compliance Officer (OCCO) travelled to Douala, Cameroon in order to present a two-day training seminar on Combating Money Laundering to local financial institutions. The presentation, which addressed concerns relating to the operating environment in Central Africa and included interactive sessions, was well received by participants.

In addition, the EIB is playing a leading role in the development of local currency bond issues. Since 2004, the EIB has issued almost EUR 1.4bn equivalent in ACP local currency bonds, using five African currencies: the South African rand, Botswanan pula, Ghanaian cedi, Mauritian rupee and Namibian dollar. The EIB was the first non-domestic issuer in Mauritius and in Botswana. The Bank is currently examining the possibility of issuing a CFA-denominated bond in the African franc zone, with the twin objective of mobilising additional local resources for investment and contributing to capital market development in the region. Depending on the outcome of this exercise, a number of proposed Bank operations in this sub-region could become eligible for local currency funding.

Conscious of the vital importance of the financial sector in promoting wider development in the ACP region, the Bank is developing a new, more focused strategy for the sector which will be implemented in parallel with the entry into force of Cotonou II during 2008. In broad terms, the new strategy will:

- be based upon an enhanced strategic analysis and diagnosis of financial sectors at country and regional levels;
- continue to prioritise finance for growth, the development of SMEs and of local financial sectors and markets;
- encourage innovation, including the promotion of access to finance for the poor ("finance for all");
- provide for an increase in technical assistance to ACP financial institutions.

currency. The ultimate beneficiary of the credit facility will be the Kenyan SME sector, which will benefit from on-lending in the form of medium and long-term loans and lease finance. This credit line is complementary to those of other development finance institutions supporting the Kenyan banking sector and to the EIB's recent co-investment in the BPI equity fund for local small businesses.

- The **Accord Cadre Garantie Afrique Centrale** mobilises up to EUR 50.0m for the purpose of guaranteeing part of the commercial and political risks on loans or guarantees granted by eligible banks to private or public sector commercial enterprises in the CEMAC region. This facility will be supported by the lending activity of the banks involved and benefit the private sector by providing them with long-term resources in local CFA currency.

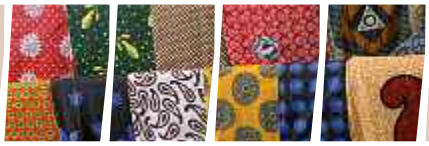
- In many parts of the Pacific islands region, there is a lack of long-term finance for smaller projects. Full drawdown of the first Pacific Islands Finance Facility (PIFF – established in 2004) confirmed the demand for additional, longer-term financial resources in the region. **The Pacific Islands Finance Facility II**, under which a first loan of EUR 2.0m was made available to Development Bank of Nuie, will widen the geographic scope of the PIFF to include additional islands such as the Federated States of Micronesia. This facility will encourage micro, small and medium-sized initiatives in the private sector. In order to help local businesses to fully benefit, an accompanying EUR 1m technical assistance grant facility will assist entrepreneurs in preparing financing plans for submission to the selected financial intermediaries under both the new and existing PIFF facilities – supported by an innovative, web-based register for Pacific region business consultants that was developed by the EIB during 2007.

- In the Caribbean, financial institutions often experience asset-liability mismatches, which restrict their willingness to provide longer-term funding for productive purposes. The EUR 10.0m, second tranche of the **Clico Global Loan** will enable Clico Investment Bank Limited (CIB), incorporated in Trinidad and Tobago and an active participant in regional financial markets, to support small and medium-sized enterprises in the wider Caribbean area. Companies in both the private and commercially run public sectors will benefit. The bulk of the credit line will be assigned to projects generating an inflow of foreign currencies and linked to the manufacturing and services sectors.

At the same time, the IF has pursued its efforts in the **microfinance sector** that started in 2000 under Lomé. While continuing to support already well-established institutions, the Bank is placing greater emphasis on promoting the creation of new institutions through its portfolio of microfinance investment vehicles. The strategy of the EIB is to build up a well-diversified portfolio of microfinance investments that both fosters the growth of existing institutions and encourages new entrants, thus expanding the provision of financial services to the poorer segments of the population.

- In line with this strategy, the EIB became a shareholder of **MicroCred** via a EUR 3.0m equity investment. MicroCred is an investment company created by PlaNet Finance, a French NGO. It aims to "create a group of commercial microfinance companies offering financial services to low-income entrepreneurs who do not have access to the traditional financial sector." As such, it invests in microfinance institutions and provides them with technical assistance for capacity building. Other shareholders of MicroCred are large French and Belgian institutional shareholders, as well as the IFC and AFD.

- Launched in 2007, **Rural Impulse Microfinance Fund** is a limited-life fund which aims to make debt and/or equity investments in proven microfinance institutions that bridge the gap in financial services to the rural poor. Working alongside a number of major investors, including the IFC, BIO and FMO, the Bank is investing a total of EUR 3.0m in the Rural Impulse Microfinance Fund via a combination of equity and mezzanine finance. In a challenging operating con-



Box 5: Development impact

The Economic and Social Impact Assessment Framework (ESIAF) is a framework for assessing, at the appraisal stage, some of the key features of projects financed by the Bank outside the European Union, in particular in the ACP region, for which it was initially developed. It enables the Bank to better highlight a broader range of impacts, notably in the social area, when assessing the quality and soundness of a project. ESIAF follows a three-pillar design, similar to the value-added one adopted and implemented for EIB operations within the EU, and seeks to measure the following:

- consistency with policy objectives arising out of the Bank's mandate under the Cotonou Agreement, including consistency with EU policies and complementarity with the actions of the European Commission and other development finance institutions;
- the quality and soundness of the operation in terms of economic, environmental, financial, institutional, and social performance; and
- the Bank's contribution both from a financial perspective and with regard to the project design and structuring, including provision of technical assistance and conditionalities. Here the Bank's financial contribution is not measured by the attractive terms that it may be able to offer but rather by its positive impact on borrowers' access to long-term finance and to risk capital.

After an initial pilot phase, ESIAF has been applied systematically to all IF and own resources direct operations (investment loans) appraised during 2007. The outcome for 2007 is reflected in the table below:

Impact	Pillar 1 Contribution to mandate and objectives	Pillar 2 Quality and soundness of project	Pillar 3 EIB contribution
High	13	7	12
Medium	3	9	4
Low	-	-	-

Six projects out of the sixteen[10] rated during the year received a "high" rating on all three pillars, including the Bujagali Hydroelectric Project in Uganda and the Ambatovy Nickel Project in Madagascar (see Boxes 6 and 8), both landmark projects for the countries concerned. Only one industrial project – relating to the production of metal sheet roofing – was rated "medium" on all three pillars. Overall the implementation of ESIAF provides a more systematic analysis of the developmental, environmental and social aspects of projects.

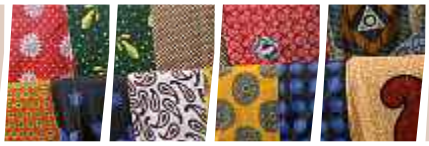
During 2007, the Framework was further refined and adapted to indirect operations channelled through financial intermediaries, such as lines of credit and investment funds. As from 2008, ESIAF will thus also be implemented systematically for such indirect operations, thereby covering the whole portfolio. A major benefit of the Framework is that it will allow a comparison of expected and actual outcomes during the monitoring and ex post evaluation stages. Moreover, in due course, independent ex post evaluations will assist in the evaluation of the appraisal and monitoring carried out by project teams.

[10] *Including two projects approved under the separate mandate for the Republic of South Africa.*

text, this Fund seeks to establish a diversified portfolio, making investments across several geographical regions and applying a range of debt, equity and guarantee instruments.

- Following on from the good performance of the first AfriCap investment fund – which was established in 2001 – the EIB has agreed to invest up to EUR 5.0m in its successor, the **AfriCap II Microfinance Investment Company Ltd (AfriCap II)**. AfriCap II will take equity participations in both newly created and existing microfinance companies and contribute to their development through a technical services facility (TSF) funded by European and international donors. The objective is to achieve a high development impact and also ensure a fair financial return for investors. Ultimately, AfriCap II should strengthen the capital structures of MFIs, improve corporate governance, diversify their business networks and increase access to financial services, thus generating increased micro-business opportunities and related employment.

- The principal financial institutions in the Dominican Republic have long been reluctant to lend to SMEs due to the perceived high risks, higher administrative costs and lack of security. With its origins as a microcredit NGO, **Banco Ademi** was transformed into a development bank in 1998 with the support of the local monetary authorities and international organisations, including the EIB. In a difficult operating environment, Banco Ademi has played a key role in fostering small business in the Dominican Republic through the provision of credit to the SME and microenterprise sectors. In October 2007 the EIB agreed to accompany Banco Ademi in the next stage of development via an equity investment of approximately EUR 0.5m, thereby maintaining an equity shareholding of approximately 16%.



Box 6: Bujagali Hydroelectric

The restructuring and reform of the energy sector in Uganda is central to the provision of low-cost reliable power to consumers and enterprises. The Bujagali Hydroelectric Project addresses this national priority by supporting the construction of a dam and hydroelectric power station on the Nile River under a public-private partnership. Once completed, the Bujagali project will make available 250 MW of generating capacity over an estimated 30-year lifespan, thereby easing the current shortages of power, which have a significant negative impact on Ugandan economic development. By replacing polluting and expensive thermal power production by reliance on an indigenous and renewable resource with low emissions of global greenhouse gases, the project fosters sustainable development.

The negative environmental and social impacts have been subject to extensive studies and are comparatively limited; they will be monitored and mitigated on an ongoing basis, in accordance with international standards including consultations with residents, local communities and civil society organisations.

The private investors were selected following a competitive international tender managed by the Government of Uganda with assistance from the World Bank. As part of an international financing consortium including the World Bank Group, the African Development Bank and European bilateral agencies, the EIB will provide a loan of up to USD 136.0m with a tenor of up to 20 years.

In addition to activities in the ACP financial services sector, the Bank is also giving priority to **infrastructure** projects and remains responsive to opportunities – particularly those promoted by private investors – in other sectors such as **industry, mining and services**. Following on from a strong performance in infrastructure during 2006 (EUR 145.5m in signatures), the Bank signed the landmark Bujagali Hydroelectric Project in 2007 (see Box 6). Infrastructure is an area where project lead times typically extend over several years, and in 2007 the EIB also devoted resources towards identifying a pipeline of new projects, including a number of cross-border and regional infrastructure projects for which grant support from the EU-Africa-Infrastructure Trust Fund will be sought. Other sectors mentioned above – industry, mining and services – remain attractive points of entry for foreign direct investors, particularly in the context of the current boom in commodity prices. Such projects also provide welcome foreign exchange earnings for ACP countries and well-paid, stable employment for local workers.

- In Angola, the Bank is providing a loan of up to EUR 15.0m to **TVCABO Multimedia**, a joint venture between a Portuguese group with previous experience of Africa and Angola Telecom, the state-owned provider of fixed line and mobile telecommunication services. The project, located in the Luanda region, involves the construction of broadband and bi-directional digital networks for the provision of high-speed data transmission for corporate users as well as multimedia services for individual homes in the Luanda region. This project will significantly improve existing services in a country where access to high-speed, telephone-based internet connections remains limited.

- Botswana plays an active and prominent part in the Kimberley Process, a UN-backed process to certify diamonds in order to avoid trading diamonds from conflict zones ("blood diamonds"). The **Martin's Drift Kimberlite Project** comprises the development of a medium-scale diamond mine with five separate open pits as well as the construction and operation of an ore-processing plant. The project is located near Lerala, a remote location which therefore does not require population resettlement. In line with the IF mandate to encourage private sector investment, the EIB will provide a senior loan of up to EUR 5.0m to a young mining company. It is expected that the project will directly create some 260 well-paying jobs and have a positive social and economic impact on the wider community, thereby reducing rural exodus in eastern Botswana. Martin's Drift will also provide medical cover for workers and their families.

The provision of **equity capital** by international financial institutions such as the EIB allows companies in the ACPs and elsewhere to plan for longer-term expansion and can also have an important demonstration effect for potential private sector investors. In practice, the EIB often provides finance to investment or venture capital funds, following a detailed review of their track record and investment strategy. Such investments allow the EIB to harness the professional expertise and local presence of the fund managers in order to promote local enterprise in the ACP countries. From the viewpoint of the sustainability of the IF as a revolving fund, future returns on such equity investments are expected to make an increasing contribution in the medium term.

In addition to the investment in various MFIs mentioned above, the IF invested in the following investment funds during 2007:

- The **AIC Caribbean Fund** is promoted by AIC Group, with headquarters in Canada and which has been operating in the Caribbean since 2002. The EIB will invest up to USD 50m alongside US-based institutional investors and the IFC; the EIB's participation will be limited to 20% of the Fund at any given time. This IF investment will help to widen and deepen the private equity market in the Caribbean, which is currently underdeveloped. New sources of private equity can assist promising local firms that require equity rather than bank loans in order to expand. The AIC Caribbean Investment Fund aims to take a control-

ling interest in around 10 medium and large-sized entities in the Caribbean. Taking majority stakes is a key part of the AIC strategy, as this will facilitate exit from the investments at a later stage. Targeted sectors include international healthcare services, natural resources and residential property.

- **I&P Capital II Investment Fund** will make equity and quasi-equity investments in the EUR 1 - 5m range in private companies located primarily in Mauritius and Madagascar, but also in the wider Indian Ocean region and along the eastern seaboard of Africa. The Fund managers have long experience of private equity and entrepreneurial activity in the region. The EIB is investing up to EUR 4.6m in this Fund, which is the successor to the I&P Capital (Indian Ocean) Fund, in which the IF is also an investor. The average investment size is expected to be around EUR 2.5m, spread equally among start-ups, expansion stage, replacement capital and buy-out transactions. The Capital II Investment Fund will take majority stakes where possible, and will invest primarily in tourism, financial services, telecommunications and business process outsourcing (e.g. call centres). The presence of bilingual French and English speakers in the target region is expected to be attractive to some outsourcing providers.

- **Capital Financial Holdings** was established in 2005 in order to rationalise the shareholding structure of Commercial Bank, which operates in several Central African countries where privately owned and managed financial institutions are rare. Acting in tandem, the EIB and IFC decided to invest EUR 5.0m each in the equity of Capital Financial Holdings and to provide technical assistance (up to EUR 0.55m from the EIB), with a view to supporting the expansion of this all-African group and helping it promote best international banking practice in the countries where CFH is active (see Box 4 – the OCCO presentation was organised together with CFH).

Operations in the overseas countries and territories (OCTs)

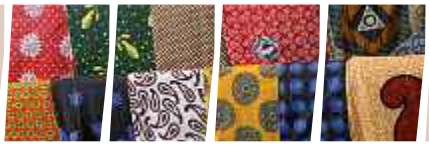
Environmental protection and sustainable development are high on the EU and international agenda. During 2007, the EIB signed two innovative operations in the OCTs under the dedicated OCT Investment Facility established by the Council Decision of 27 November 2001.

A EUR 5.0m credit line was signed with **Banque Calédonienne d'Investissement** (BCI), based in New Caledonia. These long-term funds will support BCI lending to local projects in the fields of renewable energy and the environment. To be eligible, projects must fall under one of the following categories: renewable energy, investments aimed at improving energy management and efficiency, sewage treatment, waste management and/or pollution reduction.

A similar credit line in favour of the environment, also for EUR 5.0m, was signed with **Banque SOCREDO**, based in French Polynesia.

For both operations, an EIB environmental specialist based in the EIB Pacific Regional Office will monitor the eligibility of the proposed projects, to ensure that the objectives as regards renewable energy and the protection of the environment are achieved.

In addition, a EUR 10.0m facility targeted at **SME finance in the Caribbean** (in the first instance, OBNA Bank and AIB Bank) was approved during 2007; the first contracts are due to be signed early in 2008. When these operations are finalised, all of the Investment Facility funding available for the OCTs under the first Cotonou Agreement will have been committed.



Box 7: Increasing use of technical assistance (TA)

Grant funding for TA will enable the Bank to become more proactive in its approach to investment projects in the ACP region. TA can be applied to all phases of the project cycle and will assist the EIB in better identifying and preparing projects, including the assessment of development impact aspect.

Within the current Cotonou I framework, it is estimated that the vast majority of funds available for TA procurement (EUR 18.7m) will be allocated, with a focus on support for the ACP financial sector. The provision of TA is likely to increase steadily under Cotonou II as a larger envelope – up to EUR 40m[11] – will be available for this purpose. To date, the following TA contracts have been signed under the IF:

- Cameroon - Assistance Technique au Prêt Global Pro-PME II (EUR 0.14m)
- Malawi – Advisory Services for Peri-Urban Water and Sanitation (EUR 0.25m)
- East Africa Submarine Cable System (EASSy):
  - Study/update of cable traffic demand (EUR 0.04m)
  - Legal Advisor for Special Purpose Vehicle (EUR 0.65m)
  - Special Purpose Vehicle Management Team (EUR 0.57m)

In addition, funding for a number of technical assistance facilities was approved in 2007 – for example, in support of the Pacific Islands Finance Facility II (see above) and to undertake two major feasibility studies on behalf of the West African Power Pool (see below). Looking ahead, a number of new TA projects are expected to materialise during 2008, including support for a number of microfinance institutions which already benefit from IF loans or equity investments.

Technical assistance – WAPP regional interconnection projects

With the aim of promoting economic growth through regional infrastructure development, two technical assistance agreements were signed in 2007 to finance pre-investment studies under the auspices of the West African Power Pool (WAPP). The first proposed interconnection, between Ghana, Burkina Faso and Mali (TA of up to EUR 2m) will facilitate the supply of cheaper and more reliable energy to landlocked Sahel countries. The second interconnection – between Côte d'Ivoire, Liberia, Sierra Leone and Guinea (TA of up to EUR 3m) – will be a key component of reconstruction efforts in the post-conflict areas of the region. The common goal of these projects is to establish an efficient regional electricity market between ECOWAS members in West Africa, serving both urban and rural areas.

[11] *Up to 10% of the EUR 400m Cotonou II subsidy envelope may be applied as technical assistance.*

⇛ Own resources operations

During the year, new guidelines were agreed that introduce greater flexibility in the use of own resources in the ACPs, particularly for public sector infrastructure projects. These guidelines contributed to a substantial increase in own resources signatures which, on a cumulative basis, amounted to EUR 431.8m in 2007.

The following projects benefited from finance provided exclusively from EIB own resources[12] during 2007. EIB involvement in the three water sector projects – Maseru, SONEB and SONES – commenced at the early design stage, in line with the Bank's strategy for the ACP water sector (described in the 2006 IF Annual Report).

- The **Maseru Wastewater Project** concerns the rehabilitation and expansion of the wastewater and sanitation facilities in Lesotho's capital Maseru. The project involves increasing the sanitation coverage in Maseru's urban and peri-urban areas for some 100 000 inhabitants, the refurbishment of an existing treatment plant and the construction of a new plant. It also includes the upgrading of sanitation facilities for poor households. The project was developed under the Second Call for Proposals of the EU Water Facility (EUWF) and benefits from a EUR 10m EU Water Facility grant. The EIB will lend up to the equivalent of EUR 14.3m over 25 years, with disbursement in South African rand. The terms of the EIB loan will ensure compliance with the country's debt sustainability constraints through the use of an interest rate subsidy, in accordance with the provisions of the Cotonou Agreement.

- **Société Nationale des Eaux de Bénin** (SONEB) is intending to improve the supply of urban drinking water to Cotonou, an objective which will contribute to the achievement of the Millennium Development Goals in Benin. This EUR 13.0m subsidised loan from the EIB will finance the second phase of this drinking water project, which also benefits from a EUR 8.0m grant from the EU Water Facility[13] as well as grant support from Germany and the Netherlands.

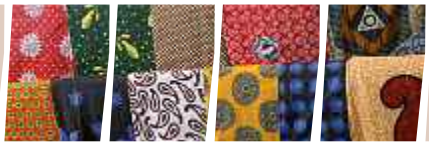
- **Société Nationale des Eaux de Sénégal** (SONES) has initiated an ambitious programme to increase the provision of safe drinking water nationwide. Working in close cooperation with SONES and Agence Française de Développement, the EIB helped to prepare a grant request under the EU ACP Water Facility, which was subsequently approved for EUR 8.7m. The Water Facility grant for this development project will be complemented by a EUR 15.0m subsidised long-term loan provided by the EIB.

- The **Munali Nickel Mine Project** is located 60 km south of the Zambian capital Lusaka, in the "East African Nickel Belt", which extends over 2 000 kilometres from Botswana through to Burundi. The project will develop a new medium-scale underground nickel mine and will also involve the construction and operation of a conventional ore-processing plant (crushing, grinding and flotation) and related infrastructure. The total project cost is estimated at USD 122.0m and the EIB will be providing a USD 40.0m loan over seven years. Between 200 and 400 people will be employed during the 12-month mine construction phase; once operational, the mine will provide employment for 270 people, of which over 90% are expected to be local staff. The promoter Albidon is committed to responsible human resources management, including professional training and an on-site medical clinic. A Community Development Plan is being drawn up in cooperation with local villages affected by the project and local NGOs, in order to spread the benefits of the project.

- **Intercontinental Bank, Nigeria** is a leading local bank with a strong balance sheet and a tradition of providing diversified financial services to the Nigerian private sector. In line with this strategy, Intercontinental

Approvals, signatures and disbursements under own resources in the ACPs:

EUR m	2003	2004	2005	2006	2007	Cumulative
Approvals	43.1	47.3	170.0	207.3	550.3	1 018.0
Signatures	6.1	62.2	150.9	167.3	431.8	818.3
Disbursements	0.0	6.7	13.6	86.0	110.6	216.9



Bank is setting up a Development Credit Facility to support sectors of the Nigerian economy – including health and education – where the private sector is increasingly active but where suitable finance is often lacking. To reinforce Intercontinental Bank's activity in these two key sectors, the EIB is providing a EUR 50.0m credit line, with the possibility of drawdown in EUR or USD equivalent.

- **Ecobank Transnational Incorporated** (ETI) is a regional banking group active in West Africa and listed on the stock markets of Nigeria, Ghana and Côte d'Ivoire. Headquartered in Togo, ETI oversees a decentralised network of some 320 banking outlets in 18 West and Central African countries. A new EUR 50.0m credit line will assist this locally owned financial group to continue its strong growth of recent years and provide long-term finance in an operating environment which includes challenging post-conflict countries.

[12] *Projects featuring a combination of own resources and IF funding are detailed in the Investment Facility section above.*

[13] *Through a consultancy contract, the Bank helped the promoter prepare the successful grant request under the EU Water Facility.*

Box 8: The Ambatovy Nickel Project in Madagascar

The Ambatovy project concerns the development of a new open-pit lateritic nickel mine near Moramanga, approximately 80 km east of the capital Antananarivo. This will also involve the construction and operation of a hydrometallurgical refinery near Madagascar's main port Toamasina, a 220 km slurry pipeline connecting mine and refinery, a tailings disposal plant close to the refinery and related infrastructure. The project is expected to produce some 60 000 t of LME grade 1 nickel and 5 600 t of cobalt metal per year. With an estimated cost of USD 3.7bn, the Ambatovy project is one of the largest nickel mining and processing developments currently being prepared and its favourable geological characteristics should place it among the lowest-cost producers worldwide.

The Ambatovy project is fully in line with the core objectives of the Cotonou Agreement and the Bank's strategy in the ACPs, as it contributes significantly to sustainable social and economic development and poverty alleviation through the financing of productive investments promoted by the private sector. The majority of the investment costs (approximately 80%) concern the refining component, which will generate high value added in Madagascar. It is in line with the Bank's Extractive Industries Review and will noticeably contribute towards achieving strategic elements of Madagascar's Poverty Reduction Strategy. Furthermore, the project will directly contribute to opening up the country to regional and global economic integration.

In total the project includes over USD 300m (EUR 221m) worth of programmes that will contribute to long-term economic development through (i) health, safety and other social programmes; (ii) infrastructure improvement in road, rail, port upgrade/expansion, water/waste treatment, communication infrastructure; and (iii) industrial infrastructure to benefit other projects and industries. The project's "Local Resource Development Initiative" will develop the skills of individual workers and indirectly – and significantly – promote the business of local suppliers, contractors and service industries. The important environmental and social (including gender) issues have been properly addressed by the promoter and mitigating measures have been incorporated into the project design or are envisaged.

Madagascar is a biodiversity hotspot with a number of endangered species. The project sponsors are acutely aware of this issue and have put in place measures to manage biodiversity conservation, enhance the sustainable management of existing natural resources and contribute to improved environmental protection. A very detailed independent Environmental and Social Impact Assessment (ESIA), complying with EU Directive 97/11, was prepared for the project and approved in early 2007 by the Office National de l'Environnement, the competent local authority. NGOs present in Madagascar have commented favourably on the contribution which the Ambatovy project can make to help preserving Madagascar's endangered environment, which would otherwise continue to suffer critical damage from traditional poverty-driven (slash and burn) farming techniques.


PROJET NICKEL
AMBATOVY

Outlook for 2008

Activity in 2008 will depend upon the ratification and entry into force of the revised Cotonou Agreement, which is expected to occur in the second quarter of the year. In the interim, residual Cotonou I funds are still available for the provision of technical assistance and interest rate subsidies. The majority of new IF signatures will only take place in the second half of the year, following Cotonou II ratification.

Continued attention to infrastructure and financial sector operations, notably via innovative financing instruments

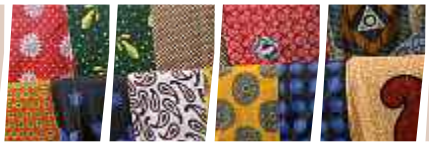
In view of the immense funding needs in sub-Saharan Africa, a strong focus will be maintained on the financial sector and infrastructure, with own resources loans being mainly devoted to the latter. An increased focus on regional infrastructure projects is anticipated, in line with the objectives of the EU-Africa Infrastructure Partnership and associated Trust Fund and in association with a wide range of financial partners. Where feasible, efforts will be made to develop new financial instruments, including local currency financing and guarantees.

Focus on regional infrastructure projects

Regional infrastructure projects in the Caribbean will also be given particular emphasis, in close association with the Bank's traditional partner, the Caribbean Development Bank. 2008 will see the development of projects in the ports and the energy sector. In the Pacific, close collaboration is envisaged with the Asian Development

Norman Manley Airport, Jamaica

Norman Manley, Kingston's international airport, is currently being expanded and rehabilitated under a concession agreement between the Airports Authority of Jamaica (AAJ) and NMIA Airports Ltd (NMIAL). The EIB, together with the key regional co-financier, the Caribbean Development Bank, held extensive discussions in 2007 with AAJ, the Government of Jamaica and NMIAL to establish a financing plan for the project. At the end of 2007, the EIB signed a formal commitment letter with AAJ for the provision of a loan of USD 40.0m from the Investment Facility. The project will improve the air transport infrastructure of this major Caribbean island state, thereby promoting social and economic development as well as reinforcing wider regional integration.



Bank. Working alongside the European Commission's Pacific Blue-Green Initiative, the EIB will continue to prioritise environmental, renewable energy and energy efficiency projects in as wide a range of Pacific islands as possible.

Further development of the equity portfolio and of technical assistance operations

Equity investments have a strong demonstration effect on the private sector, signalling confidence in local economies and companies. The equity portfolio of the IF, including participations in investment and venture capital funds, will therefore be further developed. Interest rate subsidies will be used where justified in keeping with the provisions of the Cotonou Agreement, and the portfolio of technical assistance operations will be progressively expanded.

Commitment to promote sustainable development

Environmental sustainability, climate change and renewable energy are priority objectives for the EIB, and this also applies to the ACP region, where the Bank is focusing on the identification of renewable energy projects, energy efficiency initiatives or projects involving climate change adaptation measures. Priority will be given to projects meeting these objectives, with a view to increasing the share of environmental projects in the ACP portfolio.

Portfolio overview

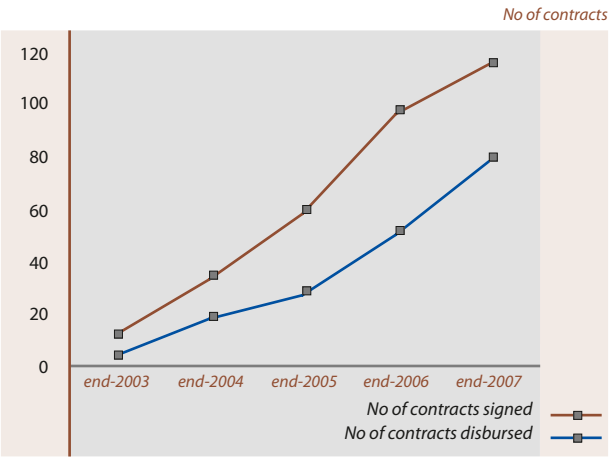
The IF is now in the fifth and final year of the first Financial Protocol of the Cotonou Agreement and has established a solid track record of activity. At end-2007, total approved and signed operations amounted to EUR 1 987m and EUR 1 713m[14] respectively, equivalent to approximately 98%[15] and 84%[16] of the IF's initial capital endowment and corresponding to 90 projects financed.

Yearly and cumulative approvals, signatures and disbursements under the Investment Facility are presented in the table below:

EUR m	2003	2004	2005	2006	2007	Cumulative	% of IF capital endowment
Approvals	368.9	318.2	472.5	576.0	251.5	1 987.1	98%[15]
Signatures	140.2	337.2	351.2	569.6	314.6	1 712.9	84%[16]
Disbursements[17]	4.0	93.1	113.7	185.2	329.2	725.2	36%

No of contracts signed vs. no of contracts disbursed on a cumulative basis

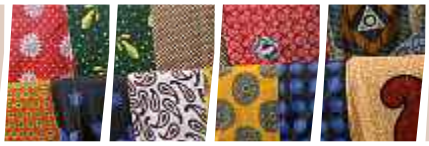
01/04/2003-31/12/2007



At end-2007, cumulative disbursements stood at EUR 725m, equivalent to 36% of the IF capital endowment and 42%[18] of signatures to date. Whilst this percentage represents an average for the whole portfolio, experience shows that disbursement patterns differ depending on the type of operation. At end-2007, 44% of commitments signed for individual/direct loans – mainly for private sector projects – had been disbursed, against 62% for equity holdings and 38% for lines of credit.

As the following chart indicates, 2007 saw a notable increase in the ratio of contracts under disbursement (or fully disbursed) relative to total contracts signed

[14] *This amount does not take into account the partial cancellation of signed amounts equivalent to EUR 69m at end-2007.*
[15] *Approvals net of cancellations represent 92% of the IF capital endowment at end-2007.*
[16] *Signatures net of cancellations represent 81% of the IF capital endowment at end-2007.*
[17] *If guarantees issued are included, the cumulative level of disbursements at end-2007 would be EUR 733.8m (instead of EUR 725.2m).*
[18] *If partial cancellation of signed contracts is taken into account, the percentage increases to 44%.*

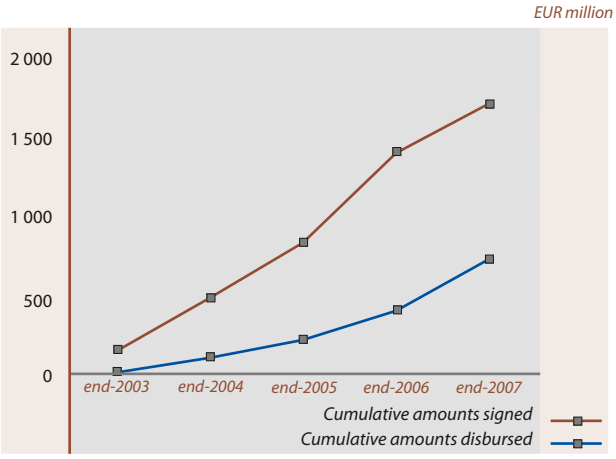


under the IF – from just over half (52%) at the start of the year to 68% as at 31 December 2007.

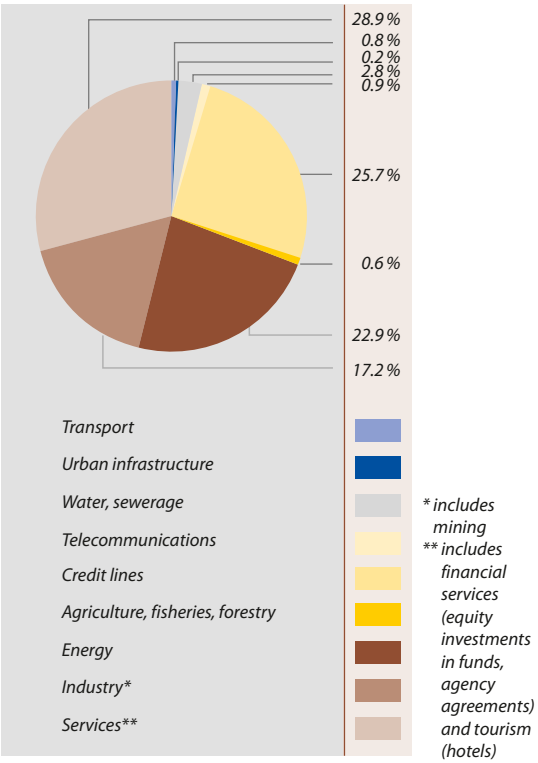
A central objective of the IF is to support the private sector in ACP countries. This is largely reflected in the current portfolio breakdown; projects promoted by the private sector accounted for 79% of the cumulative total of IF signatures at end-2007. This percentage includes both direct financing to private sector projects and indirect financing through financial intermediaries, through which the IF also supports the development of local financial markets.

Amounts signed vs. amounts disbursed on a cumulative basis

01/04/2003-31/12/2007



Cumulative signatures 01/04/2003-31/12/2007 breakdown by sector



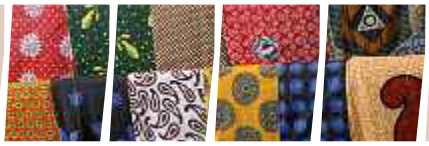
BOX 9 : Microfinance operations under the Cotonou IF

Year of signature	Region/country	Operation name	Instrument	Amount signed	Amount disbursed
2004	Africa	Shorecap Int.	Equity	2.50	1.06
2005	Africa	La Fayette Investissements	Equity	3.50	2.16
2005	West Africa	BIMAO	Guarantee	5.00	0.00
2006	Dominican Rep.	ADEMI V	Loan	3.00	3.00
2006	Dominican Rep.	ADEMI V	Equity	0.23	0.22
2006	Africa	Access Microfinance Holding	Equity	3.46	0.78
2006	Africa	I & P Dev.	Equity	3.25	2.44
2006	Dominican Rep.	Small enterprises credit line	Loan	4.00	1.75
2007	Regional - Africa	MicroCred (Planet Bank)	Equity	3.00	3.00
2007	Regional – ACP	Rural Impulse Microfinance Fund	Equity	3.00	0.77
2007	Regional – Africa	Africap II	Equity	5.00	0.00
2007	Dominican Rep.	ADEMI V	Equity	0.52	0.49
				36.46	**15.67**

Investment in the **financial sector**, including credit lines to promote local SMEs and participation in equity and venture capital funds, represents 52% of the current IF portfolio. Cumulative signatures for credit lines to financial institutions stood at EUR 440.0m at end-2007, representing a stable 26% of cumulative signatures under the IF.

Investments in the financial sector also cover **microfinance operations**, and by end-2007, the IF had committed EUR 36.4m in debt and equity for microfinance in favour of 10 MFIs in the ACPs.

Within the EU, the EIB is a reference institution for **infrastructure finance** and has worldwide experience of infrastructure projects. Consequently, in the ACPs, the Bank is well placed to provide high levels of added value in infrastructure project preparation, including with respect to the social and environmental aspects.



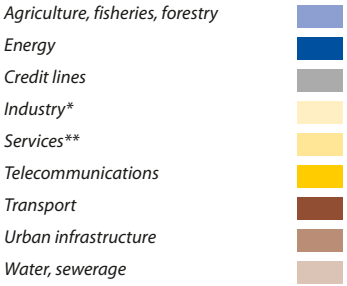
Infrastructure is the second-largest area of activity for the IF – and by far the largest in East and Central Africa – with signed commitments equivalent to around 28% of the overall IF portfolio. The majority of infrastructure projects (12 out of a total of 18 projects) are in the energy sector, including renewable energy such as the Bujagali Hydroelectric Project in Uganda (see Box 6 above).

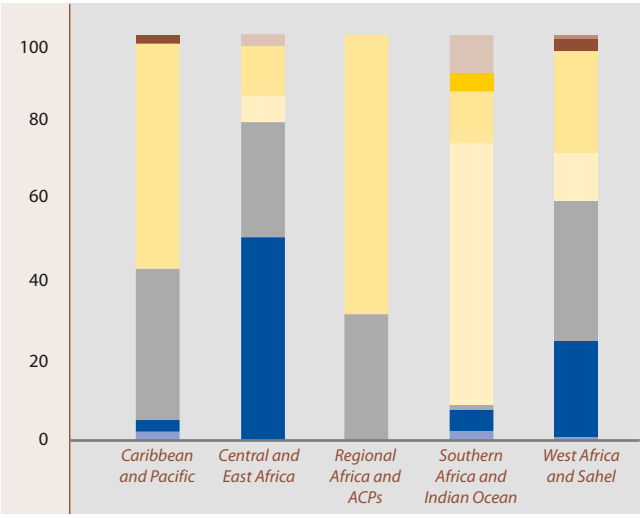
Industry and mining operations – the latter predominantly in Southern Africa – accounted for 17% of the IF portfolio at end-2007 (this does not include the EUR 260m loan for the Ambatovy nickel project in Madagascar, which is financed from own resources). Backed by strong commodity prices, the mining industry has been booming over the last few years and, with private sector support, many African countries have been able to exploit the potential of their huge resources. Due to their capital-intensive nature and scope, new mining projects often have large financing requirements and the involvement of institutions such as the EIB is often necessary to attract private sector funding and to ensure that a suitable financing plan can be put together. The IF has been actively involved in the provision of subordinated debt and mezzanine finance for junior mining companies in more risky countries.

Activity in the **agriculture, fisheries and forestry** sectors remains secondary, representing only around 1% of IF cumulative signatures since inception. While larger export-oriented investments are supported directly, smaller industrial and agro-business projects are usually supported through financial sector involvement, as illustrated by the two new credit lines in the Pacific OCTs, which will back projects that favour environmental protection (for example, the installation of filters to reduce emissions into the air). Directly or indirectly, these facilities are likely to have a positive impact on the sectors concerned in the Pacific islands.

A reasonable balance has so far been achieved in terms of coverage of the various **ACP regions**, bearing in mind the substantial proportion of regional projects (30 projects, equal to one third of the Investment Facility portfolio,

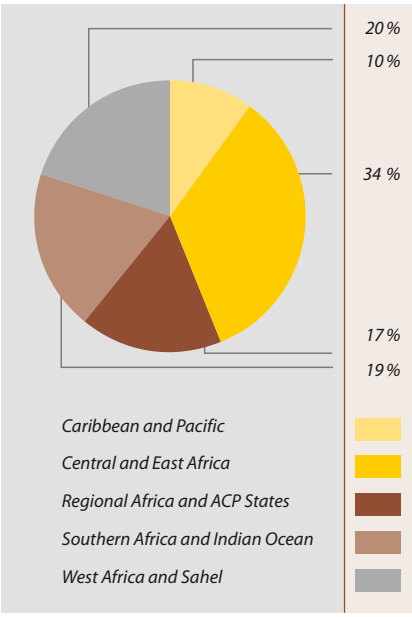
Cumulative signatures 01/04/2003-31/12/2007 breakdown by region and by sector





** includes mining*
*** includes financial services (equity investments in funds, agency agreements) and tourism (hotels)*

Cumulative signatures 01/04/2003-31/12/2007 breakdown by region



which provide a good basis to achieve greater country coverage). The Caribbean and Pacific sub-regions represent one third of the total number of country-specific projects financed under the IF (20 projects out of a total of 60 such projects at end-2007). Expressed as a share of lending volumes, the Caribbean and Pacific sub-regions rose to 10% in 2007 (8% at end-2006), a level commensurate with the smaller size of the economies concerned, with loans concentrated in the financial and services sector. Experience under the earlier Lomé Conventions also indicates that the occurrence of large capital investments requiring major funding volumes is sporadic in the Caribbean and Pacific sub-regions.

The availability of a wide range of risk-bearing **financial instruments** denominated in EUR and in USD, as well as in local ACP currencies, is an important feature of the IF. Ordinary loans remain predominant in the overall portfolio in terms of lending volume, as they mainly concern large infrastructure or industrial projects for which lending volumes are more significant than those involving equity or quasi-equity investments. The use of innovative risk-bear-

Box 10: Portfolio monitoring

To safeguard the financial sustainability of the IF, the portfolio of existing projects needs to be closely monitored. More generally, a balance needs to be struck between devoting resources to identifying and implementing new projects in the ACP countries and monitoring the existing loan portfolio, which involves some 600 active projects, including commitments under the Lomé Convention. Following an internal evaluation in 2007, the ACP-IF Department undertook a major review of project monitoring, with a view to strengthening the procedures and systems in place and thereby ensuring a more consistent approach across the portfolio. The goal is to provide timely and relevant information, both at the level of individual projects and for the portfolio as a whole.

An important element of this increasingly proactive approach to monitoring will be the application during 2008 of the Bank's loan-grading system to the Cotonou portfolio. This will result in a classification of all ACP operations linked to a common review cycle and provide an overview of the state of portfolio.

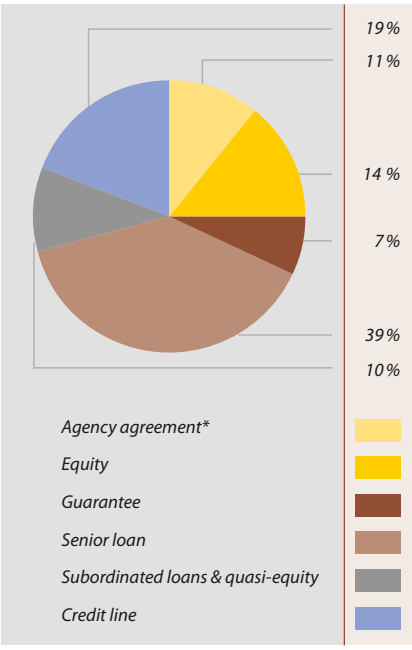
ing instruments is often appropriate in the financial sector, where a number of operations concern equity investments or are denominated in local currencies. The IF is seeking to promote local currency operations, but must at the same time carefully monitor the medium-to-long term foreign exchange risks borne by the Facility. Options to mitigate such risks include fund-raising in local markets (bond issues) or hedging arrangements with banks and specialised currency vehicles.

Equity investments carry higher risks than loans, but have the potential to provide significantly higher returns. At the end of 2007, the IF equity portfolio represented approximately 14% of signed commitments. The majority of equity investments are participations in investment funds and venture capital funds, some of which are already fully invested and have started to divest, with promising initial returns. As the IF equity portfolio grows in the coming years, returns on such investments are expected to make an increasing contribution to the sustainability of the IF.

At the end of 2007, the breakdown of the IF portfolio by financial instruments in terms of number of operations was (i) 31 equity investments, (ii) 34 ordinary loans, (iii) 6 guarantees, (iv) 9 subordinated loans and quasi-equity and (v) 5 agency agreements, including European Financing Partners (see Partnerships, on page 43). Local currency operations accounted for just under 5% of the total IF portfolio[19] and concerned the following currencies: Rwandese franc, CFA franc, Ugandan shilling, South African rand, Mauritanian ouguiya, Dominican peso and Fiji dollar. The breakdown of financial instruments in percentage terms is shown in the following table.

[19] *Signed operations.*

Cumulative signatures 01/04/2003-31/12/2007 breakdown by financial instrument



** EFP framework agreement*

Box 11: Interest rate subsidies

Under the Cotonou I framework, IF operations and own resources loans can benefit from an interest rate subsidy appropriation of some EUR 187m, the purpose of which is to increase their concessionality under certain specific conditions:

" for infrastructure projects in the Least Developed Countries, in post-conflict countries and post-natural disaster countries … that are prerequisites for private sector development...;*

** for infrastructure projects by commercially-run public entities that are prerequisites for private sector development in countries subject to restrictive borrowing conditions under the Heavily Indebted Poor Countries (HIPC) initiative or another internationally agreed debt sustainability framework…;*

** for projects which involve restructuring operations in the framework of privatisation or for projects with substantial and clearly demonstrable social or environmental benefits…."*

Revised Cotonou Partnership Agreement, Annex II, Article 2(7).

At the end of 2007, interest rate subsidies totalling EUR 86.64m (equivalent to 47% of the Cotonou I appropriation) had been earmarked for 18 projects both from own resources and under the IF, of which 13 concerned infrastructure investments.

Under Cotonou's second Financial Protocol, the interest rate subsidy appropriation will be increased to EUR 400m, of which up to 10% may be used for project-related technical assistance.

Contract name	Country/ region	Loan amount in EUR	Estimated subsidy amount in EUR	Sector	Justification
SONABEL III (IF)	Burkina Faso	15 250 000	2 160 000	Energy	Social
COMPAGNIE SUCRIERE DU TCHAD (IF)	Chad	11 800 000	1 800 000	Agro-industry	Environmental & social
LIAISON MARITIME DAKAR-ZIGUINCHOR (IF)	Senegal	10 000 000	2 396 000	Transport	HIPC
GILGEL GIBE II HYDROPOWER PLANT (IF)	Ethiopia	50 000 000	18 410 000	Energy	HIPC
VRA VII (IF)	Ghana	10 500 000	2 580 000	Energy	HIPC
KPLC GRID DEVELOPMENT (IF)	Kenya	43 000 000	10 290 000	Energy	HIPC
MAPUTO WATER SUPPLY (IF)	Mozambique	31 000 000	9 152 000	Water	HIPC
ECOCIMENTO FIBRE CEMENT (IF)	Mozambique	1 300 000	173 000	Industry	Environment
SMALL TOWN WATER & SANITATION PROGRAMME (IF)	Ethiopia	16 500 000	4 608 000	Water	HIPC
FIJI POWER (OR)	Fiji	24 500 000	4 251 000	Energy	Environment
WEST AFRICAN GAS PIPELINE (OR)	Regional – West Africa	75 000 000	18 148 000	Energy	HIPC
BLPC IV WIND POWER (OR)	Barbados	9 750 000	2 750 000	Energy	Environment
PACIFIC ISLANDS FINANCING FACILITY II B	Regional – Pacific	2 000 000	327 000	Financial sector	Natural disaster recovery
MASERU WASTEWATER	Lesotho	14 300 000	3 176 000	Water	Social
BCI CREDIT LINE	New Caledonia	5 000 000	500 000	Financial sector	Environment
SOCREDO CREDIT LINE	French Polynesia	5 000 000	500 000	Financial sector	Environment
SONES WATER PROGRAMME	Senegal	15 000 000	1 408 000	Water	Social
SONEB URBAN WATER	Benin	13 000 000	4 011 000	Water	HIPC
TOTAL		**352 900 000**	**86 640 000**		

Partnerships

The Bank collaborates closely with the European Commission and Member States through regular meetings on policy matters as well as country, sector or project-specific issues. The Bank is consulted when the Commission prepares country and regional strategies and the extent of its involvement is normally covered in the relevant country or regional strategy paper. The purpose of this exercise is to ensure coherence and synergies between EU development aid and the Bank's operations. Overall responsibility for setting the policy of the IF rests with the Bank's Management Committee and Board of Directors, in close consultation with the IF Committee. On the basis of proposals from the Bank, the IF Committee provides guidance on IF investments, policies and strategies. Bringing together representatives of all EU Member States as well as the Commission, the IF Committee helps to ensure greater coherence and efficiency of EU development aid.

At a more operational level, the Bank works closely with a number of European development finance institutions (EDFIs) through the European Financing Partners grouping (see Box 13) and also collaborates actively in a number of areas, notably on infrastructure projects, with Agence Française de Développement (AFD) and Kreditanstalt für Wiederaufbau (KfW). The EU-Africa Infrastructure Trust Fund, managed by the EIB, is fostering closer collaboration between EU donors and project financiers in pursuit of a common goal – enhanced financing for regional infrastructure in sub-Saharan Africa. The Trust Fund made a strong start in 2007, with four grants approved for regional infrastructure projects in sub-Saharan Africa and with clearance in principle agreed for a further two projects. The Trust Fund Project Financiers Group (PFG) meets regularly, and is helping to further strengthen the good working relationships that exist between European development financiers at field level.

Coordination between the EIB and major **multilateral development banks** and **international finance institutions** is systematically pursued in order to maximise the development impact and avoid duplication of effort, and thus reduce the administrative burden on the governments of recipient countries. Hence the EIB supports the aims of the 2005 Paris Declaration on Aid Effectiveness and is also an active participant in the trilateral relationship that has been established with the European Commission and the African Development Bank; a series of working meetings between the three institutions in September 2007 led to the establishment of a common action plan. The Bank is also a regular participant in the "Limelette" dialogue process between the European Commission and the World Bank, which seeks to promote coordination on the ground in Africa and, more recently, joined the G8-supported "Making Finance Work for Africa" partnership.

During 2007, the EIB signed a Memorandum of Understanding with the Asian Development Bank, to extend cooperation in the Asian and Pacific regions. The MoU defines a number of priority areas for cooperation, including renewable energy and energy efficiency projects designed to contribute to climate protection and lead to significant reductions in CO_2 emissions.

The EIB is also a member of the Infrastructure Consortium for Africa (ICA), which includes leading multilateral organisations such as the World Bank Group and the African Development Bank, as well as a number of leading bilateral donors active in Africa. In February 2008, the EIB hosted a working-level meeting of the ICA in Luxembourg, dedicated to regional infrastructure projects in Africa.

Box 12: European financing partners

EFP is a special purpose vehicle created in 2004 and jointly owned by the European development finance institutions (EDFIs) and the EIB, under which mainly medium-sized, commercially viable private sector projects in ACP countries are financed. Under the EFP structure, the EIB participates in the financing of projects that are promoted, appraised and monitored by the EDFIs. Out of EFP's existing EUR 330m total funding capacity, EUR 190m has been provided by the IF.

At the end of 2007, EFP had committed EUR 150m in favour of 14 projects in ten countries in Africa and the Caribbean. Among the projects supported by the IF through EFP are:

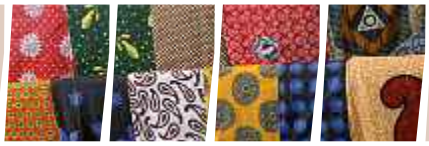
Nigeria Zenith Bank, one of the leading commercial banks in Nigeria, a so-called new generation bank, which has been very successful in competing with existing banks by following an active growth strategy and providing a diversified range of new banking products and services. Its strategic goal is to become a recognised international financial institution, building upon its base in Nigeria.

Digicel International Finance Ltd. is the financial holding of the Digicel Ltd. (Digicel) group of companies, the number one cellular phone operator in the English-speaking Caribbean countries, with operations in more than 20 markets. EFP is participating in the financing of the rollout and development of the company's GSM networks across the Caribbean region.

Nigeria Guaranty Trust Bank Plc (GTB) was incorporated in 1990 as a private limited liability company and commenced operation in 1991. In 1996 the bank listed 74% of its shares on the Nigerian Stock Exchange and in 2001 it obtained its universal banking licence. GTB's strategy is to provide specialised financial services to the middle and top end of the market.

Zambia Copperbelt Energy Corporation (CEC) is a profitable, independent electricity transmission and distribution company. The company supplies power to Zambia's copper and cobalt mining/processing companies in the Copperbelt, accounting for 60% of Zambia's power sales. CEC was created in 1997 and is owned by Zambia Energy Corporation (ZamEn). In turn, ZamEn is a joint venture between certain Directors of CEC, the power project developer Aldwych International, the Development Bank of Southern Africa (DBSA) and FMO of the Netherlands.

Kenya Panda Flowers Ltd. produces and exports cut flowers and also provides services to independent local companies engaged in cut flower production. The company is located at the Flower Business Park in Naivasha, which benefits from well-developed infrastructure (roads, water supply, electricity, etc.) and almost 150 ha of greenhouses.



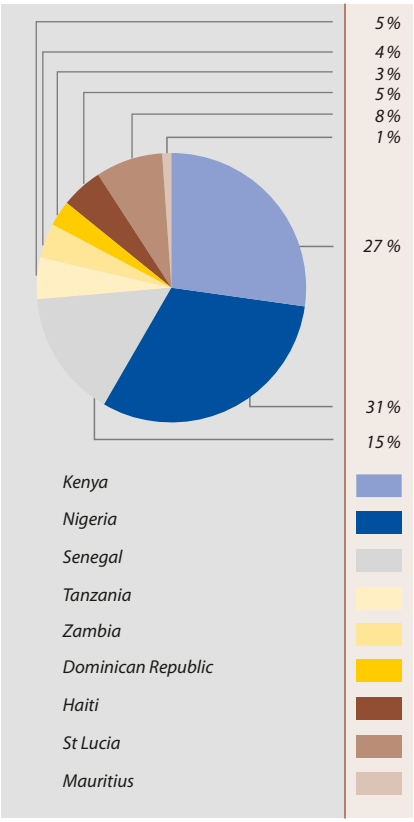
The Nigeria Eleme Petrochemical Company Ltd. project concerns the privatisation and upgrading of the Nigerian state-owned petrochemical company, EPCL. The project promoter is Lohia Group Indonesia, which has many years of experience in the petrochemical market. The company produces granulated resins from natural gas liquids (NGL) and propane-rich feed (PRF) that are used for plastic products such as packaging films, plastic bags, food containers and plastic household products.

The **Senegal BAOBAB Hotels** project involves the construction and operation of two hotels on the Cap Vert Peninsula, close to Dakar. Hotel capacity in Dakar is limited and generally outdated. The hotel project will help to ease the demand for suitable hotel accommodation for congresses, conventions and business travel. The project promoter is Tegecovi S.A., a Madrid-based company specialising in the development and construction of residential and commercial properties.

Senegal Les Ciments du Sahel (CDS) comprises the expansion phase of a recently built cement plant. The project promoter is the French-Senegalese Layousse family, which has a wide range of business interests in Senegal and West Africa. The existing plant is running at full capacity and the market for cement in Senegal and its neighbouring countries is developing strongly.

Mauritius CareWorks Africa concerns the establishment and operation of three companies in Mozambique, Uganda and Botswana, which will provide a HIV/AIDS workplace programme and patient management services on a sustainable basis for customers in both the private and public sector. The promoter is CareWorks Ltd., a South African-based healthcare company specialising in all aspects of HIV/AIDS management which has obtained good results in implementing its business model in South Africa.

EFP commitments by country



Organisation and staffing

As part of the Directorate for Lending Operations outside the European Union, the ACP-IF Department is responsible for the management of all projects and other EIB activities in the ACP countries and the OCTs. To carry out this task, it draws directly on the services of the Bank's Projects, Legal Affairs, Risk Management and Finance Directorates for their input into the analysis and monitoring of operations. It also benefits from the services of the Bank's non-operational support directorates (e.g. Human Resources, Information Technology, Financial Control).

At the end of 2007, a total of 115 Equivalent Full-Time Staff (EFT) were directly assigned to ACP-related operations throughout the Bank. Following a period of limited recruitment in 2005-06, there was an increase of 4.5 EFT in 2007 (+4%). Whereas identification and evaluation of new potential projects remains the major activity, due attention is increasingly being given to the monitoring of the Bank's portfolio of projects in the ACP regions, as proactive monitoring is essential to ensure the IF's sustainability (see Box 10 on page 40).

The majority of ACP-IF staff are based in Luxembourg, with offices located close to the main national airport. The Department will move to the EIB's expanded Kirchberg head office building during 2008.

EIB Regional Offices in the ACP countries

Since their opening in 2005, the three EIB sub-Saharan Regional Representations in Nairobi, Dakar and Tshwane have established themselves as a recognised port of call for potential investors, local businesses and development finance institutions seeking to promote projects in sub-Saharan Africa. The Regional Offices have reinforced the Bank's visibility within the various African business communities, and also make a significant contribution to the work of the Luxembourg-based ACP-IF operational divisions, not least through the provision of a local perspective on projects and other developments. Similar, positive results are expected in the Caribbean and Pacific regions following the recent establishment of representative offices for the Caribbean (Fort-de-France, opened in May 2007) and the Pacific (Sydney, November 2007). As a result of these new offices, the EIB now has a physical presence in all ACP regions.

At the end of 2007, 11 EIB staff were assigned to the five ACP Regional Representations, to which can be added technical support for the three African offices provided by locally hired contract staff.

Regional Office activity

2007 was a busy year for the **West Africa** Regional Representative Office in Dakar, with a number of new developments both locally in Senegal and also in the wider West Africa region. In the crucial water sector for example, the Office took the lead in the appraisal of new projects in Benin and Senegal for submission to the EU-Water Facility and in the preparation of future operations in Burkina Faso (ONEA II) and Senegal (Assainissement de la Baie de Hann). The Head of the Office represented the Bank at a large number of key gatherings and conferences, including the EU-Africa Business Forum held in Accra during June.

In 2007 the **East and Central Africa** Regional Representative Office, based in Nairobi, contributed to the identification and appraisal of two possible operations: the Kenya Airports Authority's expansion and upgrading of JKIA airport in Nairobi (EUR 35m) and a bond guarantee for Uganda Microfinance Ltd (up to USD 4m). It also actively followed up the Lomé-financed Dar-es-Salaam water supply project in Tanzania with DAWASA, which had encountered difficulties. The Nairobi Office represented the EIB for a number of loan signings, including the Rwanda Global Loan II Private Sector Support, the Lines of Credit for Banque Rwandaise du Développement and Banque Commerciale du Rwanda, and the Finance Contract with Fina Bank, one of the intermediaries of the new EUR 20m Kenya Private Sector Finance Facility. The Office was also present at a number of key investment and infrastructure conferences and seminars throughout East and Central Africa.

During the past year, the EIB Regional Representative Office in **Southern Africa and the Indian Ocean**, (based in Tshwane/Pretoria) significantly strengthened institutional and operational partnerships, notably with the European Commission and EU Member State agencies. The Office contributed to a number of events, including a strategy and programming meeting for EC Delegations in the SADC region and conferences targeting the financial and private sectors. Good collaboration with the Commission in Malawi helped to advance the largest project chosen for co-financing under the second round of the Water Facility (due for signature in 2008). In Mozambique, Swaziland, Mauritius and Zambia, synergies with the Commission's Sugar Facility were explored. The Office, together with other MFIs, also participated in high-level meetings with the Madagascar and Mauritius Governments regarding finance for future infrastructure priorities. Looking ahead, the Tshwane Office will attend regional and all-Africa meetings focusing on a number of sectors and issues (e.g. rail and ports, biofuels, foreign direct investment). In addition, the Office has a very active work programme under the separate man-

date for financing in the Republic of South Africa, for which a new phase began in 2007. Cross-fertilisation – i.e. exploiting contacts with South African investors and financial sector for operations also in neighbouring countries – is an important part of this work.

The EIB's Regional Representative Office for the **Caribbean** was opened by EIB President Philippe Maystadt on 21 May 2007. The Office is helping to develop stronger links with government authorities and the Caribbean business community, as well as multilateral institutions such as the Caribbean Development Bank, the Inter-American Development Bank and the World Bank group. The Regional Representative Office is also supporting the strengthening of synergies with the other parties involved in European development cooperation in the Caribbean region: the European Commission through its local delegations, and also the Bank's partners in the European development financing institutions (EDFIs) group, notably Agence Française de Développement, with which the EIB's regional representation now shares its Martinique office accommodation. The Head of the Regional Office has undertaken an intensive tour of the Caribbean islands since the May inauguration and his meetings with Governments, with private sector project promoters and his presence at regional conferences has had a clearly discernible impact upon the development of the Bank's project pipeline in the region, the results of which will become apparent from 2008 onwards.

The principal role of the Regional Representative Office for the **Pacific**, which was opened in November 2007, is to help develop EIB operational activities in the Pacific region, previously limited by travel distances and time differences between EIB headquarters in Luxembourg and the region. The location of the office in Sydney is already facilitating communication and coordination links not only with potential project promoters, but also with other donors based in the region, such as the World Bank/IFC, the Asian Development Bank, AusAID, and NZAID, as well as the local European Commission delegations. The intention is that the EIB should be able to strengthen and deepen the strategic role it plays in

Dakar Office

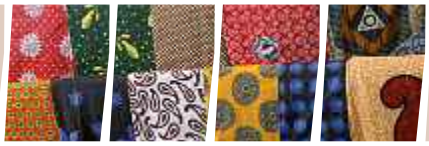
Nairobi Office

Tshwane (Pretoria) Office

Fort-de-France Office

Sydney Office

contributing to sustainable economic growth in the region. The Head of the Regional Office has already undertaken a number of missions; the enhanced EIB presence in the Pacific is expected to help to grow the Bank's regional project pipeline in 2008 and beyond.



Financial review

At the end of 2007, the IF reported a net profit of EUR 36m on total assets of EUR 1 077.4m, of which EUR 681.9m corresponds to outstanding loans and equity investments. Retained earnings rose to EUR 77.2m, equivalent to 8.3% of total equity – the latter totalling EUR 926.5m at year-end and consisting mainly of the contributions received from Member States under the 9th EDF[20].

As was the case for the whole of the 9th EDF, year-end profit and accumulated earnings do not take into account the costs incurred by the Bank for managing the IF, which include the direct costs incurred by the respective operational directorates and, on a pro rata basis, the costs of non-operational directorates and other overheads. These costs are fully covered by Member States and by appraisal or other fees charged by the IF for specific projects. Such costs and revenues for 2007 are summarised in the table below:

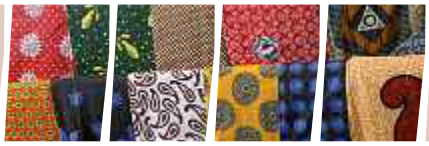
The IF operates in a number of countries whose economies are largely US dollar-related and hence has a significant portion of US dollar-denominated investments, accounting for 48% of total outstanding loans and equity investments at the end of 2007. The current policy of minimising the IF currency risk exposure on non-euro-denominated lending by entering into currency swaps cannot be applied equally to the whole portfolio. Equity and quasi-equity, as well as ACP currency-denominated investments, are therefore not hedged. In accordance with the International Financial Reporting Standards (IFRS), on the basis of which the IF financial statements are prepared, unrealised foreign exchange gains or losses on equity investments do not impact the IF profit and loss account directly, but are included in the fair value reserve in the balance sheet. The net loss of EUR 8m on financial operations reported in 2007 therefore relates to the unhedged portion of the IF portfolio on non-EUR-denominated loans.

All IF investments were subject to valuation at year-end with a view to identifying those presenting objective evidence of risks of non-recovery of all or part of their amounts according to the original contractual terms or the equivalent value. Specific provisions were made during 2007 for an amount of EUR 2.7m, corresponding mainly to two investments, in Mauritania and Botswana.

Investment Facility – Costs and revenues (in EUR '000)	Year: 2007
Total expenses	**34 260**
Of which: operational directorates	22 969
non-operational directorates and overheads	11 291
Revenues	**34 260**
Of which: fees charged to Member States	32 756
project appraisal fees	1 504

[20] *Those Member States which joined the EU in 2005 and 2007 will start contributing to the 10th EDF in 2008, with the entry into force of the second Cotonou Financial Protocol.*

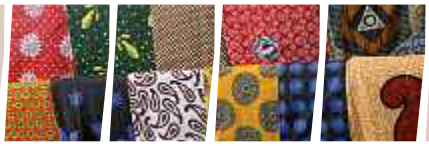
Annexes



1. Investment Facility portfolio of signed operations 2003-2007

ACP States					(in EUR m)
Contract name	**Region/Country**	**Sector**	**Nature of operation**	**Private or public sector**	**Signed amount in EUR m**
2003					
AFRICAN BANKS HOLDINGS, LLC	Regional - Africa	Services	Equity	Private	30.00
AUREOS EAST AFRICA FUND	Regional - East Africa	Services	Equity	Private	6.80
AUREOS SOUTHERN AFRICA VENTURE CAPITAL	Regional - Southern Africa	Services	Equity	Private	10.50
AUREOS WEST AFRICA FUND	Regional - West Africa	Services	Equity	Private	8.75
BEL OMBRE HOTEL B (SUBORDINATED LOAN)	Mauritius	Services	Subordinated loan and quasi equity	Private	3.30
BEL OMBRE HOTEL C (INDIRECT EQUITY)	Mauritius	Services	Equity	Private	2.80
DEV. DU SECTEUR PRIVE PG II A CAMEROUN	Cameroon	Global loans; grouped loans	Credit line *	Private	3.00
DEV. DU SECTEUR PRIVE PG II B CAMEROUN	Cameroon	Global loans; grouped loans	Credit line *	Private	25.00
EBTR MAURITANIE	Mauritania	Urban infrastructure	Senior loan *	Private	4.00
KANSANSHI COPPER MINE	Zambia	Industry	Subordinated loan and quasi equity	Private	34.00
PG BURKINA FASO CREDIT BAIL II	Burkina Faso	Global loans; grouped loans	Credit line *	Private	2.00
PG BURKINA FASO II	Burkina Faso	Global loans; grouped loans	Credit line *	Private	10.00
Sub-total for 2003					**140.15**
2004					
AFRICAN LION MINING FUND II	Regional - ACP	Services	Equity	Private	7.00
BOAD IV B FACILITE DE GARANTIE	Regional - West Africa	Services	Guarantee	Private	25.00
BOAD IV C PRISE DE PARTICIPATION	Regional - West Africa	Services	Equity	Private	4.60
DFCU LEASING GLOBAL LOAN	Uganda	Global loans; grouped loans	Credit line *	Private	5.00
EDFI EUROPEAN FINANCING PARTNERS (EFP)	Regional - ACP	Services	Agency agreement	Private	90.00
EUROPEAN FINANCING PARTNERS (EFP)	Regional - ACP	Services	Agency agreement	Private	0.01
FABULOUS FLOWERS	Botswana	Agriculture, fisheries, forestry	Subordinated loan and quasi equity	Private	2.00
MAGADI SODA PURE ASH PROJECT / B (IF)	Kenya	Industry	Senior loan	Private	11.37
MAGADI SODA PURE ASH PROJECT / C (IF)	Kenya	Industry	Subordinated loan and quasi equity	Private	1.65
MOMA TITANIUM MINERALS	Mozambique	Industry	Senior loan	Private	15.00
MOMA TITANIUM MINERALS	Mozambique	Industry	Subordinated loan and quasi equity	Private	40.00
MOZ/RSA NATURAL GAS-UPSTREAM COMPONENT	Mozambique	Energy	Senior loan	Public	10.00

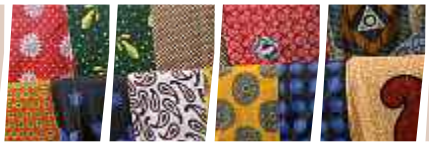
Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
NIGERIA GLOBAL LOAN	Nigeria	Global loans; grouped loans	Credit line	Private	50.00
NOVOTEL DENARAU PROJECT (IF)	Fiji	Services	Equity	Private	5.00
PRET GLOBAL II (GABON)	Gabon	Global loans; grouped loans	Credit line *	Private	6.50
PRET GLOBAL II (GABON) B	Gabon	Global loans; grouped loans	Credit line *	Private	3.50
SAMOA VENTURE CAPITAL FUND	Samoa	Services	Equity	Private	0.35
SHORECAP INTERNATIONAL LTD (SCI)	Regional - ACP	Services	Equity	Private	2.50
SNIM VII	Mauritania	Energy	Senior loan	Private	22.50
SONABEL III	Burkina Faso	Energy	Senior loan	Public	15.25
WESTIN ROCO KI BEACH AND GOLF RESORT	Dominican Republic	Services	Subordinated loan and quasi equity	Private	20.00
Sub-total for 2004					**337.23**
2005					
ALBION RESORT MAURITIUS B	Mauritius	Services	Equity	Private	5.00
AQUALMA III	Madagascar	Agriculture, fisheries, forestry	Senior loan	Private	5.00
BANQUE REGIONALE DES MARCHES B	Regional - West Africa	Services	Equity	Private	0.61
BIMAO	Regional - West Africa	Services	Guarantee *	Private	5.00
CAPE FUND II	Regional - West Africa	Services	Equity	Private	11.90
CAP VERT - SECTEUR FINANCIER PG II	Cape Verde	Global loans; grouped loans	Credit line	Private	8.00
CLICO GLOBAL LOAN	Trinidad and Tobago	Global loans; grouped loans	Credit line	Private	20.00
COMPAGNIE SUCRIERE DU TCHAD	Chad	Industry	Guarantee	Private	11.80
DANGOTE CEMENT - C	Nigeria	Industry	Senior loan	Private	33.06
DEVELOPMENT FINANCE LIMITED IX	Trinidad and Tobago	Global loans; grouped loans	Credit line	Private	7.00
ETUDE EL AOUJ	Mauritania	Industry	Equity	Private	5.00
GILGEL GIBE II HYDROPOWER PLANT	Ethiopia	Energy	Senior loan	Public	50.00
GRENLEC III PROJECT	Grenada	Energy	Senior loan	Private	5.00
KPLC GRID DEVELOPMENT	Kenya	Energy	Senior loan	Public	43.00
LA FAYETTE INVESTISSEMENTS (LFI)	Regional - ACP	Services	Equity	Private	3.50
LIAISON MARITIME DAKAR-ZIGUINCHOR	Senegal	Transports	Senior loan	Public	10.00
MOMA TITANIUM C	Mozambique	Industry	Subordinated loan and quasi equity	Private	2.75
MOPANI COPPER PROJECT	Zambia	Industry	Senior loan	Private	48.00
NIGER - PG SECTEUR FINANCIER II	Niger	Global loans; grouped loans	Credit line *	Private	8.00
OLKARIA II EXTENSION	Kenya	Energy	Senior loan	Public	32.50
PACIFIC ISLANDS FINANCING FACILITY	Regional - Pacific	Global loans; grouped loans	Credit line	Private	7.00
PACIFIC ISLANDS FINANCING FACILITY B	Regional - Pacific	Global loans; grouped loans	Credit line	Private	6.00
SEPH-NOUADHIBOU	Mauritania	Agriculture, fisheries, forestry	Senior loan	Private	2.50
SEPH-NOUADHIBOU	Mauritania	Industry	Senior loan	Private	2.50
VRA VII	Ghana	Energy	Senior loan	Public	10.50
ZESCO KARIBA NORTH II	Zambia	Energy	Senior loan	Public	7.60
Sub-total for 2005					**351.22**



Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
2006					
ACCESS MICROFINANCE HOLDING	Regional - ACP	Services	Equity	Private	3.46
ADEMI V	Dominican Republic	Services	Equity	Private	0.23
ADEMI V B	Dominican Republic	Global loans; grouped loans	Credit line *	Private	3.00
AES SONEL-ELECTRICITY SUPPLY	Cameroon	Energy	Senior loan	Private	55.00
AES SONEL-ELECTRICITY SUPPLY B	Cameroon	Energy	Senior loan	Private	10.00
ALBION RESORT MAURITIUS	Mauritius	Services	Senior loan	Private	14.00
AMENAGEMENT HYDROELECTRIQUE DE FELOU	Regional - West Africa	Energy	Senior loan	Public	11.00
AMENAGEMENT HYDROELECTRIQUE DE FELOU B	Regional - West Africa	Energy	Senior loan	Public	11.00
AMENAGEMENT HYDROELECTRIQUE DE FELOU C	Regional - West Africa	Energy	Senior loan	Public	11.00
ASTRUM TRAVEL HELICOPTER SERVICES	Belize	Transports	Senior loan	Private	3.74
BDEAC PRET GLOBAL III	Regional - Central Africa	Global loans; grouped loans	Credit line	Private	15.00
BDEAC PRET GLOBAL III B	Regional - Central Africa	Services	Guarantee	Private	5.00
BPI KENYA SME FUND	Kenya	Services	Equity	Private	4.24
BPI MADAGASCAR SME FUND	Madagascar	Services	Equity	Private	2.00
CARIBBEAN DEV BANK IV B	Regional - Caribbean	Services	Guarantee	Private	20.00
DFCU LEASING GLOBAL LOAN II	Uganda	Global loans; grouped loans	Credit line *	Private	10.00
EADB REGIONAL FINANCE FACILITY	Regional - East Africa	Global loans; grouped loans	Credit line	Private	25.00
ECOCIMENTO FIBRE CEMENT	Mozambique	Industry	Senior loan	Private	1.30
EDFI EUROPEAN FINANCING PARTNERS II	Regional - ACP	Global loans; grouped loans	Agency agreement	Private	90.00
EDFI EUROPEAN FINANCING PARTNERS II B	Regional - ACP	Services	Agency agreement	Private	5.00
EDFI EUROPEAN FINANCING PARTNERS II C	Regional - ACP	Services	Agency agreement	Private	5.00
EMP AFRICA FUND II	Regional - Africa	Services	Equity	Private	40.00
FIRST BANK OF NIGERIA	Nigeria	Services	Senior loan	Private	35.00
FIRST BANK OF NIGERIA B	Nigeria	Services	Senior loan	Private	15.00
GHANA FINANCIAL SECTOR GLOBAL LOAN II B	Ghana	Global loans; grouped loans	Credit line	Private	15.00
I & P	Regional - Africa	Services	Equity	Private	3.25
KOLOMBANGARA FOREST PROJECT	Solomon Islands	Agriculture, fisheries, forestry	Senior loan	Private	3.50
KOUILOU MAGNESIUM PHASE I	Congo	Industry	Subordinated loan and quasi equity	Private	13.00
KULA FUND II	Regional - Pacific	Services	Equity	Private	4.40
LUMWANA COPPER PROJECT A	Zambia	Industry	Subordinated loan and quasi equity	Private	48.00
LUMWANA COPPER PROJECT B	Zambia	Industry	Senior loan	Private	19.00
MAPUTO WATER SUPPLY	Mozambique	Water, sewerage	Senior loan	Public	31.00
NAMIBIA - OLD MUTUAL MIDINA FUND	Namibia	Global loans; grouped loans	Credit line	Public	4.00
PACIFIC ISLANDS FINANCING FACILITY II	Regional - Pacific	Global loans; grouped loans	Credit line	Private	5.00

Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
RW - GL II PRIVATE SECTOR SUPPORT A	Rwanda	Global loans; grouped loans	Credit line *	Private	3.00
SMALL ENTERPRISES GLOBAL LOAN	Dominican Republic	Global loans; grouped loans	Credit line *	Private	4.00
SMALL TOWN WATER & SANITATION PROGRAM	Ethiopia	Water, sewerage	Senior loan	Public	16.50
SOCIETE GENERALE MAURITANIE	Mauritania	Services	Equity	Private	5.00
Sub-total for 2006					569.62
2007					
ACCORD CADRE GARANTIE AFRIQUE CENTRALE	Regional - Central Africa	Services	Guarantee *	Private	50.00
ADEMI V C	Dominican Republic	Services	Equity *	Private	0.52
AFRICAP II	Regional - Africa	Services	Equity	Private	5.00
AIC CARIBBEAN FUND BARBADOS	Regional - Caribbean	Services	Equity	Private	45.00
BUJAGALI HYDROELECTRIC PROJECT	Uganda	Energy	Senior loan	Public	98.50
CAPITAL FINANCIAL HOLDING	Regional - Central Africa	Services	Equity	Private	5.00
CLICO GLOBAL LOAN B	Trinidad and Tobago	Global loans; grouped loans	Credit line	Private	10.00
I&P CAPITAL II INVESTMENT FUND	Regional - Indian Ocean	Services	Equity	Private	4.61
MARTIN S DRIFT KIMBERLITE PROJECT	Botswana	Industry	Senior loan	Private	5.00
MICROCRED (PLANET BANK)	Regional - Africa	Services	Equity	Private	3.00
PACIFIC ISLANDS FINANCING FACILITY II B	Regional - Pacific	Global loans; grouped loans	Credit line	Private	2.00
PEFF-UGANDA	Uganda	Global loans; grouped loans	Credit line *	Private	30.00
PRET GLOBAL III (GABON)	Gabon	Global loans; grouped loans	Credit line *	Private	7.00
PRET GLOBAL PRO-PME II	Cameroon	Global loans; grouped loans	Credit line *	Private	4.00
PRIVATE ENTERPRISE FINANCE FACILITY	Kenya	Global loans; grouped loans	Credit line *	Private	20.00
RURAL IMPULSE MICROFINANCE FUND (EQUITY)	Regional - ACP	Services	Equity	Private	1.30
RURAL IMPULSE MICROFINANCE FUND MEZZ	Regional - ACP	Services	Equity	Private	1.70
RW - GL II PRIVATE SECTOR SUPPORT B	Rwanda	Global loans; grouped loans	Credit line *	Private	7.00
TVCABO MULTIMEDIA	Angola	Telecommunications	Senior loan	Private	15.00
Sub-total for 2007					314.63
TOTAL					1 712.85

OCT					
Contract name	**Region/Country**	**Sector**	**Nature of operation**	**Private or public sector**	**Signed amount in EUR m**
2007					
BCI - LIGNE DE CREDIT ENVIRONNEMENTAL	New Caledonia	Global loans; grouped loans	Credit line	Private	5.00
SOCREDO LIGNE DE CREDIT ENVIRONNEMENT	French Polynesia	Global loans; grouped loans	Credit line	Private	5.00
Sub-total for 2007					10.00
TOTAL					10.00



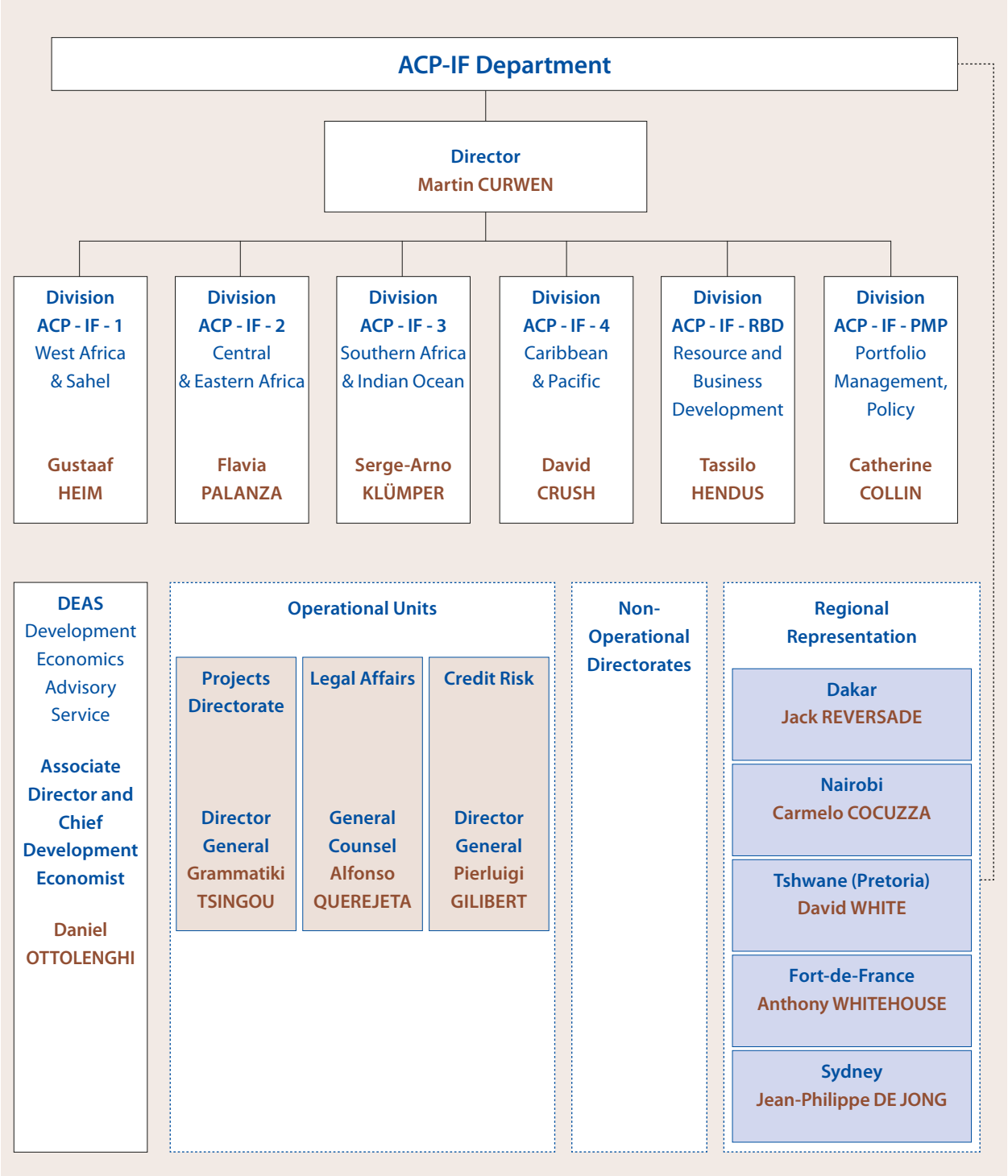
2. Portfolio of signed own resources operations 2003-2007

ACP States					(in EUR m)
Contract name	**Region/Country**	**Sector**	**Nature of operation**	**Private or public sector**	**Signed amount in EUR m**
2003					
BEL OMBRE HOTEL A (SENIOR LOAN)	Mauritius	Services	Senior loan	Private	6.10
Sub-total for 2003					**6.10**
2004					
BOAD PG IV A	Regional - West Africa	Global loans; grouped loans	Senior loan	Private	25.00
MAGADI SODA PURE ASH PROJECT / A	Kenya	Industry	Senior loan	Private	8.93
MAURITIUS CONTAINER TERMINAL II	Mauritius	Transports	Senior loan	Public	14.00
NOVOTEL DENARAU PROJECT	Fiji	Services	Senior loan	Private	6.00
VINLEC IV	Saint Vincent and Grenadines	Energy	Senior loan	Public	8.30
Sub-total for 2004					62.23
2005					
CARIBBEAN DEV BANK III FACILITY	Regional - Caribbean	Global loans; grouped loans	Senior loan	Public	40.00
DANGOTE CEMENT - A	Nigeria	Industry	Senior loan	Private	57.85
DANGOTE CEMENT - B	Nigeria	Industry	Senior loan	Private	33.06
SBM GLOBAL LOAN	Mauritius	Global loans; grouped loans	Senior loan	Private	20.00
Sub-total for 2005					**150.91**
2006					
BLPC IV WIND POWER	Barbados	Energy	Senior loan	Private	9.75
FIJI POWER	Fiji	Energy	Senior loan	Public	24.50
GHANA FINANCIAL SECTOR GLOBAL LOAN II C	Ghana	Global loans; grouped loans	Senior loan	Private	40.00
LUMWANA COPPER PROJECT C	Zambia	Industry	Senior loan	Private	18.00
WEST AFRICAN GAS PIPELINE (WAGP)	Ghana	Energy	Senior loan	Public	75.00
Sub-total for 2006					**167.25**
2007					
AMBATOVY NICKEL PROJECT	Madagascar	Industry	Senior loan	Private	260.00
ECOBANK REGIONAL FACILITY	Regional - West Africa	Services	Senior loan	Private	50.00
INTERCONTINENTAL BANK	Nigeria	Services	Senior loan	Private	50.00
MASERU WASTEWATER PROJECT	Lesotho	Water, sewerage	Senior loan	Public	14.30
MUNALI NICKEL PROJECT	Zambia	Industry	Senior loan	Private	29.51
PROGRAMME EAU SENEGAL	Senegal	Water, sewerage	Senior loan	Public	15.00
SONEB-ALIMENTATION EN EAU URBAINE	Benin	Water, sewerage	Senior loan	Public	13.00
Sub-total for 2007					**431.81**
TOTAL					**818.30**

3. Overview of Investment Facility lines of credit

Country	Name	Date of signa-ture	Signed amount	Amount allo-cated	Number of allocations
ACP STATES					(in EUR m)
Burkina Faso	PG BURKINA FASO CREDIT BAIL II	08/12/03	12.00	7.29	26
Cameroon	DEV. DU SECTEUR PRIVE PG II A CAMEROUN	16/12/03	3.00	3.00	44
Uganda	DFCU LEASING GLOBAL LOAN	09/08/04	5.00	5.00	11
Gabon	PRET GLOBAL II (GABON)	18/10/04	10.00	3.50	4
Nigeria	NIGERIA GLOBAL LOAN	06/12/04	50.00	49.31	26
Regional - Pacific	PACIFIC ISLANDS FINANCING FACILITY - Development Bank of Samoa	15/10/05	7.00	3.33	127
Niger	NIGER - PG SECTEUR FINANCIER II	26/10/05	8.00	6.38	41
Regional - West Africa	BOAD IV B FACILITE DE GARANTIE	10/12/04	25.00	0.00	0
Trinidad and Tobago	CLICO GLOBAL LOAN	03/11/05	20.00	10.59	9
Regional - Pacific	PACIFIC ISLANDS FINANCING FACILITY B - Tonga Development Bank	15/12/05	6.00	0.00	0
Trinidad and Tobago	DEVELOPMENT FINANCE LIMITED IX	20/12/05	7.00	6.36	9
Namibia	NAMIBIA - OLD MUTUAL MIDINA FUND	10/03/06	4.00	0.00	0
Regional - Central Africa	BDEAC PRET GLOBAL III	24/05/06	15.00	5.00	1
Uganda	DFCU LEASING GLOBAL LOAN II	28/06/06	10.00	3.40	8
Regional - East Africa	EADB REGIONAL FINANCE FACILITY	17/11/06	25.00	0.00	0
Regional - Pacific	PACIFIC ISLANDS FINANCING FACILITY II - National Bank of Palau	05/12/06	5.00	0.00	0
Regional - Caribbean	CARIBBEAN DEVELOPMENT BANK IV B	19/12/06	20.00	0.00	0
Dominican Republic	ADEMI V B	19/12/06	3.00	3.00	0
Dominican Republic	SMALL ENTERPRISES GLOBAL LOAN	19/12/06	3.20	1.75	0
Rwanda	RW - GL II PRIVATE SECTOR SUPPORT A	21/12/06	3.00	1.46	2
Ghana	GHANA FINANCIAL SECTOR GLOBAL LOAN II B	22/12/06	15.00	15.00	1
Rwanda	RW - GL II PRIVATE SECTOR SUPPORT B	02/02/07	7.00	1.40	5
Regional - Pacific	PACIFIC ISLANDS FINANCING FACILITY II B - Development Bank of Niue	23/02/07	2.00	0.00	0
Gabon	PRET GLOBAL III (GABON)	07/05/07	7.00	0.00	0
Cameroon	PRET GLOBAL PRO-PME II	28/06/07	4.00	0.85	7
Uganda	PEFF-UGANDA	31/08/07	30.00	1.23	3
Kenya	PRIVATE ENTERPRISE FINANCE FACILITY	07/12/07	20.00	0.00	0
Trinidad and Tobago	CLICO GLOBAL LOAN B	21/12/07	10.00	0.00	0
	Total for the ACP states		336.20	127.85	324
OCT					(in EUR m)
New Caledonia	BCI - LIGNE DE CREDIT ENVIRONNEMENTAL	29/11/07	5.00	0.00	0
French Polynesia	SOCREDO LIGNE DE CREDIT ENVIRONNEMENT	10/12/07	5.00	0.00	0
	Total for the OCT		10.00	0.00	0

4. Organisation chart



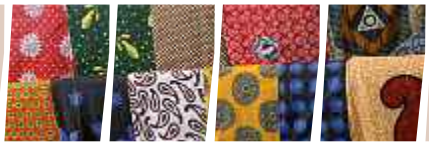
5. Financial statements of the Investment Facility as at 31 December 2007

Income statement

For the year 2007 (in EUR '000)

	Notes	Year to 31.12.2007	Year to 31.12.2006
Interest and similar income	5	46 580	23 816
Interest and similar expense	5	(1 218)	(2 493)
Net interest and similar income		**45 362**	**21 323**
Net fees and commission income	6	1 396	4 366
Net fees and commission income		**1 396**	**4 366**
Net result on financial operations	7	(8 005)	(283)
Impairment charge for credit loss	11	(2 770)	(1 693)
Member States special contribution to general administrative expenses	8	32 756	33 913
General administrative expenses	8	(32 756)	(33 913)
Profit for the year		**35 983**	**23 713**

The accompanying notes form an integral part of these financial statements.



Balance sheet

At 31 December 2007 (in EUR '000)

	Notes	2007	2006
ASSETS			
Cash and cash equivalents	9	184 772	190 780
Derivative financial instruments	10	25 279	8 592
Loans and receivables	11	572 530	338 997
Of which accrued interest		10 779	3 784
Financial investments - available-for-sale	12		
Equity investment - available-for-sale		109 363	66 449
Amounts receivable from contributors	13	181 183	103 913
Other assets	14	4 291	1 813
Total Assets		**1 077 418**	**710 544**
LIABILITIES AND EQUITY			
LIABILITIES			
Derivative financial instruments	10	841	119
Deferred income	15	18 030	7 908
Amount owed to third parties	16	131 152	134 425
Other liabilities	17	916	1 911
Total Liabilities		**150 939**	**144 363**
EQUITY			
Facility Member States Contribution called	18	830 000	515 000
Retained earnings		77 167	41 184
Fair value reserve		19 312	9 997
Total Equity		**926 479**	**566 181**
Total Liabilities and Equity		**1 077 418**	**710 544**

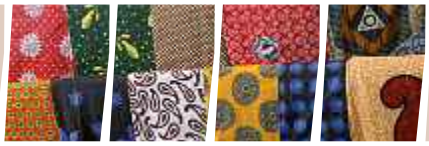
The accompanying notes form an integral part of these financial statements.

Statement of changes in equity

As at 31 December 2007 (in EUR '000)

For the year ended 31 December 2007	Facility Member States Contribution	Retained earnings	Fair value reserve on AFS investments	Total Equity
At 1 January 2007	515 000	41 184	9 997	566 181
Net changes in equity investments - available-for-sale			9 315	9 315
Facility Member States contribution called during the year	315 000			315 000
Profit for the year		35 983		35 983
Changes in contributors' resources	315 000	35 983	9 315	360 298
At 31 December 2007	**830 000**	**77 167**	**19 312**	**926 479**
At 1 January 2006	370 000	17 471	6 443	393 914
Net changes in equity investments - available-for-sale			3 554	3 554
Facility Member States contribution called during the year	145 000			145 000
Profit for the year		23 713		23 713
Changes in contributors' resources	145 000	23 713	3 554	172 267
At 31 December 2006	**515 000**	**41 184**	**9 997**	**566 181**

The accompanying notes form an integral part of these financial statements.



Cash flow statement

As at 31 December 2007 (in EUR '000)

	2007	2006
OPERATING ACTIVITIES		
Profit for the financial year	35 983	23 713
Adjustments		
Impairment on equity investment available-for-sale	366	130
Impairment on loans	2 770	1 693
Interest capitalised	(6 747)	(4 303)
Increase in accruals and deferred income	4 150	8 038
Profit on operating activities before changes in operating assets and liabilities	36 522	29 271
Net loan disbursements	(286 028)	(157 004)
Repayments	34 214	3 585
Fair value movement on derivatives	(15 965)	(14 057)
Increase in prepayments and accrued income on loans		(1 062)
Increase in equity investments available-for-sale	(43 143)	(31 965)
Proceeds from equity investments available-for-sale	8 248	25
Increase in other assets	(2 456)	(1 014)
Increase in other liabilities	(518)	1 463
Net cash flows from operating activities	(269 126)	(170 758)
FINANCING ACTIVITIES		
Paid in by Facility Member States	315 000	145 000
Increase / (decrease) in amount receivable from contributors	(77 271)	(11 458)
Net increase in amount payable from interest subsidies	(3 273)	17 312
Increase in amount payable to third parties	(538)	1 458
Net cash flows from/(used in) financing activities	233 918	152 312
Net increase in cash and cash equivalents	**(35 208)**	**(18 446)**
Cash and cash equivalents at beginning of financial year	190 780	194 916
Effect of exchange rate changes on loans and equity investments	29 200	14 310
Cash and cash equivalents at end of financial year	**184 772**	**190 780**

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

1. General information

The Investment Facility has been established within the framework of the Cotonou Agreement (the "Agreement") on co-operation and development assistance negotiated between the African, Caribbean and Pacific Group of States (the "ACP States") and the European Union and its Member States on 23 June 2000 and revised on 25 June 2005.

The Investment Facility is managed by the European Investment Bank (the "EIB" or the "Bank"). Under the terms of the Agreement up to EUR 2,200 million for ACP and EUR 20 million for OCT (as agreed by the Council Decision of 27 November 2001 on the association of the Overseas Countries and Territories with the European Community) may be allocated to finance the Investment Facility. Within the framework of the Agreement, the EIB also manages loans granted from its own resources. All other financial resources and instruments under the Agreement are administered by the European Commission.

2. Significant accounting policies

2.1. Basis of preparation

In line with the Investment Facility Management Agreement the preparation of the financial statements of the Facility is guided by International Public Sector Accounting Standards or International Financial Reporting Standards, as appropriate. The Facility's financial statements have been prepared on the basis of the following significant accounting principles:

2.2. Significant accounting judgments and estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Investment Facility's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed.

The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Impairment losses on loans and receivables

The Investment Facility reviews its problem loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant loans and receivables, the Investment Facility also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Valuation of unquoted available-for-sale equity investments

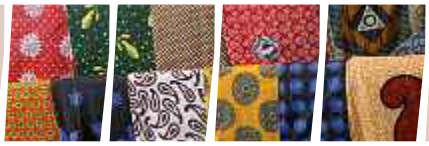
Valuation of unquoted available-for-sale equity investments is normally based on one of the following:

- recent arms length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted available-for-sale equity investments requires significant estimation. The Investment Facility calibrates the valuation techniques periodically and tests them for validity using either price from observable current market transactions in the same instrument or from other available observable market data.

Impairment of available-for-sale financial investments

The Investment Facility treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of whether a decline is significant or prolonged is based on a judgmental appreciation.



2.3. Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial years.

2.4. Summary of significant accounting policies

The balance sheet represents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

2.4.1. Foreign currency translation

The Investment Facility uses the Euro (EUR) for presenting its financial statements, which is also the functional and presentational currency.

Foreign currency transactions are translated, in accordance with IAS 21, at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than in Euro are translated into Euro at the exchange rate prevailing at the balance sheet date. The gain or loss arising from such translation is recorded in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

The elements of the income statement are translated into Euro on the basis of the exchange rates prevailing at the end of each month.

2.4.2. Cash and cash equivalents

The Investment Facility defines cash equivalents as current accounts or short-term deposits with original maturities of three months or less.

2.4.3. Financial assets other than derivatives

Financial assets are accounted for using the settlement date basis.

Loans

Loans originated by the Investment Facility are recognized in the assets of the Investment Facility when cash is advanced to borrowers. They are initially recorded at cost (net disbursed amounts), which is the fair value of the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortized cost, using the effective yield method, less any provision for impairment or uncollectability.

Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and receivables. They include equity instruments, investments in venture capital funds and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently carried at fair value. Note the following details for the fair value measurement of equity investments, which can not be derived from active markets:

a. Venture capital funds

The fair value of each venture capital fund will be based on the Net Asset Value (NAV), reported by the fund, if calculated based on international valuation standards. The Investment Facility may however decide to adjust the NAV reported by the fund if there are issues that may affect the valuation.

If no internationally recognized fair valuation standard is applied, the valuation will be conducted on the basis of the underlying portfolio.

b. Direct equity investments

The fair value of the investment will be based on the latest set of financial statements available, re-using, if applicable, the same model as the one used at the acquisition of the participation.

Unrealized gains or losses on equity investments are reported in equity until such investments are sold, collected or disposed of, or until such investment are determined to be impaired. If an available-for-sale investment is determined to be impaired, the cumulative unrealized gain or loss previously recognized in equity is included in the income statement.

For unquoted investment, the fair value is determined by applying recognized valuation technique. These investments are accounted for at cost when the fair value cannot be reliably measured.

Guarantees

Financial guarantees are initially recognized at fair value in the balance sheet under item "Financial guarantees". Subsequent to initial recognition, the Investment Facility's liabilities under each guarantee are measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement under item "Impairment charge for credit loss". The premium received is recognized in the income statement under item "Net fee and commission income" using the effective interest rate method over the life of the guarantee.

2.4.4. Impairment of financial assets

The Investment Facility assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans outstanding at the end of the financial year and carried at amortized cost, impairments are made when presenting objective evidence of risks of non recovery of all or part of their amounts according to the original contractual terms or the equivalent value. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

The Investment Facility conducts credit risk assessments based on which there is no need for a collective impairment provision.

For the available-for-sale financial investments, the Investment Facility assesses at each balance sheet date whether there is objective evidence that an investment is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its costs. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement) is removed from equity and recognized in the income statement. Impairment losses on available-for-sale financial investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in equity.

For held-to-maturity investments the Investment Facility assesses individually whether there is objective evidence for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amount formerly charged are credited to the "Net result on financial operations".

The European Investment Bank's Risk Management reviews financial assets for impairment at least once a year. Resulting adjustments include the unwinding of the discount in the income statement over the life of the asset, and any adjustments required in respect of a reassessment of the initial impairment.

2.4.5. Derivative financial instruments

Derivatives include cross currency swaps and cross currency interest rate swaps.

In the normal course of its activity, the Investment Facility may enter into swap contracts with a view to hedge specific lending operations, denominated in actively traded currencies other than the Euro, in order to offset any gain or loss caused by foreign exchange rate fluctuations.

However, the Investment Facility has not entered into any hedge accounting transactions as at 31 December 2007. Therefore, all derivatives are measured at fair value through the income statement. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third party quotes.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivative financial instruments are included in "Net result on financial operations".

2.4.6. Contributions

Contributions from Member States are recognized as receivable in the balance sheet on the date of the Council Decision fixing the financial contribution to be paid by the Member States to the Investment Facility.

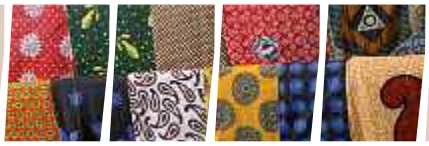
2.4.7. Interest income on loans

Interest on loans originated by the Investment Facility is recorded in the profit and loss account ("Interest and similar income") and on the balance sheet ("Loan and receivables") on an accrual basis using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loan to the net carrying amount of the loan. Once the recorded value of a loan has been reduced due to impairment, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

2.4.8. Interest subsidies

As part of its activity, the Investment Facility manages interest subsidies on behalf of the Member States.

The part of the Member States contributions allocated to the payment of interest subsidies is not accounted for in the Investment Facility's equity but is classified as an amount owed



to third parties.

2.4.9. Interest income on treasury

Under the terms of the Investment Facility and according to the Financial Regulation applicable to the 9th European Development Fund, the funds received by the EIB on behalf of the Investment Facility are recorded in an account in the Commission's name. Interest on these deposits, placed by the Investment Facility with the EIB, is not accounted for by the Investment Facility as it is payable directly to the European Commission.

Reflows, being repayment of principal, interest or commissions stemming from financial operations, and interest calculated on these reflows are accounted for within the Investment Facility.

2.4.10. Fees, commissions and dividends

Fees received in respect of services provided over a period of time are recognized as income as the services are provided. Commitment fees are deferred and recognized in income using the effective interest method over the period from disbursement to repayment of the related loan.

Dividends relating to available-for-sale equity investments are recognized when received.

2.4.11. Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Institutions of the Union are exempt from all direct taxes.

2.4.12. Reclassification of prior years figures

Where necessary, certain prior years figures have been reclassified to conform to changes to the current year's presentation for comparative purpose.

3. Risk management

3.1. Credit risk

This section presents financial information about the investments made by the Facility.

3.1.1. Exposure disbursed by nature of borrower (in EUR '000)

The table hereafter analyses the Investment Facility exposure disbursed by nature of borrower.

	2007	2006
Banks/ Financial Institut.	190 218	88 951
Proj. Fin. / Struct. Op.	320 670	227 231
Sovereign	58 852	23 235
Venture Capital Fund	65 583	34 551
Corporates	35 791	27 694
Total	**671 114**	**401 662**

3.1.2. Exposure disbursed by nature of instrument (in EUR '000)

The table hereafter analyses the Investment Facility exposure disbursed by nature of investment instrument used.

	2007	2006
Senior Loans (exposure disbursed)	409 765	226 392
of which Global Loans	144 265	96 841
Subordinated Loans and Quasi Equity	151 986	108 821
Equity	109 363	66 449
Total	**671 114**	**401 662**

3.1.3. Risk concentrations of the exposure disbursed to credit risk (in EUR '000)

The table below analyses the Investment Facility exposure disbursed by sector.

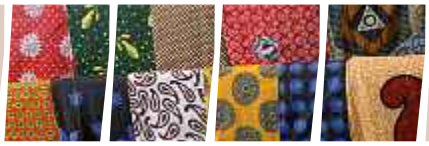
	2007	2006
Global loans	104 418	61 663
Energy	107 096	38 291
Industry	235 274	184 475
Services	165 683	72 699
Transports	9 199	
Water, sewerage	2 000	
Agriculture, fisheries, forestry	7 590	9 349
Agency agreements	39 854	35 185
Total	**671 114**	**401 662**

3.2. Liquidity risk and funding management

3.2.1. Analysis of financial liabilities by remaining contractual maturities (in EUR '000)

The table below sets out the Facility's assets and liabilities by relevant maturity groupings based on the remaining period to the contractual maturity date.

Financial liabilities	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
ASSETS					
Cash and cash equivalents	184 772				184 772
Derivative financial instruments		433	11 803	13 043	25 279
Loans and receivables	7 735	3 082	85 010	476 703	572 530
Financial investments - available-for-sale					
Equity investment - available-for-sale				109 363	109 363
Amounts receivable from contributors	181 183				181 183
Other assets	3 783			508	4 291
Total assets	**377 473**	**3 515**	**96 813**	**599 617**	**1 077 418**
LIABILITIES					
Derivative financial instruments	532	5	140	164	841
Deferred income				18 030	18 030
Amount owed to third parties	131 152				131 152
Other liabilities	408			508	916
Total liabilities	**132 092**	**5**	**1 400**	**18 702**	**150 939**
Net liquidity position at 31 December 2007	**245 476**	**3 510**	**96 673**	**580 914**	**926 479**
Net liquidity position at 31 December 2006	**162 115**	**1 518**	**17 272**	**385 276**	**566 181**



3.3. Market risk

A sensitivity analysis to be prepared for each type of market risk:

3.3.1. Interest rate risk (in EUR '000)

The table below summarizes the Investment Facility's exposure to interest rate risk through its investments.

	2007	2006
Fixed rate interest	291 468	170 790
Floating rate interest	270 283	164 423
Total	**561 751**	**335 213**

3.3.2. Currency risk (or Foreign exchange risk) (in EUR '000)

	EUR	USD	CAD	ACP/OCT Currencies	Total
ASSETS					
Cash and cash equivalents	178 097	6 675			184 772
Derivative financial instruments	24 609	670			25 279
Loans and receivables	277 084	264 765		30 681	572 530
Financial investments - available-for-sale					
Equity investment - available-for-sale	31 697	63 906	3 397	10 363	109 363
Amounts receivable from contributors	181 183				181 183
Other assets	711	2 722		858	4 291
Total assets	**693 381**	**338 738**	**3 397**	**41 902**	**1 077 418**
LIABILITIES					
Derivative financial instruments	841				841
Deferred income	18 030				18 030
Amount owed to third parties	131 152				131 152
Other liabilities	408			508	916
Total liabilities	**150 431**			**508**	**150 939**
Equity					
Facility Member States Contribution called	830 000				830 000
Retained earnings	77 167				77 167
Fair value reserve	7 094	5 570	6 857	(209)	19 312
Total equity	**914 261**	**5 570**	**6 857**	**(209)**	**926 479**
Currency position as at 31 December 2007	**(371 311)**	**333 168**	**(3 460)**	**41 603**	
Currency position as at 31 December 2006	**(244 924)**	**206 935**	**3 797**	**34 192**	
COMMITMENTS					
Undisbursed loans and equity investments	573 913	183 408			757 321
Guarantees drawn	10 116				10 116
CONTINGENT LIABILITIES					
Guarantees undrawn	113 875				113 875

4. Segment information

In accordance with IAS 14, the primary segment of the Investment Facility is business operation and the secondary segment is geographical.

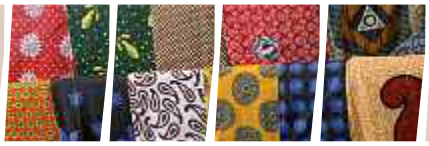
4.1. By business segment (in EUR '000)

The activity of the Investment Facility is divided into two main business segments on a worldwide basis:

- Banking operations – incorporating investments in projects which are made with the purpose of supporting investments of private and commercially run public sector entities. The main investment products are loans, available-for-sale equity investments and financial guarantees.
- Treasury activities – including investing surplus liquidity and managing the Investment Facility foreign exchange risk.

At 31 December 2007	Treasury	Banking	Total
Revenue from segments	5 365	43 638	49 003
Expenses and charges from segments	(9 442)	(3 578)	(13 020)
Profit for the year			**35 983**
Segment assets	213 436	682 798	896 234
Unallocated assets			181 184
Total assets			**1 077 418**
Segment liabilities	1 241	18 546	19 787
Unallocated liabilities			131 152
Total liabilities			**150 939**
Other segment information			
Contingent liabilities and commitments		881 312	881 312

At 31 December 2006	Treasury	Banking	Total
Revenue from segments	2 098	26 084	28 182
Expenses and charges from segments	(2 646)	(1 823)	(4 469)
Profit for the year			**23 713**
Segment assets	200 186	406 445	606 631
Unallocated assets			103 913
Total assets			**710 544**
Segment liabilities	1 247	8 691	9 938
Unallocated liabilities			134 425
Total liabilities			**144 363**
Other segment information			
Contingent liabilities and commitments		939 594	939 594



4.2. By geographical segment (in EUR '000)

The Investment Facility's activities are divided into five regions for internal management purposes.

At 31 December 2007	Revenues (*)	Total assets	Total liabilities	Contingent liabilities and commitments
Caribbean and Pacific	4 881	63 089		102 658
Central and Eastern Africa	4 560	114 401	15 837	414 592
Regional Africa and ACP States	4 253	77 923		163 377
Southern Africa and Indian Ocean	16 787	216 175	707	82 803
West Africa and Sahel	9 631	187 602	2 003	117 882
Others (**)		418 228	132 392	
Total	**40 112**	**1 077 418**	**150 939**	**881 312**

At 31 December 2006	Revenues (*)	Total assets	Total liabilities	Contingent liabilities and commitments
Caribbean and Pacific	4 217	42 558		69 801
Central and Eastern Africa	2 216	57 161	8 155	296 819
Regional Africa and ACP States	2 536	54 944		192 882
Southern Africa and Indian Ocean	12 990	161 006	51	124 241
West Africa and Sahel	2 502	75 509	150	255 851
Others (**)		319 366	136 007	
Total	**24 461**	**710 544**	**144 363**	**939 594**

(*) Revenues represent the net profit on the Investment Facility's operational activity (i.e. interest and similar income, interest subsidies, net fee and commission income, credit loss expense and impairment losses on financial investments).

(**) Under geographical segment "Others" are considered the amount payable to or receivable from the Member States or the European Investment Bank and the Investment Facility cash and cash equivalent.

5. Net interest income (in EUR '000)

The main components of interest and similar income are as follows:

	2007	2006
Cash and short term funds	5 755	2 098
Loans and receivables	40 192	21 556
Interest subsidies	633	162
Total interest and similar income	**46 580**	**23 816**

The main components of interest and similar expense are as follows:

	2007	2006
Due to banks	(441)	
Derivative financial instruments	(738)	(2 483)
Remuneration paid to EC	(39)	
Other		(10)
Total interest and similar expense	**(1 218)**	**(2 493)**

6. Net fee and commission income (in EUR '000)

The main components of net fee and commission income are as follows:

	2007	2006
Loans and receivables	1 136	4 168
Financial guarantees	260	198
Total fee and commission income	**1 396**	**4 366**

7. Net result on financial operations (in EUR '000)

The main components of net result on financial operations are as follows:

	2007	2006
Fair value movement on derivatives	15 965	14 057
Foreign exchange	(24 631)	(14 210)
Dividend income from financial investments		
Equity investments – available-for-sale		
- Quoted		
- Unquoted	24	
Gains less losses from financial investments		
Equity investments – available-for-sale	637	(130)
Net result on financial operations	**(8 005)**	**(283)**

8. General administrative expenses (in EUR '000)

General administrative expenses represent the actual costs incurred by the European Investment Bank (the "EIB") for managing the Investment Facility less income generated from standard appraisal fees directly charged by the EIB to clients of the Investment Facility.

	2007	2006
Actual cost incurred by the EIB	(34 260)	(35 413)
Income from appraisal fees charged to clients of the Facility	1 504	1 500
Net general administrative expenses	**(32 756)**	**(33 913)**

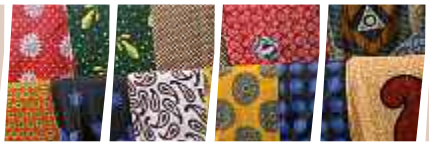
Under Council Decision of 8 April 2003, the Member States agreed to cover in full the expenses incurred by the EIB for the management of the Investment Facility for the first 5 years of the 9th European Development Fund.

9. Cash and cash equivalent (in EUR '000)

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

The cash and cash equivalents can be broken down between the funds received from the Member States and not yet disbursed and the funds from the Investment Facility's operational and financial activities.

	2007	2006
Member States contributions received and not yet disbursed	23 566	69 720
Funds from the Facility's financial and operational activities	161 206	121 060
Cash and cash equivalents	**184 772**	**190 780**



10. Derivative financial instruments (in EUR '000)

At 31 December 2007	Assets	Liabilities	Notional amount
Cross currency swaps	16 433	(729)	114 124
Cross currency interest rate swaps	8 176	(112)	137 261
Warrants	670		1 350
Total	**25 279**	**(841)**	

At 31 December 2006	Assets	Liabilities	Notional amount
Cross currency swaps	6 165	(119)	114 597
Cross currency interest rate swaps	2 427		86 963
Total	**8 592**	**(119)**	

11. Loans and receivables (in EUR '000)

	Global loans	Senior loans	Subordinated loans	Total
At 1 January 2007	**96 840**	**129 550**	**108 823**	**335 213**
Impairment		(2 770)		(2 770)
Change in amortised cost	(378)	(580)	(64)	(1 022)
Disbursement	155 013	111 242	19 773	286 028
Interest capitalised	446	33	6 268	6 747
Repayments	(13 310)	(15 405)	(5 499)	(34 214)
Foreign exchange difference	(15 325)	(10 693)	(2 213)	(28 231)
At 31 December 2007	**223 286**	**211 377**	**127 088**	**561 751**
Accrued interest income				10 779
Loans and receivables at 31 December 2007				**572 530**
At 1 January 2006	**50 314**	**61 279**	**82 416**	**194 009**
Impairment		(1 693)		(1 693)
Change in amortised cost		(350)	34	(316)
Disbursement	55 467	79 375	22 162	157 004
Interest capitalised			4 303	4 303
Repayments	(3 585)			(3 585)
Foreign exchange difference	(5 356)	(9 061)	(92)	(14 509)
At 31 December 2006	**96 840**	**129 550**	**108 823**	**335 213**
Accrued interest income				3 784
Loans and receivables at 31 December 2006				**338 997**

At 31 December 2007, 2 operations were impaired for a total of EUR 4,4 million, of which 1,7 million were already accounted for as per 31 December 2006, at the rates prevailing at this date.

12. Financial investments

12.1. Equity investments – available-for-sale (in EUR '000)

The main components of available-for-sale equity investments are as follows:

Equity investments available-for-sale	2007	2006
At 1 January	**66 449**	**30 886**
Movement in fair value	9 315	3 554
Impairment	(366)	(130)
Disbursement	43 143	31 965
Proceeds	(8 248)	(25)
Foreign exchange difference	(930)	199
At 31 December	**109 363**	**66 449**

13. Amounts receivable from contributors (in EUR '000)

The main components of amounts receivable from contributors are as follows:

	2007	2006
Contribution called but not paid	148 427	70 000
Special contribution to general administrative expenses	32 756	33 913
Total amount receivable from contributors	**181 183**	**103 913**

14. Other assets (in EUR '000)

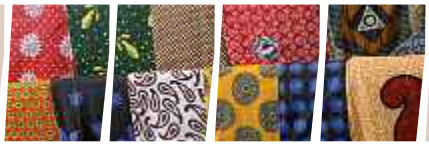
The main components of other assets are as follows:

	2007	2006
Interest on loans not yet collected	397	551
Amounts receivable from EIB	3 386	814
Financial guarantees	508	448
Total amount of other assets	**4 291**	**1 813**

15. Deferred income (in EUR '000)

The main components of deferred income are as follows:

	2007	2006
Deferred interest subsidies	17 947	7 687
Deferred commissions on loans and receivables	83	221
Total deferred income	**18 030**	**7 908**



16. Amount owed to third parties (in EUR '000)

The main components of amount owed to third parties are as follows:

	2007	2006
Net general administrative expense payable to EIB	32 756	33 913
Interest subsidies not yet disbursed	98 396	100 512
Total amount owed to third parties	**131 152**	**134 425**

17. Other liabilities (in EUR '000)

The main components of other liabilities are as follows:

	2007	2006
Remuneration repayable to the Commission with regard to the Contribution account	27	538
Amount repayable to EIB		925
Financial guarantees	508	448
Other	381	
Total amount of other liabilities	**916**	**1 911**

18. Investment Facility Member States Contribution called (in EUR '000)

Member States	Contribution to the Facility	Contribution to interest subsidies	Total contributed	Called and not paid (*)
Austria	21 995	3 180	25 175	4 505
Belgium	32 536	4 704	37 240	6 664
Denmark	17 762	2 568	20 330	3 638
Finland	12 284	1 776	14 060	2 516
France	201 690	29 160	230 850	41 310
Germany	193 888	28 032	221 920	39 712
Greece	10 375	1 500	11 875	2 125
Ireland	5 146	744	5 890	1 054
Italy	104 082	15 048	119 130	21 318
Luxembourg	2 407	348	2 755	493
Netherlands	43 326	6 264	49 590	8 874
Portugal	8 051	1 164	9 215	1 649
Spain	48 472	7 008	55 480	9 928
Sweden	22 659	3 276	25 935	4 641
United Kingdom	105 327	15 228	120 555	
Total	**830 000**	**120 000**	**950 000**	**148 427**

(*) On 20 December 2007, the Council fixed the amount of financial contributions to be paid by each Member State by 21 January 2008.

19. Contingent liabilities and commitments (in EUR '000)

	2007	2006
Commitments		
Undisbursed loans	669 117	779 241
Undisbursed commitment in respect of equity investments	88 204	88 552
Guarantees drawn	10 116	7 925
Contingent liabilities		
Guarantees undrawn	113 875	63 876
Total	**881 312**	**939 594**

20. Subsequent events

There have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2007 financial statements.

On a proposal from the Management Committee, the Board of Directors reviewed these financial statements on 11 March 2008 and decided to submit them to the Board of Governors for approval at their meeting to be held on 3 June 2008.

Independent Auditor's Report

To the chairman of the Audit Committee of
EUROPEAN INVESTMENT BANK
Luxembourg

We have audited the accompanying financial statements of the Investment Facility, which show a profit of KEUR 35,983 and a total balance sheet of KEUR 1,077,418 and which comprise the balance sheet as at December 31, 2007, the income statement, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Committee's responsibility for the financial statements

The Management Committee of the European Investment Bank is responsible for the preparation and fair presentation of these financial statements in accordance with the measurement and recognition principles as described in Note 2 of the accompanying financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "Réviseur d'Entreprises"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Luxembourg "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgment of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'Entreprises" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Committee, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Investment Facility as of December 31, 2007, of its financial performance, of its changes in equity and of its cash flows for the year then ended in accordance with the measurement and recognition principles as described in Note 2 of the accompanying financial statements.

March 12, 2008

ERNST & YOUNG

Société Anonyme

Réviseur d'Entreprises

Alain KINSCH

Bernard LHOEST

The Audit Committee

The Audit Committee reports to the Board of Governors, the following statement being communicated to the Governors prior to their approval of the Annual Report and the financial statements for the past financial year.

Statement by the Audit Committee on the Investment Facility financial statements[1]

The Committee, instituted in pursuance of Article 14 of the Statute and Article 25 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

- designated Ernst & Young as external auditors, reviewed their audit planning process, examined and discussed their reports,
- noted that the opinion of Ernst & Young on the financial statements of the Investment Facility for the year ended 31 December 2007 is unqualified,
- convened on a regular basis with the Heads of Directorates and relevant services, and studied the documents which it deemed necessary to examine in the discharge of its duties,
- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the financial statements for the financial period ending on 31 December 2007 as drawn up by the Board of Directors at its meeting on 11 March 2008,
- that the foregoing provides a reasonable basis for its statement and,
- Articles 22, 23 & 24 of the Rules of Procedure,

to the best of its knowledge and judgement:

confirms that the activities of the Investment Facility are conducted in a proper manner, in particular with regard to risk management and monitoring;

has verified that the operations of the Investment Facility have been conducted and its books kept in a proper manner and that to this end, it has verified that the Investment Facility's operations have been carried out in compliance with the formalities and procedures laid down by the Statute and Rules of Procedure;

confirms that the financial statements, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the financial statements give a true and fair view of the financial position of the Investment Facility as at 31 December 2007 in respect of its assets and liabilities, and of the results of its operations for the year then ended.

Luxembourg, 12 March 2008

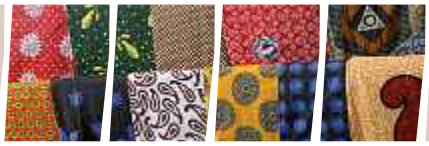
The Audit Committee

M. DALLOCCHIO

C. KARMIOS

O. KLAPPER

[1] The Financial Regulation applicable to the 9th European Development Fund in Article 112 with regard to the operations managed by the European Investment Bank states that these operations shall be subject to the audit and discharge procedures laid down in the Statute of the Bank for all of its operations. On this basis, the Audit Committee issues the above statement.



6. Glossary of abbreviations

A

ACP: Africa, Caribbean and Pacific
ACPs: Africa, Caribbean and Pacific countries
ADB: Asian Development Bank
AFD: Agence Française de Développement
AfDB: African Development Bank
Approvals: Projects approved for financing by the EIB's decision-making bodies
AWS: Austria Wirtschaftsservice

B

BDEAC: Banque de Développement des Etats de l'Afrique Centrale
BIO : Belgium Investment Company for Developing Countries
BOAD: West African Development Bank
BPI: Business Partners International
BPSA: Business Partners Ltd. of South Africa
BII: Banque Internationale d'Investissement

C

CBOs: Community-based Organisations
CDB: Caribbean Development Bank
CDC: Capital for Development Group Plc
CEMAC: Central African Economic and Monetary Community
CFA: Communauté française d'Afrique
Cofides: Compañía Española de Financiación del Desarrollo
Commitments: Signed loans, equity, quasi-equity investment, agency and guarantee agreements
Corvinus: Corvinus International Investment Ltd.
CRPGs: Credit Risk Policy Guidelines

D

DBSA: Development Bank of Southern Africa
DEG: Deutsche Investitions- und Entwicklungsgesellschaft mbH
DFCU: Development Finance Company of Uganda
DFIs: Development finance institutions
DIAF: Development Impact Assessment Framework
Disbursements: Loans and investments paid out

E

EADB: East African Development Bank
ECOWAS: Economic Community of West African States
EDF: European Development Fund
EDFIs: European development finance institutions
EFP: European Financing Partner
EIA: Environmental impact assessment
EIB: European Investment Bank
EITI: Extractive Industries Transparency Initiative
EU: European Union

F

FDI: Foreign direct investment
FINNFUND: Finnish Fund for Industrial Cooperation Ltd
FMO: Netherlands Development Finance Company

G

GDP: Gross domestic product
GNI: Gross national income

H

HIPC: Heavily Indebted Poor Countries

I

IDA: International Development Agency
IF: Investment Facility
IFC: International Finance Corporation
IFIs: International financial institutions
IFRS: International Financial Reporting Standards
IFU: Industrialisation Fund for Developing Countries
IMF: International Monetary Fund

K

KfW: Kreditanstalt für Wiederaufbau

M

MDGs: Millennium Development Goals
MDRI: Multilateral Debt Relief Initiative
MFIs: Microfinance institutions
MIDINA: Managing Infrastructure Development in Namibia
MIGA: Multilateral Investment Guarantee Agency
MoU: Memorandum of Understanding

N

NGOs: Non-governmental organisations
Norfund: Norwegian Investment Fund for Developing Countries

O

OCTs: Overseas Countries and Territories
ODA: Official development assistance
OMVS: Organisation pour la Mise en Valeur du fleuve Sénégal
OPEC: Organization of the Petroleum Exporting Countries

P

PPF : Project Preparation Facility
PROPARCO: Société de Promotion et de Participation pour la Coopération Économique

Q

Quasi-equity: Instruments incorporating both loan and equity features, designed to provide varying degrees of risk/return trade-offs that lie between those of straight loan and equity investments

S

SADC: Southern African Development Community
SBI-BMI: Belgian Corporation for International Investment
SIFEM: Swiss Investment Fund for Emerging Markets
SIMEST: Società Italiana per le Imprese all'Estero
SMEs: Small and medium-sized enterprises
SPV: Special purpose vehicle
Swedfund: Swedfund International AB

U

UEMOA : Union Économique et Monétaire Ouest Africaine
UN: United Nations

W

WAEMU: West African Economic and Monetary Union

EIB Addresses

European Investment Bank

100, boulevard Konrad Adenauer
L-2950 Luxembourg
(+352) 43 79 1
(+352) 43 77 04

Findel Office
4, Rue Lou-Hemmer
L-1748 Findel

www.eib.org/acp – **info@eib.org**

External Offices:

Caribbean
1, boulevard du Général de Gaulle
F-97200 Fort-de-France
(+596) 596 74 73 10
(+596) 596 56 18 33
a.whitehouse@eib.org

Kenya
Africa RE Centre, 5th Floor,
Hospital Road, PO Box 40193
KE-00100 Nairobi
(+254-20) 273 52 60
(+254-20) 271 32 78
c.cocuzza@eib.org

Pacific
Level 32, ABN AMRO Tower
88 Phillip Street
Sydney NSW 2000
(+61-2) 82 11 05 36
(+61-2) 82 11 05 38
j.dejong@eib.org

Senegal
3, rue du Docteur Roux
BP 6935 Dakar-Plateau
(+221) 33 889 43 00
(+221) 33 842 97 12
j.reversade@eib.org

South Africa
5, Greenpark Estate
27, George Storrar Drive
Groenkloof 0181, Tshwane (Pretoria)
(+27-12) 425 04 60
(+27-12) 425 04 70
d.white@eib.org

The EIB wishes to thank (the following) promoters and suppliers for the photographs illustrating this report:
- Emerging Capital Partners ;
- Investisseur & Partenaire pour le Développement ;
- LFS Financial Systems GmbH.
© The other photographs and illustrations were supplied by the EIB's Graphic Workshop.

Layout: EIB Graphics Workshop.

Printed in Luxembourg by Imprimerie Centrale s.a. on AcondaVerd Silk paper using vegetable oil-based inks. Certified in accordance with Forest Stewardship Council (FSC) rules, the paper consists of 60% virgin fibre (of which at least 30% from well-managed forests), 30% de-inked post-consumer waste and 10% mill broke.

Investment Facility Report 2007

European Investment Bank • European Investment Bank • European Investment Bank • European Investment Bank • European Investment Bank

European
Investment
Bank

ISBN 978-92-861-0708-5

9 789286 107085

QH-AG-08-001-EN-C

ISSN 1725-924X