



## Annual Press Conference 2008

### Briefing Note No 11

#### The Bank promoting European objectives

Luxembourg, 28 February 2008

### The ACP partner countries

In Africa, the Caribbean and the Pacific the EIB has a development mandate to promote economic growth and reduce poverty. The EIB is active in these regions under the EU-ACP Cotonou Partnership Agreement.

#### EIB lends EUR 869m to promote sustainable development in the ACP countries

The European Investment Bank strengthened its presence in the **African, Caribbean and Pacific (ACP) countries** and in 2007 invested EUR 756m in the ACP region and the Overseas Countries and Territories (OCTs)<sup>1</sup>. In addition, the Republic of South Africa benefited from EUR 113m in EIB funding.

The Bank lends from two sources – the EIB's own funds and the European Union Member States' budgets. 2007 was a record year for loans from the Bank's own resources, which amounted to EUR 432m.

The EIB contributes to the European Union's external cooperation and development policies in these regions to improve social well-being and work towards achieving the Millennium Development Goals. EIB support goes beyond loans to the ACP countries, as EIB staff also provide expert advice at the project preparation stage.

#### Important projects

In 2007, the EIB lent to 25 projects in Africa, the Caribbean and the Pacific, seven of which supported cross-border schemes. Two projects in the Overseas Countries and Territories also received financial support, as did a further two in South Africa. The EIB targeted **projects with a developmental impact**, such as environmental initiatives, major energy and transport infrastructure and private businesses. Key projects in the regions included:

- The first EIB targeted credit lines in the OCTs, which will focus specifically on **local projects in the fields of renewable energy and the environment**. Providing long-term funds will also help to boost the financial sector. Credit lines each to the value of EUR 5m went to Banque Calédonienne d'Investissement (BCI) in New Caledonia and Banque SOCREDO in French Polynesia.
- A USD 136m loan to the Government of Uganda to help ease the power shortages that are having a significant negative impact on the Ugandan economy. The Bujagali **hydroelectric project** involves the construction of a dam and hydroelectric power station on the Nile River. The project will largely replace polluting and expensive thermal power generation, and will double electricity generation in Uganda. The EIB participated in the project as part of an international financing consortium that includes the World Bank Group, the African Development Bank and European bilateral agencies.
- A EUR 25m loan to promote private companies in South Africa, namely Sonae Novobord. The EIB will finance the **expansion of a panel board factory** in White River, in Mpumalanga Province. The loan will help to increase the capacity of the plant to meet the strong growth in domestic demand from the furniture and construction sectors. The project boasts many social benefits – providing jobs in an area of high unemployment, enhancing professional skills through training and encouraging good health care and HIV screening.

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<sup>1</sup> A group of beneficiaries linked constitutionally to four EU Member States (France, United Kingdom, Netherlands and Denmark).

## EIB opens doors to new infrastructure fund and two regional offices

Cooperation with the European Commission and the EU Member States took pride of place on the 2007 EIB agenda thanks to the launch of a **joint initiative to foster infrastructure projects** in sub-Saharan Africa. During the year the Bank also completed its **network of regional offices** in the ACP countries, designed to ensure greater dialogue and partnership with local governments, the private sector, regional development banks and the European Commission delegations.

In April 2007, the EIB launched the **EU-Africa Infrastructure Trust Fund**, backed by 10 EU donors and the European Commission. The Bank acts as the Trust Fund's manager. The Fund supports the development of cross-border infrastructure in sub-Saharan Africa, providing grants for water, energy, transport and telecommunications initiatives.

The Trust Fund fuses the technical expertise and funding capacity of the Bank and other EU development financiers with European Commission grant resources. The Trust Fund stands at EUR 98m, EUR 16.2m of which has been approved for allocation to four infrastructure projects.

A project to establish a regional electricity market in West Africa was one of the first Trust Fund beneficiaries. The **West African Power Pool** received a EUR 3m grant to fund two pre-investment studies for power interconnection projects linking Ghana, Burkina Faso and Mali, and Ivory Coast, Liberia, Sierra Leone and Guinea. The projects will facilitate cheaper and more reliable energy supplies and demonstrate the EIB's commitment to reconstruction in post-war countries.

The EIB inaugurated **regional representations** in Fort-de-France, Martinique, in May 2007 and Sydney, Australia, in November 2007, serving the Caribbean and Pacific regions respectively. A network of five EIB regional offices now covers the whole ACP region. In 2005 offices were opened in Nairobi, serving East and Central Africa; Dakar, dedicated to West Africa; and Tshwane, covering Southern Africa and the Indian Ocean region. The presence of EIB staff locally allows them to visit projects regularly and facilitates communication and cooperation with project promoters, donors in the region and European Commission delegations.

## Outlook for 2008

Projects to be signed in 2008 include:

- a EUR 18.5m loan to provide **clean drinking water** to inhabitants in Ouagadougou, Burkina Faso. The demand for drinking water in the capital has increased since the construction of the Ziga dam. This clean water project will improve the living conditions of the city's 1.2 million inhabitants and builds on a previous extension of the drinking water network which was completed in 2005. The EIB lent EUR 14m for the first clean drinking water project;
- a EUR 13m loan to provide 250 million Africans with **improved telecommunications access** and reduced costs. The East African Submarine Cable (EASSy) will transform the telecommunications and internet landscape along the eastern coast of Africa. 10 000km of fibre optic cable will run from Sudan to South Africa, with landings in Djibouti, Somalia, Kenya, Tanzania, Madagascar, Mozambique, Mayotte and the Comoros;
- a EUR 150m line of credit to fund **affordable social housing** in South Africa. This is the first EIB loan in South Africa provided directly to both public and private financing institutions. EIB funding will ensure better housing and living conditions for low-income households. The project will contribute to the country's main economic and social goals of poverty alleviation, job creation, crime reduction, social cohesion and empowerment of the poor.

**Background notes:****EIB in the ACP countries and OCTs**

The European Investment Bank has been an active development partner in many African, Caribbean and Pacific countries since 1963 and in the Overseas Countries and Territories since 1968.

EIB lending in these regions is an integral part of the European Union financial support package under the ACP-EU Cotonou Partnership Agreement. The Agreement was concluded in June 2000 and will run for 20 years, with Financial Protocols defined for each successive five to six-year period.

In addition, the EIB has managed the Investment Facility (IF) under the first Financial Protocol from 2003-2007. The IF is a EUR 2.037bn risk-bearing revolving fund, established to support investment in private businesses and commercially-run public sector companies (including revenue-generating infrastructure). This was supplemented by up to EUR 1.7bn from the Bank's own resources, which is covered by a guarantee from the Member States.

In parallel, a EUR 20m Investment Facility was established in November 2001 for the 20 Overseas Countries and Territories and was supplemented by up to EUR 20m from the Bank's own resources, which is also covered by a guarantee from the Member States.

In certain cases, projects with an important environmental and/or social component or public sector projects in countries pursuing economic adjustment programmes have benefited from interest rate subsidies to soften the financing package.

**Investment Facility – second Financial Protocol (2008-2013)**

The second Financial Protocol (2008-2013) provides for an additional EUR 1.53bn allocation to the ACP and OCT Investment Facilities. This will be supplemented by increased EIB funding from its own resources of up to EUR 2bn for the ACP countries and EUR 30m for the OCTs.

The new Financial Protocol will come into force during the course of 2008, upon completion of the ratification procedure for the revised Partnership Agreement. The EIB will continue to use the remaining funds available under the first Protocol in addition to the Bank's own resources until this procedure is completed.

**EIB lending in South Africa**

South Africa is one of the ACP countries but receives EIB funding under a separate mandate. In October 2007, the EIB signed a Declaration of Intent with the Government of the Republic of South Africa, pledging financial support to the country until 2013. From 2007 to 2013, the EIB will lend up to EUR 900m to South Africa. The EIB cooperates with the South African authorities, public agencies, private enterprises and the financial sector to focus investment on infrastructure projects of public interest (including municipal infrastructure, power and water supply) and support for the private sector, including small and medium-sized businesses.

*For further information on the EIB, visit its website [www.eib.org](http://www.eib.org).*

*Press contacts: Press Office, [press@eib.org](mailto:press@eib.org); Tel: (+352) 43 79 - 21000; Fax: (+352) 43 79 - 61000  
General questions: EIB Infodesk, [info@eib.org](mailto:info@eib.org); Tel: (+352) 43 79 - 22000; Fax: (+352) 43 79 - 62000*