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The Bank promoting European objectives

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Supporting Partner Countries in ACP and ALA

In addition to its activities in the European Union, the EIB is instrumental in implementing the EU's development and economic cooperation policy in some 105 countries further afield. The mandates are quite different, development goals being central in the Africa, the Caribbean and the Pacific (ACP) while in Asia and Latin America (ALA) the mandate is more focused on specific activities.

The EIB and ACP countries

The EIB contributes to the European Union's external co-operation and development policies in the African, Caribbean and Pacific regions under the Cotonou Partnership Agreement between the EU and the 79 ACP countries. The Cotonou Agreement was concluded in June 2000 for a 20 year period, and succeeded the Lomé IV convention, with protocols for each successive five-year period. Under the first protocol (2003-2007), the EIB manages the Investment Facility (IF), a EUR 2.037bn risk-bearing revolving instrument, established to support investment in private enterprises and commercially run public sector entities, including revenue-generating infrastructure that is key to the private sector. The IF is supplemented by an envelope of up to EUR 1.7bn from the Bank's own resources for the ACPs (EUR 20m for the 20 Overseas Countries and Territories – a further group of beneficiary areas that have a special constitutional relationship with a EU Member State), covered by a guarantee from the Member States. The second financial protocol, for 2008-2013, foresees an additional EUR 1.53bn allocation to the IF, to be supplemented by an increased envelope of up to EUR 2.03bn for lending from the Bank's own funds.

Interest rate subsidies are available in specific cases and allow for a softening of the financing package, notably for projects with an important environmental and/or social component or public sector projects in countries pursuing economic adjustment programmes.

EIB lending in South Africa is provided under a separate mandate. For 2007-2013 EUR 900m is available, compared to EUR 825m for 2000-2006.

EIB lending to ACP, OCT and RSA in 2006 and in 2002-2006 (EUR million)*

Signed loans by sector	ACP (2002-2006)	ACP 2006	RSA (2002-2006)	RSA 2006
Energy	544	207	130	80
Transport & Telecoms	177	4	60	-
Environment	166	48	185	-
Industry, Services	515	117	-	-
SMEs	1 081	370	260	-
Total	2 484	745	635	80

* 2002 and 2003 figures for ACP countries include also loans under Lomé IV

The IF has now established a strong track record of activity with a total of approved and signed operations amounting to EUR 1.736bn and EUR 1.205bn respectively. To this should be added approvals and signatures under the Bank's own resources of EUR 478m and EUR 337m respectively. A clear focus has so far been placed on projects promoted by the private sector, which accounted for 81% of the IF signed portfolio at the end of 2006 on a cumulative basis. Otherwise, 53% of the current IF portfolio targets financial services – with good results achieved so far in developing the Bank's microfinance activities in the ACPs and particularly in sub-Saharan Africa - and 21% relates to industrial investments (including mining operations). The other 26% relate to basic infrastructure, covering energy, water, transport and telecommunications investments.

Working closely with the European Commission

The possible pooling of the Bank's and the Commission's expertise as well as the identification of financing opportunities where Commission grant resources can be used alongside EIB funding continues to be a major area of concerted action, as illustrated by the 2006 signature of a Memorandum of Understanding between the Bank and the European Commission for the creation of a Trust Fund in support of regional infrastructure in Africa. Through this Trust Fund, which will also be open to contributions from Member States, the European Commission will initially allocate up to EUR 60m in grants to accompany approximately EUR 260m in loans from the EIB in the form of interest rate subsidies.

Along the same line, good progress was made in implementing projects in Ethiopia, Madagascar and Mozambique involving EIB loans under the ACP-EU Water Facility, established in 2004 to promote and support investment in the water sector in ACP countries. The new dedicated EIB Water Project Preparation Facility (PPF) of EUR 3m will finance the preparation of at least eight ACP water and sanitation projects over the next three years.

Outlook

In the years to come, the Bank's emphasis will be on infrastructure and the financial sectors. In infrastructure, basic investments such as in energy, sanitation and water projects will continue to be the focus, with priority given to projects initiated by the private sector and regional initiatives (projects involving or having an impact on more than one country). Operations with the financial sector, notably the channelling of funds through local financial institutions and private equity funds, generally serve the double purpose of supporting the development of local financial markets and providing funding for smaller enterprises, including micro-enterprises.

Highlights for 2006

- A EUR 9.75m loan from the Bank's own funds went to Barbados Light and Power Company for the BLPC IV wind power project. The project replaces expensive fossil fuel by an environmentally-friendly alternative and a reduction in atmospheric emissions. The project is eligible under the Bank's Climate Change Financing Facility and is likely to be eligible for registration under the Clean Development Mechanism of the Kyoto Protocol. BLPC has applied for support under the Bank's Climate Change Technical Assistance Facility with a view to facilitating the process of obtaining such registration and the interest rate subsidy attached.
- A EUR 3.5m loan for the Kolombangara Forestry Project for the rehabilitation of a poor quality tropical hard wood plantation and the replacement of ageing forestry equipment in the Western Province of the Solomon Islands. The project also supports community based sustainable management of natural forests aiming at developing best harvesting and marketing practice.
- A EUR 80m loan from the Bank's own funds went to ESKOM Holdings Ltd in South Africa for the construction of a new high voltage transmission interconnection between Johannesburg and Cape Town. ESKOM is the country's fully state-owned electricity utility.

The EIB and Asia and Latin America

EIB lending in Asia and Latin America is governed by mandates of the European Union (EU). Under previous mandates, the Bank was authorised to lend up to EUR 4.4bn. The first mandate dates back to 1993 and the last mandate of EUR 2.48m covered the period 1 February 2000 to 31 January 2007.

Since it began its operations in the ALA countries in 1993, the EIB has signed 95 loans totalling EUR 4.762m. Of this amount, 55% has been allocated to projects in Latin America and 45% to projects in Asia. The funds have been utilised to finance productive investment of mutual interest to the EU and the country where the project is located in Asian and Latin American partner countries, in line with European Union cooperation policy objectives.

In 2006, EIB lending for projects located in Asia and Latin America totalled EUR 483m, of which EUR 240m for 5 projects in Latin America (Brazil, Colombia, Ecuador, Honduras and Peru) and EUR 243m for 5 projects in Asia (Pakistan, Vietnam, Sri Lanka and the Maldives).

In Latin America for example, the Bank signed a EUR 20m loan to the Central American Bank for Economic Integration (CABEI) to support investment in 100 km of the Honduran corridor connecting the Atlantic with the Pacific Coast. The project is part of the Plan Puebla - Panama initiative, a regional action plan to improve cross-border infrastructure in Central America and Mexico.

In Asia, the EIB contributed to international and EU efforts to alleviate the impact of natural disasters in the region, notably through loans to finance post-tsunami reconstruction in Maldives and Sri Lanka were signed and a cement plant in the earthquake-affected region of Pakistan.

The new ALA mandate

Under its new mandate covering the period 2007-2013, the EIB can lend up to EUR 3.8 billion for operations in ALA partner countries, with a guarantee from the European Union. This represents a substantial increase of 53% compared to the previous mandate for the period 2000-2006. The mandate has been subdivided into indicative ceilings of EUR 2.8bn for Latin America and EUR 1.0bn for Asia.

The Bank's activities in ALA will complement the EU cooperation strategy with the regions. In sector terms, the lending objectives for Asia and Latin America have been broadened. EIB lending will target environmental protection, including climate change mitigation, and projects that contribute to the energy security of the EU, and will continue to support EU presence through Foreign Direct Investment, transfer of technology and know-how.

For further information on the EIB, visit its website www.eib.org.

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