



## Annual Press Conference 2005

### Briefing Note N°10

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## ACP / Cotonou Agreement

In the framework of the EU's development co-operation policy with third countries, the EIB finances projects in the African, Caribbean and Pacific (ACP) countries. The Bank's financing for the 79 ACP countries and 20 OCTs is carried out under the Cotonou ACP-EU Partnership Agreement.

Under this Agreement, the EIB will provide EUR 1.7 billion of its own funds and manage EUR 2.2 billion under the new Investment Facility (IF) in 2003-2008. In association with the Commission's grant funds and its own resources, the Investment Facility provides long-term capital in the form of various risk sharing instruments and in the framework of a strategy focussed on the private sector and private sector facilitating infrastructure projects in the public sector. The IF is a revolving facility; reflows will be used for new projects.

### Funds currently managed by the EIB

Cotonou Partnership Agreement	Financial Protocol (first 5 years)		
	EUR m.	%	Financing for the OCT in EUR m
Grant financing from the European Development Fund	11 300	74.3	155
Investment Facility (revolving fund)	2 200	14.5	20
Loans from EIB own resources	1 700	11.2	20
<b>Total</b>	<b>15 200</b>	<b>100</b>	<b>195</b>

South Africa Mandates	EUR million	
Republic of South Africa (RSA)	1995-1996	300
(EIB own resources only)	1997-1999	375
	2000-2006	825
<b>Total</b>		<b>1 500</b>

### Lending to ACP, OCT & RSA in 2004 and in 2000-2004 (EUR million)

Lending by sector	ACP (2000-2004)	ACP 2004	OCT (2000-2004)	RSA (2000-2004)	RSA 2004
Energy	432	56	2	50	-
Transport & Telecom	273	14	-	100	-
Environment	190	-	-	100	100
Industry, Services	539	224	-	25	-
SMEs (Global loans)	689	146	8	425	-
<b>Total</b>	<b>2123</b>	<b>440</b>	<b>10</b>	<b>700</b>	<b>100</b>

### **The EIB Mandate under the Cotonou Agreement**

The central objective of the Cotonou Agreement is poverty reduction and its ultimate eradication and this is to be achieved through economic growth and the integration of the ACP economies into the world economy.

- The focus is on developing the private sector, seen as the main engine of economic growth. Viable revenue generating projects in all economic sectors are eligible.
- The Investment Facility (IF) is a new instrument, replacing the former "risk capital" of Lomé, with more resources and more varied financial instruments.
- The IF is:
  - Managed along commercial principles with the aim of being financially sustainable
  - A revolving fund; with return flows invested in new projects
  - Assure ACP countries of the future availability of resources
- Own resources loans continue to be available alongside financing from the IF.

### **2004 highlights**

Financing provided by the EIB in 2004 in ACP and RSA totalled EUR 540 million. After the relatively quick start of operations signed under the Cotonou Agreement in 2003, 2004 was characterised by consolidation in activities reflecting the prevailing economic situation in the ACPs and some specific issues encountered by the Investment Facility. On the one-hand, operations in some ACP countries with a historically high absorption of EIB lending, e.g. Côte d'Ivoire, Zimbabwe, have come to a halt. On the other hand, in the ACPs private sector development and the privatisation of utilities have not taken off as quickly as expected. In addition, Foreign Direct Investment remains very sluggish, due to a perception of high risk and a bureaucratic institutional framework. However, potential projects are increasingly being identified, the organisational, project preparation and follow-up structures are in place and the enabling environment for private sector investment in ACP is steadily but surely improving.

In 2004 considerable preparatory work was undertaken for the opening of the EIB representative offices in

- Dakar, Senegal, for Western Africa,
- Nairobi, Kenya, for East and Central Africa
- Pretoria, South Africa, for the Southern Africa region and Indian Ocean.

These representations will be operational at the beginning of 2005 for the support of the EIB's activities in sub-Saharan Africa. The possibility of opening similar offices in the Caribbean and the Pacific is being examined.

Of the almost EUR 500 million in signatures in ACP and South Africa, some 70% were under the Investment Facility, the remainder loans on own resources, of which EUR 100 million went to investment in the Republic of South Africa.

Approximately 44% of EIB's lending to ACP and in the Republic of South Africa in 2004 went to the private sector or the commercially run public sector; activities such as power and water infrastructure. EUR 255 million (51%) went to banks, venture capital and micro-finance funds, as support for the financial sector and thus, indirectly to assist the private sector, in line with the objectives set out for the IF.

### Some project highlights for 2004

- EUR 90 million was signed for setting up European Financing Partners S.A. (EFP), a Luxembourg-based company, as an investment matching facility<sup>1</sup>, for financing private sector projects in the ACPs in close partnership with the EIB's EDFI partners.
- A USD 8 million participation was taken in a second African Lion Mining Fund together with i.a. Proparco (France), AuSelect Limited (Australia, formerly Lion) and Investec Bank Limited (South Africa), African Lion Mining Fund II is a regional African fund to support mineral mining companies.
- EUR 50 million was signed for a financing facility with 6 banks in Nigeria to provide long-term finance in EUR and USD for the local banks to on-lend to small and medium sized companies in the productive and human capital sectors.
- EUR 54.6 million was signed in three operations with BOAD, the West African Development Bank, (1) a EUR 25 million global loan from own resources, (2) a EUR 25 million guarantee facility and (3) a EUR 4.6 million equity participation. The guarantee facility is the first operation of this kind under the Investment Facility.
- EUR 22.5 million went to a new power plant for the SNIM (Société Nationale Industrielle et Minière) in Mauritania, together with a participation of USD 5 million in a company set up to carry out a feasibility study into the exploration of a further iron-ore deposit in the same region.
- In South Africa, EUR 100 million was signed for the Berg water project, a scheme for the construction of the Berg River dam and supply scheme, part of a water demand management programme for the Cape Town area that will improve the quantity, quality and reliability of water supplies both for the population and for industrial and commercial consumers.

For more information on the EIB, visit the internet site [www.eib.org](http://www.eib.org).

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<sup>1</sup> Broadly: the bilateral development finance institutions of the EU member states