



## Supporting the EU's external action

Arab Spring:  
**A timely and effective response**

**Upgrading Ukraine's  
key transport links**

Helping small businesses  
**think big**

# INFO

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## Editorial

A fresh breeze is sweeping through the EIB's activities outside the EU. After a comprehensive and inclusive review process, a renewed mandate will allow the Bank to move forward to tackle new challenges.

The developments in the Mediterranean countries and the issue of climate action make clear the Bank's role in supporting EU policy objectives and the importance of its adaptability to face rapidly changing realities. For the countries in democratic transition, the EIB has been able to step up its lending targets on the basis of progress towards political reforms. For the global challenge of climate change the Bank has also been able to increase its lending under the external mandates and make this a top priority not just within the EU – where the bulk of its activity is – but also outside the EU.

Because the world does not stand still, an institution like the EIB has to rethink its role at critical junctures. Now that EU policy-makers have set the direction, it is up to the Bank to make it happen. It will do so by doing what it does best: providing finance and technical assistance to sound projects in the private sector, in infrastructure or climate action, thereby helping to increase growth and employment potential.

But the Bank does not act alone. It works in close cooperation with the EU institutions, its Member States, partner countries and other international financing institutions. And its participation is often a catalyst to attract other sources of funding. Financing projects outside the EU for almost 50 years and operating in more than 130 countries, the EIB has developed long-standing relationships in the public and private sectors across the globe. Partnering with others will help Europe to make a difference in the world.



*A renewed mandate will allow the Bank to move forward to tackle new challenges.*

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# Renewed mandate sets tone for EIB's external action

The renewed mandate focuses the EIB's operations outside the EU until end-2013 on key areas such as the private sector, infrastructure and climate action. It also adapts the scope of the Bank's activities to a rapidly changing global environment.

In a recent European Parliament vote following its adoption by the Council, EU policymakers gave their backing to a renewed mandate for EIB operations outside the EU. This concludes a two-year process of broad discussions on the Bank's role in the world and provides for a new direction.

The process was launched as part of a mid-term review, including an evaluation by a group of wise persons chaired by Michel Camdessus (former IMF Managing Director), and ended in an agreement between the European Commission, the Council of the EU and the European Parliament. As in previous cases, the mandate provides an EU guarantee against losses under loans for projects in Pre-Accession, Neighbourhood and Partnership countries, Asia, Latin America and South Africa until 2013.

## Enlarged scope

The renewed mission especially allows the EIB to adapt to rapidly changing political realities. Its geographic scope has been enlarged to cover Iceland, Libya, Iraq and Cambodia. The Bank has already shown its ability to respond to political developments such as the Arab Spring, where it is part of the international efforts to help countries such as Tunisia and Egypt – and now Morocco and Jordan (see news in brief) – manage their transitions, or Syria where the EIB has recently suspended its future loans and technical assistance, following the EU's decision to impose sanc-

tions on the regime after its violent crackdown on protests.

In the wake of the global economic and financial crisis, the EIB has frontloaded its external lending activities since 2009. To enable the Bank to continue to do so for the remaining two years of its mandate, the general mandate ceiling has been increased by EUR 1.6bn. A large part of this increase will be used to provide the Southern Mediterranean countries with the means to rebuild and modernise their economies, following the events of early 2011. A novel feature is that the increase will reward political reforms undertaken by individual partner countries. This will be assessed by the Commission with the involvement of the European External Action Service.

The EIB has also been equipped with an additional EUR 2bn to support the fight against climate change across all regions. This will help to boost the Bank's climate action beyond the Union.



EU policymakers gave their backing to a renewed mandate for EIB operations outside the EU.

New horizontal high-level objectives across all regions have been established, giving priority to local private sector development, social and economic infrastructure and climate change mitigation and adaptation projects.

## Closer cooperation with partners

Partnering with others has always been an important feature of the Bank's operations outside the EU, and not only under the Deauville Partnership where the EIB is cooperating with nine other international and regional financial institutions<sup>1</sup>. The renewed mandate puts a particular emphasis on this aspect: for projects in developing countries EU grants are increasingly blended with EIB lending to achieve the

<sup>1</sup> Arab Fund for Economic and Social Development, Arab Monetary Fund, EBRD, International Finance Corporation, IMF, Islamic Development Bank, World Bank, OPEC Fund for International Development, and African Development Bank.

best outcome. Another practical implication is the location of local offices abroad: having the EIB representation under the same roof as the EU Delegations abroad will help to facilitate enhanced cooperation between the EIB, the European External Action Service and the Commission, while sharing operating costs.

The setting-up of an 'EU platform for cooperation and development' to look at ways of further promoting synergies will be studied over the coming months. A working group of experts from the Member States, the EU's External Action Service and the EIB is being established and will come up with a proposal by mid-2012.

Already, in the Eastern Neighbourhood countries, the EIB and the European Bank for Reconstruction and Development (EBRD) regularly work together on projects to provide combined financial support. This cooperation will be extended to activities in the Southern Mediterranean.

The EIB also collaborates with other European financial institutions to support key projects abroad under the so-called 'mutual reliance' initiative. This framework allows one of the participating institutions to take the lead on project assessment, while the other co-financiers can use this assessment for their own purposes, thus avoiding a duplication of paperwork for the project promoter and reducing the costs. The EIB started off the mutual reliance initiative with the French development agency, Agence Française de Développement, and the German public bank Kreditanstalt für Wiederaufbau. Moreover, the Bank has a network of trusted partners in the private sector, among public authorities and non-governmental organisations (NGOs).

The EIB also has a strong network and long-established relations with key counterparts in the private sector. Such partnerships facilitate development of the local private sector, in particular small and medium-sized enterprises, which play an essential role in stimulating economic development and the fight against unemployment. Public-private partnerships (PPPs) can help mobilise the private sector and enhance its attractiveness for

foreign direct investment. Based on the findings of a recent study and drawing on its experience in the field of PPPs, the EIB has launched an ambitious technical assistance programme in the Mediterranean over the period 2011-2013 aimed at ex-

panding the use of PPPs and accelerating the transfer of expertise and technologies in this region on the basis of pilot projects. This may serve as an example for other regions, helping them to attain sustainable economic growth. ■



*Demonstrating a coordinated response to the Arab Spring: European Commission President José Manuel Barroso and EIB President Philippe Maystadt on a joint visit to Egypt in July.*

## Arab Spring: a timely and effective response

For the EIB, supporting sustainable growth and jobs in the Southern Mediterranean countries in transition is a top priority. The Bank is already the leading public financial institution in the region, supplying more than half of Europe's financial contribution to sustainable projects.

The EIB plays an important part in the so-called Deauville Partnership, launched in May by the G8 to back both democratic and economic transition in the region. EIB Vice-President Philippe de Fontaine Vive, responsible for operations in the Mediterranean, has already signed two loans worth some EUR 300m with Tunisia to support job creation and industrial development, and in September the EIB Board approved a simplification of the Bank's procedures to finance small and medium-sized enterprises (SMEs) in the country.

In Egypt, the Bank seeks to accelerate relevant projects in priority areas, such as infrastructure, community development and SMEs. The EIB intends to provide financing of up to EUR 800m over the coming months to support the development of the economy. These investments would be co-funded by the Egyptian government, and EU grants will be blended with EIB loans in a joint effort to support the country at this crucial moment.

## In brief

Commission President **Barroso** sees EIB role in supporting the real economy



In his annual 'State of the Union' address to the European Parliament in September, European Commission President José Manuel Barroso set out the EU plan for sustainable growth and jobs as the Union faces "the greatest challenge in history". He also highlighted the importance of exploring "ways to reinforce the EIB's resources and capital base so that it can lend to the real economy".

### Danube Strategy launched

Under the Hungarian Presidency, the EU adopted a Danube Region Strategy in June. This targets the sustainable development of the Danube macro-region as well as the protection of its natural areas, landscapes and cultural heritage. Based on the model developed for the Baltic Sea Strategy, the EIB will contribute to coordinating the activities in this 'macro-region', which comprises 115 million people in eight EU countries (Germany, Austria, Hungary, the Czech Republic, the Slovak Republic, Slovenia, Bulgaria and Romania) and six non-EU countries (Croatia, Serbia, Bosnia and Herzegovina, Montenegro, Ukraine and Moldova).

### EIB confirms **commitment to Mediterranean**

Meeting in Marseille in September, the G8 Finance Ministers agreed to double their financial support for the Mediterranean countries in transition. Present at the meeting, the EIB committed to increasing its financing operations in Tunisia and Egypt and extending its efforts to Morocco and Jordan. The four countries will receive USD 7.5bn in financing from the EIB by the end of 2013, more than doubling the special commitment earmarked at the previous G8 meeting in May. "The Bank loans will support the priorities set out by the transition countries in their democratic development plans presented to the Ministers", said EIB President Philippe Maystadt. The pace at which the loans are provided will depend on the progress made with the democratic process in the partner countries.



### Eastern Partnership Summit takes stock



EU and partner countries meeting in Warsaw in late September looked at the present EU policy and discussed the further implementation of the Eastern Partnership with a view to supporting further reforms, strengthening and deepening relations on the basis of common values. EIB Vice-President Wilhelm Molterer took part in this key event organised by the Polish EU Presidency at which Poland announced it would contribute EUR 1m to the Eastern Partnership Technical Assistance Trust Fund (EPTATF). Poland is the third country to contribute after Austria and Sweden. The EPTATF was set up in December 2010 to better share expertise in project preparation and financing in order to speed up and ensure successful project implementation in the Eastern Neighbour Countries.

### EIB-ERSA **prize for regional science** goes to Professor Rietveld



Professor Piet Rietveld, a leading researcher in economic geography at the Vrije Universiteit, Amsterdam, was awarded the annual EIB-European Regional Science Association (ERSA) prize for regional science for his contribution to transport and regional development studies. The theme of the ERSA congress, the world's largest such event, was "New challenges for European regions and urban areas in a globalised world".

# EIB external action

## in numbers

More than **400 projects** outside the EU have received EIB financing in the last five years  
**EUR 35.6bn** is the total lending to countries outside the EU during this period  
External lending represents around **10%** of total EIB lending



The EIB has helped to finance **34** water projects outside the EU with a total of **EUR 1.6bn**

**31** renewable energy projects have been supported over the last five years with a total of **EUR 2.7bn**



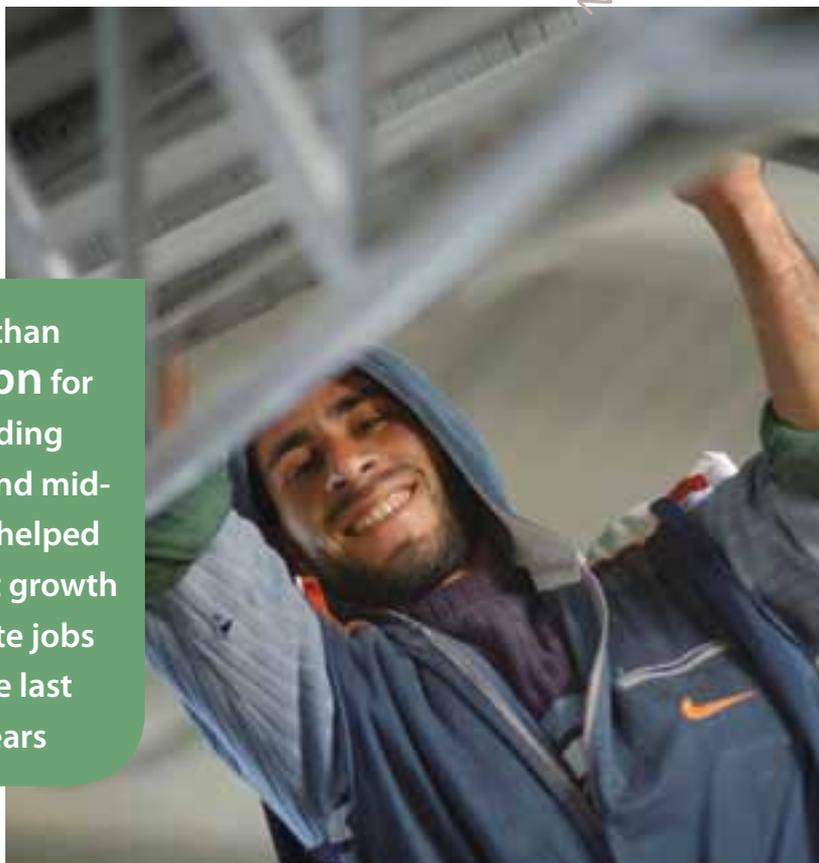
In 26 projects  
EIB loans totalling  
more than **EUR 1.7bn**  
have been blended  
with EU grants



Some **124 projects** were co-financed  
with other international, regional and bilateral  
financing institutions with a total of more than  
**EUR 10.7bn**



More than  
**EUR 8bn** for  
on-lending  
to SMEs and mid-  
caps has helped  
to support growth  
and create jobs  
over the last  
five years



# Helping small businesses **think big**

In the former Yugoslav Republic of Macedonia (FYROM) the EIB, together with its partners, helps to give a boost to small businesses.

## 1 800 jobs

A first SMEs loan, in conjunction with the Macedonian Bank for Development Promotion, helped to provide more than EUR 100m, supporting over 260 businesses and creating more than 1 800 jobs.



*Rimes, a family business near Skopje has flourished into a successful meat-processing business.*

**S**MEs are the backbone of any economy and access to finance is critical for them. This is particularly true in FYROM, where SMEs are suffering from a scarcity of funding, especially for long-term borrowing. EIB loans dedicated to SMEs aim to help create economic activity, boost employment and improve living conditions for the people depending on small businesses.

Such is the case for Rimes, a family business near Skopje, the country's capital and largest city. Founded by two brothers in 1995, the company has flourished into a successful meat-processing business. In 2010, Rimes received a EUR 375 000 loan channelled through a local bank, which has made it possible to expand the business.

"We started out as a small business with one store, through which we sold most of our meat products. Today we have 14 stores," explains Risto Shehtanski, Sales Manager at Rimes. A few years ago the company faced a crucial decision. In order to keep up with changing standards in the industry, the company would either have to in-

vest in new equipment or stop producing and start buying products from another producer.

"We decided to take the risk and expand our capacities. We built a new factory with modern facilities and bought new equipment to ensure proper hygiene, together with stuffing machinery and cooling appliances," Shehtanski explains. "The loan we received has helped us to make these important investments and be ambitious in developing the company."

"Today we sell everything from fresh to frozen products, from meatballs to steaks. Going from 2-3 tonnes to 10 tonnes of output per day, the products are now not only sold locally, but throughout the country and even in neighbouring markets like Serbia, Montenegro and Kosovo. We also had to hire new people and more than doubled our staff to over 50 people currently working on the production side. And we keep on growing," Shehtanski adds.

A first European Investment Bank SMEs loan in 2009-2010, in conjunction with the

Macedonian Bank for Development Promotion (MBDP), helped to provide more than EUR 100m, supporting over 260 businesses and creating more than 1 800 jobs. Building on this successful scheme, the EIB signed another EUR 50m loan agreement to back small businesses. This will be made available to co-finance up to 50% of the SME loans provided in partnership with local commercial banks.

The MBDP works closely with local commercial banks to allocate the much-needed funds. As a financial institution wholly owned by the government, its mission is to support national economic strategies and objectives. The EIB's financing operations in the country contribute to integration with the EU and are intended to accelerate economic activity, reduce unemployment levels and improve the quality of life of the citizens in this country of 2 million inhabitants. ■

# Modernising schools in Serbia



Education holds the key to future generations' prosperity and employment capacity. In Serbia, the EIB is helping to solve the most pressing issues and working to further develop the country's educational infrastructure.

“ The EIB is closely following investment in human capital in Serbia.

This is why we are delighted to be part of this important operation in the educational sector”, says Dario Scannapieco, the EIB Vice-President responsible for operations in the region.

A EUR 50m loan supporting Serbia's schools modernisation programme is helping to upgrade existing facilities and make its educational infrastructure fit for the future. It is also providing strategic assistance for the further development of Serbia's education system.

The lack of teaching facilities forces many schools in Serbia to operate in two or even three shifts to accommodate pupils. This is a strain for both teachers and children. To answer the most urgent needs, the EIB's investments are directed at upgrading 10 primary and two secondary schools in order to allow them to stop working in three shifts. This investment builds on a successful previous EUR 25m loan, which was used to construct eleven primary and secondary schools and modernise a special-needs school.

“We want to be able to provide decent school facilities for our children with the

help of the EIB,” says Marija Rabrenovic, Director of the Project Implementation Unit at the Serbian Ministry of Education.

## Supporting educational policy development

Good quality, efficient and equitable education is essential for meeting Serbia's development needs. The country's education system faces major challenges: in 2004/2005, some 78% of children between the age of 15 and 18 were enrolled, compared to an EU average of 89.5% and 83% in Croatia. The EIB also provides additional support at the level of strategy and planning to help the authorities better respond to this challenge. This includes the development of a national education strategy, a sound capital planning methodology for investments in educational infrastructure and an education management information system.

This support is blended with the financial aid from the EIB loan and draws heavily on the Bank's in-house sector expertise to provide hands-on assistance. It is also financed together with the Western Balkans Investment Framework, which sup-

ports projects in the region with grants and loans. Subsequently, and building on technical assistance work to underpin the development of sound capital planning, the new loan will finance further investments in Serbia's schools estate.

“We want to be able to provide decent school facilities for our children with the help of the EIB”.

“Working with the EIB on education for several years has allowed us to build a kind of learning relationship. Its support is crucial because it helps us to make investments that will shape the future of our country,” Rabrenovic adds.

“We appreciate the efforts made by the government to invest in the formation of its human capital. These are projects with a long-lasting payoff from which Serbia's competitiveness will benefit strongly,” Vice-President Scannapieco concludes. ■

# Growing green in Turkey

Supporting climate-resilient and sustainable growth is a top priority for the EIB. With its first loan for afforestation in Turkey, the Bank is seeking to boost the country's efforts to develop and protect its natural resources.

**F**orestry resources provide a vital socio-economic contribution to the 7 million people living in Turkey's 21 273 forest villages. "This loan represents a decisive step forwards for sustainable growth in Turkey," EIB Vice-President Matthias Kollatz-Ahnen said on the occasion of the loan signing ceremony in Ankara. "Supporting smart and sustainable growth is the essence of the EIB's financing policy."

"Rehabilitation of degraded land and afforestation are the most efficient ways to fight global climate change and its consequences. With the help of the EIB, we can realise our goal of increasing our forestlands, which are important carbon sink areas that help balance the level of greenhouse gases in the atmosphere," says Turkey's Forestry and Water Works Minister, Professor Veysel Eroglu.

The EUR 150m loan to the Ministry of Forestry and Water Works supports its forest management, fire fighting and afforestation efforts. The investment covers the rehabilitation of some 70 000 hectares of

degraded forest as well as 30 000 hectares of rangeland, the afforestation of 100 000 hectares and erosion control of 190 000 hectares throughout the country. It also includes follow-up activities for 1.4 million hectares, as well as investments in forest infrastructure and fire-fighting equipment. The project has multiple environmental benefits such as improvements to forest health, protection of soil and water resources and increased supply of timber and biomass for energy.

## Forests for people

Around 7 million people live in Turkey's forest villages and they are significantly poorer than the national average. Almost all the energy needs of these communities are provided from state forests as fuel wood. Bioenergy also forms an integral part of the country's climate strategy. Wood pellets and briquettes are currently being promoted as replacements for coal, both to reduce CO<sub>2</sub> emissions and as a tool to diversify rural incomes.

"Turkey has 21.5 million hectares of forest and other wooded land, covering more than 27.6% of its total land surface. However, almost half of our forestlands are degraded," Professor Eroglu explains. The authorities have put forward an ambitious Afforestation and Erosion Control Mobilisation Action Plan with the aim of increasing the coverage of forests to 30% by 2023. Some parts of the degraded forestlands are stony and rocky so they cannot be transformed quickly into economically productive forests. Nevertheless, close to 4.2 million hectares of degraded forest can be converted to productive forest areas through afforestation, rehabilitation and erosion control works.

## Fighting the effects of climate change

"A vast part of our country is exposed to desertification and erosion threats, so afforestation and erosion control works are of particular significance," Professor Eroglu underlines. A special focus of the invest-

ments is on Anatolia, where erosion and drought are more pronounced. Soil erosion is one of the most important environmental issues facing Turkey, owing to its mountainous landscape. The displacement of soil is due to various factors and occurs as a natural process, but is accelerated by man-made changes in vegetation, wind and precipitation or incorrect processing of agricultural soil and overuse of fields.

Forest fires add to the problem: during the past decade, Turkey has suffered 2 100 fires yearly with around 13 735 hectares of land burnt on average each year. During the summer months Turkey's forests are especially susceptible to the threat of fire, whose effects are severe and pose a danger to people, buildings and infrastructure, as well as damaging ecologically valuable habitats. Fires can exacerbate soil erosion and contribute to CO<sub>2</sub> emissions. Investments in new fire-fighting equipment and fire prevention training centres will help to prevent damage.

Following efforts to support the country's natural resources from overexploitation, virtually all of Turkey's forests are managed by the state. "We aim to protect and develop the biological diversity and forest ecosystem in the country. With over 9 200 plant species and rich fauna resources, it is part of the country's most precious assets," concludes Professor Eroglu. ■

## 4.2 million hectares

Close to 4.2 million hectares of degraded forest can be converted to productive forest areas.

*"Rehabilitation of degraded land and afforestation are the most efficient ways to fight global climate change and its consequences".*



# Morocco inaugurates new tramway in Rabat-Salé



Inaugurated in May, the new Rabat-Salé tramway helps to connect the two million people living in the twin cities. It also contributes to reducing urban traffic and pollution.

“ This new transportation means is already proving to be a success,” says Loubna Boutaleb, director of the Rabat-Salé tramway company. “From September onwards we are introducing a new system of ticket prices in order to make it even more attractive to the citizens,” she adds.

## Ticket to success

More than a commercial project, the newly inaugurated Rabat-Salé tramway marks a qualitative step forward for urban public transport in the Moroccan capital, Boutaleb explains. The two new lines meet the daily transport requirements of the 400 000 people living between Rabat and its twin city Salé. They are expected to carry some 180 000 passengers a day.

Ultimately, 80% of the passengers are likely to comprise former bus and taxi users or pedestrians and a sizeable number of car users. To accommodate them, three car parks have been built close to the terminus of the lines. The new tramway

will also help the Rabat/Salé conurbation to cope with the explosive growth of its population, which doubled in just six years – from 1.3 million in 2004 to more than 2 million in 2010.

“The tramway is an excellent example of cooperation with our Mediterranean partners. The EIB strongly supports the development of sustainable urban transport,” says EIB Vice-President Philippe de Fontaine Vive, responsible for operations in the region.

The EIB contributed with a EUR 15m loan to the EUR 347m project, which also received support from the French development agency (Agence Française de Développement) and the EU’s Neighbourhood Investment Facility (NIF).

## Urban transport well on track

Two lines with a total length of almost 20 km and 31 stations are now operational. They serve the conurbation’s key population and business hubs – the university dis-

## 400 000 people

The two new lines meet the daily transport requirements of the 400 000 people living between Rabat and its twin city Salé.

trict, hospitals, government offices, both city centres and the main bus and rail stations. This is a first step towards a larger tramway network expected to comprise four lines in total, which is currently being studied by the authorities.

The tramway works also included the construction of a large viaduct over the river Bouregreg – the Hassan II bridge, which connects the twin cities. The bridge’s three tracks are situated 14 m above the level of the water. One track is reserved exclusively for the tramway, pedestrians and cyclists and the other two are for cars. An estimated 4 000 jobs were generated during the four years of construction and another 1 000 will be created for its operation. ■

# Al Majmoua improves access to microfinance in Lebanon

Many people in Lebanon are deprived of access to basic financial services, limiting their possibilities to make their way out of poverty. The EIB is helping Al Majmoua, a Lebanese NGO, to provide them with the necessary financial and non-financial tools.

“Our vision is to reach out to all those who are marginalised by the formal financial sector. All this with the goal of helping them develop economically and financially, and ultimately contributing to the overall welfare of the country,” says Youssef Fawaz, Executive Director of Al Majmoua.

Al Majmoua, which means “the group” in Arabic, is an independent non-profit NGO specialised in providing very small loans to people who have no access to formal lending channels in Lebanon. Having started as a pilot microcredit programme run by Save the Children, an American NGO, in 1994, Al Majmoua has become the leading microfinance provider in the country. The only Lebanese financial institution offering group loans to women, it currently has over 26 000 active borrowers and an outstanding portfolio of about USD 22m. It has given out more than 150 000 loans for a total amount of over USD 170m and disburses around USD 2-3m in micro-loans each month.

## Helping to shape sustainable business

“Our clients are mainly women and people in rural and urban areas, but we cover the whole country, including Palestinian camps,” Fawaz explains. “The vast majority of our clients live below the poverty line, but have a small or micro business. This could be women working out of their home, cooks or hairdressers, someone who needs to buy a sewing machine or men in small jobs like mechanics, carpentry or manufacturing for example,” he adds.



Headquartered in Beirut, the NGO has now grown into an organisation with some 180 staff, of which about 110 are loan officers operating through a network of 16 field offices. “Our loan officers are field people in the true sense of the word,” Fawaz underlines. “They spend most of their time going from village to village, neighbourhood to neighbourhood and client to client. Our aim is to lend responsibly, which means not overburdening people by giving them loans they cannot repay or that their business cannot sustain,” he says.

## More than just a loan

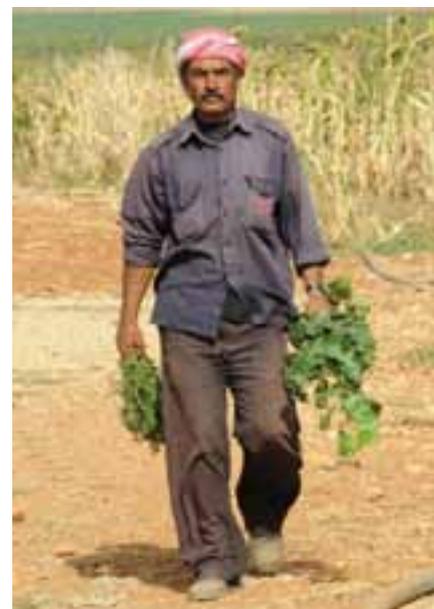
But Al Majmoua goes beyond providing just financial tools. “In 2006, we launched a programme of non-financial services, which essentially consists of providing financial education to women to teach them basic accounting, bookkeeping and sales techniques – tools and skills that help women to run a better business and increase their productivity and profitability. It’s a very popular programme,” Fawaz observes.

An estimated 100 000 people are still in need of microcredit in Lebanon. Last year the EIB provided a US dollar loan worth EUR 1.5m to Al Majmoua. “We received a first tranche in June and have already disbursed most of the money in the market. So far it has been great working with the

EIB. We were very happy to be able to sign a loan with them because the terms and conditions were good,” he concludes.

The EIB, through its Facility for Euro-Mediterranean Investment and Partnership (FEMIP), is the third largest microfinance provider in the region. ■

“Our vision is to reach out to all those who are marginalised by the formal financial sector”.



# Upgrading Ukraine's key transport links



Getting ready for the Euro 2012 football championship, which Ukraine will host together with Poland, the country is seizing this opportunity to create lasting development for its transport links.



With the help of the EIB, we have already rehabilitated some 477 kilometres of the Kiev-Chop [near the Polish, Slovak and Hungarian borders] road and another 100 kilometres will be completed by the end of the year," says Terezyia Babych, Head of the Foreign Economic Activity Department in the Ukrainian Road Administration, Ukravtodor. "The second project will help to upgrade another 400 kilometres during 2011-2015," she adds.

The EIB has provided two loans worth a total of EUR 650m for the rehabilitation

of Ukraine's key transport links connecting the capital with its neighbours, Hungary, Slovakia, Poland, Romania, Belarus and Russia. This includes the M06, one of Ukraine's busiest transport links and main economic arteries for its large export-oriented trade sector. Only recently, to mark Ukraine's independence day in late August, the opening of a new part of the Kiev-Chop road was celebrated.

"This road is of particular economic relevance for Ukraine as it connects the east and the west of the country. The stretch

## 477 kilometres

"With the help of the EIB, we have already rehabilitated some 477 kilometres of the Kiev-Chop road and another 100 kilometres will be completed by the end of the year".

from Chop to Kiev carries all traffic coming from the west. Traffic on this road reaches up to 28 000 vehicles a day (for the Kiev region). That's why it's important to keep it in good condition and to ensure road safety," Babych explains.

### Road safety comes first

Particular attention is paid to improving and maintaining the safety of roads. "The situation in Ukraine is very bad. For us it's a number one priority to make roads safer, especially as the key arteries run through smaller cities and villages," Babych underlines.

As part of the roads project, measures will be taken on all road sections to reduce hazards, especially for pedestrians, including median and edge guardrails, signage, pedestrian refuges, under- and overpasses, lighting, rumble strips in proximity to pedestrian crossings, and pedestrian-activated traffic lights.

### Working together

The two roads projects have been co-financed by the European Bank for Reconstruction and Development (EBRD). Close cooperation has made it possible to undertake joint appraisals and monitoring and work together on procurement, thus maximising synergies.

Working together with European financing institutions has also introduced new stand-

ards, for instance on procurement, which are very close to the EU's. This means works are awarded to the best international offers. "We currently have six contractors working on the roads: two from Turkey,

one from Italy, a joint Azeri-German company and two Ukrainian contractors – so it's really an international set-up. This has also helped to bring down the overall costs of building the roads," Babych notes.

### Getting ready for the kick-off

Works on international and inter-city transport links have been accelerated in preparation for the Euro 2012 football championships, which Ukraine will host together with Poland next summer. Euro 2012 is just a temporary event, but the improvements in transport infrastructure will have a lasting effect.

"We will finalise specific important parts of the roads ahead of the kick-off. However, the works will continue beyond 2012. Road rehabilitation will have a strong economic and social impact for years to come. But this is just a first step, as we will share and apply this experience to the whole of the country," Babych concludes. ■



## Trolleybuses get rolling in Moldova

In Chisinau, the country's capital, the EIB is helping to upgrade public transport with new trolleybuses that will improve the service and make city transport more environmentally friendly.

**W**ith its 318 vehicles, the trolleybus service is the backbone of Chisinau's public transport system, ensuring the mobility of its 800 000 citizens on all major corridors within the city. The EIB is lending EUR 5m for the purchase of around 100 new low-floor trolleybuses, spare parts and maintenance equipment.

Supported by the EIB's first loan to the City of Chisinau, the project aims to improve the reliability, comfort and speed of the trolleybus service. The previous average age of the buses in the fleet was around 18 years. These improvements, together with expanded capacity alleviating passenger congestion, will encourage the use



The EIB is lending EUR 5m for the purchase of around 100 new low-floor trolleybuses.

of public transport. The new trolleybuses will reduce energy consumption and noise. And the expected switch to public transport will further improve air quality.

This project is being co-financed by a loan from the European Bank for Reconstruc-

tion and Development (EBRD) and grants from the EU's Neighbourhood Investment Facility. ■

# Supporting renewable energy in Laos

A new hydro station inaugurated last year is already changing the energy mix of a whole region, using the country's vast natural resources. Nam Theun 2 was named 'Hydroelectric Power Project of the Year' at the Global Energy Magazine Awards in 2011.



“ This project harnesses the natural power of our water and mountains, and allows us to help our people improve their lives,” Lao President Choum-maly Sayasone says.

The abundant water, an average of 75 billion cubic metres each year, flows from the Nam Theun river on the Nakai plateau in central Laos, with a 350 metre – the height of the Eiffel tower – difference in elevation between the plateau and the plain below, and provides enormous hydropower potential. The water released from the reservoir rushes downhill to drive turbines that produce more than a thousand megawatts of electricity. Coinciding with rapidly expanding and power-hungry economies in the region, the new Nam Theun 2 hydroelectric station seeks to turn this opportunity into an investment that provides Laos with maximum benefit from its resources without depleting them.

The project is a joint initiative involving the main French electricity company EDF, as

well as the Lao government and Thai counterparts. It is also supported by a number of bilateral and international financial institutions, with the World Bank and the Asian Development Bank (ADB) taking the lead. The EIB contributed a EUR 45m loan to the project. The backing of these investors played an important role during the Asian financial crisis of the late 1990s, when the project was conceived.

## Investing in communities and the environment

This world-class hydropower facility shows how investment in communities and the environment can bring benefits across society. The project's extensive social and environmental programmes include participatory planning and the resettlement of around 6 300 people, assistance with livelihoods and the protection of Laos' largest national biodiversity area. Nam Theun 2 was designed as a multi-purpose project, investing over 20% of its initial budget in

environmental protection and social development measures and was named 'Hydroelectric Power Project of the Year' at the Global Energy Magazine Awards.

Preparing Nam Theun 2 involved extensive public consultation both locally and internationally to ensure broad understanding and public acceptance of the project. Institutional and implementation arrangements include innovative and best practice features to ensure the transparency and accountability of public expenditure management.

The water reservoir covers an area that was previously home to some 1 200 families who have been resettled in 15 villages purpose-built to cater for their specific needs. These people now have facilities and access to services that were almost non-existent in their old villages: electricity and running water, health centres, schools and roads that can be used in all seasons. A dedicated health team is working with the local authorities to improve overall health



## 75 billion

An average of 75 billion cubic metres of water each year flows from the Nam Theun river on the Nakai plateau in central Laos.



*Nam Theun 2 is investing over 20% of its initial budget in environmental protection and social development measures.*

services through new infrastructure, training and community education. The project constructed new clinics, renovated district hospitals and installed latrines in the resettlement villages. The impact of these efforts is beginning to show strong positive results, with reduced infant and under-five mortality, declining parasitic infestations and better nutritional status among young children.

The families also benefit from accompanying livelihoods programmes to support them in agriculture, fishery, forestry or small business activities, in order to help them improve their living standards. Many villagers also obtained vocational training and temporary employment during the project construction and resettlement operations: around 8 000 workers were employed at the height of project construction.

Successfully resettling whole communities displaced by a hydropower project is a difficult and long-term task. The project promoters have taken this challenge seriously from the beginning and designed a sound resettlement process, including ambitious socio-economic targets to leave everyone better off. The Nam Theun 2 Power Company is committed to ensuring that resettled villagers at least double their income within five years of relocation.

Extensive conservation programmes have been put in place to protect the exceptional biodiversity around the project zone: hundreds of animals were transferred to a national protected area through a pro-

fessional wildlife rescue programme thus allowing the scientific study of various rare species. These include significant elephant and turtle populations, which received special attention from dedicated conservation teams.

Independent monitoring bodies have been put in place to follow the progress made. With the start of operations at the power station, these are focusing on ensuring that environmental and social commitments are met transparently.

#### Look at my field

“Before, I didn’t know how to grow things well. Now I do! Look at my field! It always looks nice now,” says Mrs Eng.

Mrs Eng is an energetic farmer outside Bouama village, and she is always eager to listen and learn from the agricultural technicians working with the project. One of the challenges of Nam Theun 2 is to help people discover ways of growing greater and more sustainable supplies of food while discouraging destruction of the surrounding forest. “They give me advice and help me source seeds and fertiliser,” she says. “I get this assistance because I work with them – and now everyone can see the results.”

The project promoters and the local authorities want to get more farmers on the Nakai plateau to the same stage as Mrs Eng. She is a special case: a dynamic woman who also runs a family, helps man-

age the village kindergarten, and has other plots of land and a home garden to tend.

#### A boost for the economy and infrastructure

The opening of the hydropower station last year marked a turning point for the country’s economy. The Lao People’s Democratic Republic is one of the poorest countries in South East Asia. Outside its capital, Vientiane, many people live without electricity or access to basic facilities. Laos is banking on the anticipated returns from the Nam Theun 2 hydropower scheme to boost its economy and infrastructure as well as to reduce the country’s dependence on international aid for its development.

In operation since 2010, the project is an important source of electricity for the country and of revenue for the government. Laos exports some 95% of energy from Nam Theun 2 to neighbouring Thailand, generating an average of USD 80m per year in state revenues, which the government seeks to invest in health, education, road infrastructure, electrification of rural areas, and the environment. Moreover, the concession for the power plant will be handed over to the Lao government after 25 years. The management of revenues is closely monitored by the World Bank and ADB, which also monitor the project’s social and environmental impacts, creating a new international standard. ■

# Namibia's first cement factory opens

The first ever cement plant in Namibia was inaugurated earlier this year. Built in record time, the new factory makes a significant contribution to reducing poverty and achieving sustainable economic development in the region.

“It is not every day that only 22 months after the start of construction, a cement plant with Ohorongo’s capacity and technology is able to get to the point of producing its first cement. We are very proud of this achievement,” says Gerhard Hirth, Chairman of Ohorongo Cement.

Located some 435 km north of Namibia’s capital Windhoek, the Ohorongo facility is among the most modern cement plants in Africa. The plant is helping to end Namibia’s reliance on imported cement and also supplies neighbouring Botswana, Zambia and Angola. The first cement bags left the factory in January and since then more than 200 000 tonnes have followed.

Some 200 direct jobs have already been created and staff training is ongoing. Ohorongo aims to employ 300 people in the future. A number of companies have

already opened their doors in the nearby regions in response to this new economic activity. Another 2 000 indirect jobs are expected to be generated through a multiplier effect.

## A boost for local business

“We welcome the plant’s commitment to improving living standards and employment around the facility and we hope that it will stimulate economic activity in northern Namibia,” says EIB Vice-President Plutarchos Sakellaris, responsible for lending operations in Africa.

Before Ohorongo, Namibia had to rely on imports as it did not have its own cement production. However, in order to meet infrastructure needs, a cement supply is urgently needed. With an annual production capacity of 700 000 tonnes, the new plant

will provide the region with construction materials. The plant covers all steps in cement production from raw material preparation to cement dispatching. It also comprises a grinding mill, access roads and railway tracks.

All raw materials required in the cement production process are local. Limestone, shale and marl are mined at the Ohorongo quarry, while iron ore and gypsum are obtained from the Okorusu mine and Elspe

## 700 000 tonnes

With an annual production capacity of 700 000 tonnes, the new plant will provide the region with construction materials.



## 200 direct jobs

Some 200 direct jobs have already been created and staff training is ongoing. Ohorongo aims to employ 300 people in the future. Another 2 000 indirect jobs are expected to be generated through a multiplier effect.

Another key initiative is the bush-to-energy project whereby Ohorongo Cement plans to use the indigenous encroacher bush to replace coal in the cement production process. Around 26 million hectares of agricultural land in Namibia are overgrown with encroacher bush, making it difficult to farm the land. Ohorongo Cement is seeking to use invader bush woodchips to meet a large part of the plant's energy demand, further boosting local employment through harvesting and delivery activities. Specialised harvesting machines have already been specifically developed to cut the bushes in a way that preserves the local biodiversity. This provides the plant with a renewable source of energy, at the same time as rehabilitating the land for farming.

The plant has been set up by Schwenk Zement, a medium-sized German company with over 160 years' experience of operating cement plants. This family-run business used the latest energy efficiency, product quality, health and safety and environmental protection technology to ensure the success of the Ohorongo project. It is Schwenk's first production facility in a developing country. ■

Minerals close to Swakopmund respectively, located in the west of the country.

In addition, Ohorongo is making an extra effort to engage with the community. Through the Ohorongo Otavi Community Trust, it has initiated a number of activities and projects. These include the donation of hospital equipment and renovation of the Otavi Health Clinic.

### Best available technology

The Ohorongo cement plant is the most technologically advanced plant of its kind in Africa and is in line with EU environmental and emission control standards. It has been designed for the highest levels of output with the least impact on its surroundings. The application of the best available technology allows for a 30% reduction in electrical power consumption

as compared to traditional cement plants. Using air quenching instead of traditional water conditioning for cooling purposes saves up to 220 m<sup>3</sup> of water per day and the employment of sophisticated filtering systems enables Ohorongo to keep the levels of air pollution to an absolute minimum.

"Our plant has been designed to operate in the middle of a city without polluting the air. In fact, therefore, the air in any major urban area is usually more polluted than that around our plant," Plant Manager Dr Jürgen Hilger explains.

The EIB supported the EUR 250m undertaking with a EUR 82m loan, alongside financing provided by Deutsche Investitions und Entwicklungsgesellschaft (DEG), part of the German KfW banking group, and the Development Bank of Southern Africa.



## 'Coordinated projects can have significant multiplier effects'

Baghi Baghirathan, Project Director for the Maputo (Mozambique) project at Water and Sanitation for the Urban Poor (WSUP) tells EIB INFO about supporting water and sanitation programmes in developing countries.

### *What is your organisation trying to achieve?*

A few years ago a group of NGOs, the private sector and a university in the United Kingdom got together to form WSUP with the aim of bringing together different experiences that would contribute to scaling up access to water and sanitation services for urban poor communities in developing countries. A key WSUP approach is to support and strengthen local water service providers to enable them to improve service delivery to the urban poor on a sustainable basis at scale. The same approach is also fundamental to improving sanitation services and an integrated approach to water and sanitation is usually adopted.

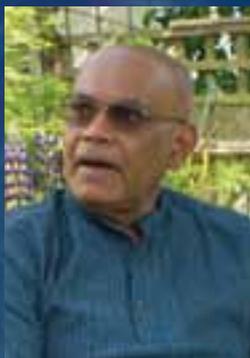
### *Why water?*

140 million people living in urban areas do not have access to safe, affordable water. This figure is expected to increase to 296 million by 2015. Drinking water coverage has remained almost unchanged since 1990, rendering progress towards the UN Millennium Development Goal water target in urban areas negligible. The continuing rapid urban population growth coupled with insufficient investment to improve water services for urban poor communities remain key reasons for this unsatisfactory situation. Projects such as the EIB-supported Maputo Water Supply Project are therefore important and can help to make real positive impacts.

### *What is WSUP doing in Maputo and how is it linked to the EIB project?*

WSUP has been working in eight bairros (Portuguese for a city district), each with a population of 20 000-25 000. These neighbourhoods did not have satisfactory access to a water supply, largely due to not having water networks coming through their area or public tap stands. People often have to pay quite high prices for water to private water vendors or walk long distances to collect their water.

We first studied the needs of these communities, undertook baseline surveys and consulted with the asset owner, FIPAG, and the private sector water



Baghi Baghirathan  
Project Director

supported project to improve the water service and supply was going ahead. This really was an important consideration for us, because one of the key requirements is the potential for a water supply to low-income communities. What we are doing at our end could not have gone forward in that way without the increased water supply capacity.

***How do you view cooperation between non-profit organisations and IFIs in general?***

Coordinated projects can have significant multiplier effects compared to stand-alone programmes. I think there is real value in actually trying to coordinate from the early stages of a programme. In the case of Maputo it is happening. It makes sense for IFIs like the EIB and non-profit organisations such as WSUP to work closer together. I would favour formal partnerships from the project formulation stage to achieve maximum benefits.

***How can such water projects contribute to achieving the water Millennium Development Goals (MDGs)?***

Maputo is an example of the real benefit of this type of coordinated programme and the impacts are really felt quite quickly. The WSUP programme together with the increased water supply capacity from the EIB programme will provide access to water to a significant population of urban poor in Maputo city on a sustainable and affordable basis. I go through the bairros where we have been working and the change has been quite remarkable. Seeing people living in very small houses and shacks in these bairros now having their own water connection and access to good quality water at rates which are affordable is a huge positive change; the impact is already being felt and will certainly prompt further scaling up. I view it as a process that has been triggered and will connect hundreds of new households covering all the peri-urban areas. I'm pretty confident that Maputo is on track to achieve the MDG target for improved access to water supplies for its urban poor population. ■

## Improving Maputo's water supply

According to the Mozambique government, over half of the population of 22.4 million does not have safe water to drink in the south-east African country. In the capital Maputo, almost half of the 1.7 million inhabitants live in absolute poverty and only 40% have access to adequate drinking water.

An EIB loan of EUR 31m is helping to improve the water supply by increasing the production and efficiency of the local water network, as well as expanding the water supply in the poorer areas on the outskirts of Maputo. It also improves the capacity and financial sustainability of the national water agency FIPAG (Fundo do Investimento e Património do Abastecimento de Água). The project also receives funding from the Dutch and French development agencies, as well as an EU grant of EUR 25m through the ACP-EU Water Facility.

By doubling the number of people who have access to safe drinking water (from 670 000 to 1.5 million), the EIB project is contributing to the achievement of Mozambique's Millennium Development Goals (MDGs) on water, health and poverty eradication. The project is due to be completed by the end of 2011.



operator supplying Maputo, AdeRM. There had been problems for some time with water supplies to many of Maputo's districts because of capacity, although we were aware that this was being addressed through the EIB project (see box). We then focused on the delivery end of the services to low-income communities by installing tertiary networks and helped AdeRM and the communities to connect to the tertiary network through house and shared connections. In the past two years there have been more than 6 000 new connections in the WSUP-supported bairros. Each connection is to one or more households, providing services to over 50 000 people, and that process is continuing under our programme.

***How do the two water projects, one driven by the EIB and the other by WSUP, relate to each other?***

One of the key reasons for WSUP to go forward with the programme in Maputo was the knowledge that the significant EIB-

# Bringing large-scale wind power to Cape Verde

The small island state of Cape Verde is using wind power to boost its energy supply and establish wind as a reliable source of non-polluting renewable energy. The project was awarded the 'Best Renewable Project in Africa' prize at the Africa Energy Awards 2011 in Johannesburg.

## 28 megawatts

Four onshore wind farms on four islands in the Cape Verde archipelago will add over 28 megawatts of electricity to the local energy supply.



“Enabling small island states to use renewable energy is part of our climate action efforts,” said EIB Vice-President Plutarchos Sakellaris, who is responsible for operations in the region. “Close cooperation between the EIB and the African Development Bank shows how long-term public finance can make a difference to such projects in difficult economic times.”

### Partnering on climate investments

The EIB, as lead financier together with the African Development Bank, has invested EUR 45m in four onshore wind farms on four islands in the Cape Verde archipelago (Santiago, São Vicente, Sal and Boa Vista). The 32 turbines benefit from the favourable conditions created by the prevailing trade winds coming from the Atlantic. Fully operational by the end of the year, they will add over 28 megawatts (MW) of electricity to the local energy supply and ease Cape Verde's reliance on imported fossil fuels. While reducing greenhouse gas emissions, the project will also help to

establish wind as a reliable energy source on the islands. In a strategic shift towards renewable sources, Cape Verde's Government wants to raise the share of wind energy production to 25% by 2012 and eventually to 50% by 2020.

“The Cape Verde Wind Power project is truly groundbreaking,” says Fabio Borba, Vice-President of InfraCo, which is managing the development of the wind farm. “Its novel public-private partnership structure will set an example for the whole region.”

A wind energy project on this scale is a first for Cape Verde, as is the public-private partnership set-up for this project. Earlier this year, the wind farm won the title of 'Best Renewable Project in Africa' at the Africa Energy Awards in Johannesburg.

### Boosting clean energy

Traditionally, Cape Verde has relied on imported diesel fuel to meet its power supply requirements. However, in recent times

the island's 450 000 inhabitants have been suffering more and more from electricity shortages. In order to meet rising energy demand, the national authorities have launched an ambitious plan to boost electricity production. The aim is to increase energy supplies by 40% by 2012 and to double the share of wind energy production by 2020 from 25% to 50%.

“With wind farms installed on four islands of the archipelago, the project will assist Cape Verde in achieving its electricity supply targets with the least environmental harm. The EIB is covering nearly half of the project financing. Without its support, commitment and foresight the project would have not come to fruition,” Borba adds.

At the same time the wind farms will help to bring down greenhouse gas emissions on the archipelago, which is a biodiversity hotspot (its coral reef is considered to be one of the world's ten most important). Moreover, the installations have been designed to preserve the natural rural landscape. ■

## EIB conference on Europe's long-term growth potential

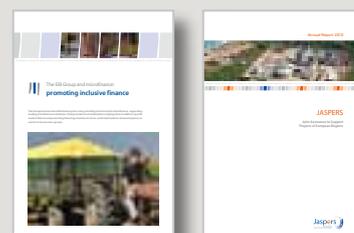
The annual EIB conference on economics and finance on 27 October will focus on productivity and Europe's long-term growth potential. It will review the empirical evidence on productivity growth and its drivers, with a particular focus on industrial structures and flexibility. Moreover, the participants (academics, policy-makers, companies) will discuss how to boost productivity growth in Europe. The conference will also zoom in on the specific role of Information and Communication Technologies and the e-economy for productivity growth.



### Publications

#### New report highlights private sector role in development

Increasing growth, reducing poverty and improving people's lives requires a vibrant private sector. However, the private sector in developing countries faces many constraints in terms of finance, infrastructure, employee skills and the investment climate. International Financial Institutions (IFIs) can help bridge these private sector gaps, according to a report by the International Finance Corporation (IFC), a member of the World Bank Group, together with other IFIs including the EIB. The report was presented at the annual meeting of the World Bank and IMF in Washington DC.



### People @ EIB



#### Tom Barrett

Tom Barrett has been appointed Director of the newly-created Technical and Financial Advice Department. This will provide strategic direction for the Bank, develop new technical and financial advisory services and regroup the existing technical assistance units.



#### Anita Fürstenberg-Lucius

Anita Fürstenberg-Lucius has been appointed Head of the Baltic Sea Department within the Directorate for Lending Operations in the European Union. Previously she was Head of the Division for operations in Germany in the same Directorate.

### Agenda

- **24-26/10/2011**  
Baltic Development Forum, Gdansk, Poland
- **27/10/2011**  
JEREMIE and JESSICA: delivering results, Warsaw, Poland
- **27/10/2011**  
EIB Conference on Economics and Finance, Luxembourg
- **28/11/2011 - 09/12/2011**  
United Nations Climate Change Conference, Durban, South Africa

Details at [www.eib.org/events](http://www.eib.org/events)

- Facsheets on lending in the different regions outside the EU (Western Balkans, Turkey, Mediterranean Neighbours, Eastern Neighbours, Central Asia, African, Caribbean and Pacific countries, South Africa, Asia and Latin America)
- Supporting the Knowledge Economy
- Promoting inclusive finance
- JASPERS Annual Report 2010

Details at [www.eib.org/publications](http://www.eib.org/publications)

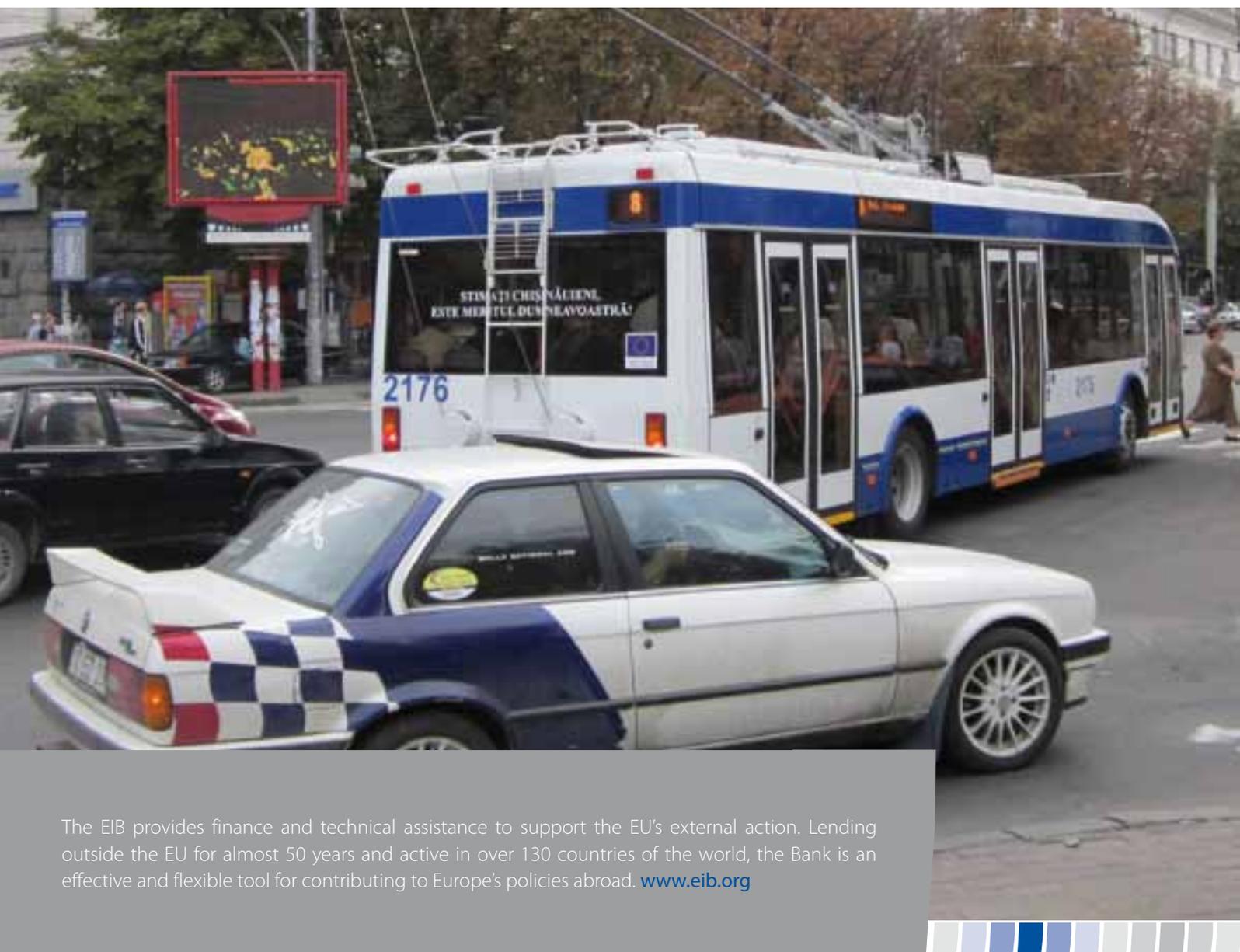


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