



## **The ACP and OCT Partner Countries and South Africa**

*The EIB's overriding aim in the African, Caribbean and Pacific (ACP) regions and in the Overseas Countries and Territories (OCTs) is to support projects that deliver sustainable economic, social and environmental benefits. The bank's goals in these regions are aligned with the ACP-EC Partnership Agreement (Cotonou Agreement), the Trade, Development and Cooperation Agreement for the Republic of South Africa, the European Consensus for Development and the United Nations Millennium Development Goals.*

### **EIB lends EUR 763.5 m in 2008 to alleviate poverty and promote sustainable development**

In 2008, the European Investment Bank (EIB) lent EUR 561m to support 26 development projects in Africa, the Caribbean and the Pacific (ACP) and the Overseas Countries and Territories (OCTs). Eight of these projects promoted cross-border schemes, notably to encourage regional integration.

To provide loans, guarantees and risk capital to ACP and OCT projects, the Bank manages the EU's refundable aid from the European Development Fund – the Investment Facility. The EIB supplements the EU aid with loans from its own resources, borrowed on the international capital markets. Loan signatures under the ACP Investment Facility increased to EUR 326m in 2008, compared with EUR 314m in 2007. ACP projects also benefited from a further EUR 225m in EIB loans from the Bank's own resources, compared with EUR 432m in 2007. In the OCTs, the EIB lent EUR 10m from the OCT Investment Facility, the same figure as in 2007.

2008 also witnessed increased EIB support to sustainable economic development in the Republic of South Africa, which, although an ACP country, is funded under a separate mandate entirely from EIB own resources. The EU bank invested EUR 202.5m in three South African projects, almost doubling its financing activity compared with EUR 113m in 2007.

### **Highlight projects in 2008**

In 2008, the EIB targeted projects with a developmental impact, such as environmental initiatives, major energy infrastructure and private enterprises. Key projects in the regions included:

- A EUR 16m loan to the Republic of Malawi to support safe and sustainable water supply and basic sanitation services in the major cities of Blantyre and Lilongwe. The project will provide safe drinking water to some 700,000 urban inhabitants in this Highly Indebted Poor Country and, as such, it is of critical importance to Malawi's economic development and the social well-being of its people.
- A EUR 35m EIB loan and a EUR 15m interest rate subsidy from the EU-Africa Infrastructure Trust Fund to Namibia's state-owned electricity provider – NamPower – for the development of the Caprivi interconnector linking the Namibian and Zambian electricity networks. Caprivi will allow for the development of electricity interconnections between countries in the Southern African Power Pool and will support the emergence of a reliable and competitive power market in Southern Africa.
- The first loan in the Democratic Republic of Congo (DRC) since 1986, illustrating the EIB's commitment to support the DRC government's efforts to establish political stability and encourage economic development. The Bank lent EUR 110m to the DRC Government for the rehabilitation and expansion of the Inga hydropower plants and transmission system which are at the heart of the DRC's energy generation capacity. The project will contribute to providing reliable and cost-efficient electricity in the DRC, bringing electricity to first-time customers in the poorest areas of Kinshasa.
- A USD 30m loan to Digicel Pacific to develop competitive mobile phone networks across the Pacific. The project will ensure increased access to innovative and competitive telecommunication services for over 85% of the population in Vanuatu, Tonga, Samoa and Fiji, supporting regional economic development and integration of more remote areas.

- A EUR 150m line of credit to fund affordable and social housing in South Africa. This is the first EIB loan in South Africa in the housing sector and provided directly to both public and private financing institutions. The objective of the EIB's funding is to 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.

## Important developments in 2008

### *Cotonou II enters into force*

On 1 July 2008, the revised Cotonou Partnership Agreement, Cotonou II, entered into force following the completion of its ratification by all EU Member States and 75% of the ACP States. The new protocol covers the period 2008-2013 and sets out the financial means by which the EU will support development in the ACPs and OCTs. Moreover, the revised agreement provides for additional resources to enable the EIB to fulfil its policy objectives in these regions.

### *Building key infrastructure and a strong financial sector*

The EIB consolidated its operational strategy in 2008, concentrating lending on infrastructure and the financial sector.

Infrastructure projects – water, energy, telecommunications and transport – accounted for 63% of all signed investments in the ACP regions in 2008. The Bank's infrastructure activities remained focused on two dimensions throughout the course of the year:

- Regional integration was an important element of many projects. Moreover, the Bank's loans in favour of cross-regional economic and social development were complemented by technical assistance and subsidies from the EU-Africa Infrastructure Trust Fund which has approved 8 grants worth EUR 63 m since the start of its operations in April 2007, including for the Caprivi interconnector project in Namibia.
- Last year, the EIB and European Commission further reinforced their joint commitment to technical assistance and project preparation, with the creation of the ACP Water Preparation Facility. The €3m Facility funds technical assistance for the preparation of sound water and sanitation projects from 2008-2010. The first potential recipient of funds from the preparation facility is a regional project based around the Lake Victoria basin.

In 2008, the EIB provided seven loans to support the development of the financial sector, strengthening local financing institutions and capital markets to ensure that small businesses enjoy improved access to essential financial products and services. Throughout the year, EIB lending in the sector focused on promoting positive change and innovation.

- The EIB continued to support the development of microfinance institutions in the Dominican Republic. Three local banking institutions, Banco ADEMI, Banco ADOPEM and FONDESA benefited from EIB lines of credit and equity participations to finance loans to micro, small and medium sized enterprises. The EIB has been instrumental in the transformation of ADEMI and ADOPEM from microfinance to banking institutions through previous lines of credit, equity and technical assistance.
- The EIB recognises that investment in innovative sectors encourages economic growth in emerging economies. In 2008, the Bank addressed the limited availability of risk capital for African technology companies by becoming a lead investor in Adlevo Capital Africa LLC, the first private equity fund dedicated to the high-tech industry in sub-Saharan Africa.

### *Committed to transparency and cooperation*

The EIB redoubled its efforts to ensure transparency in its ACP operations in 2008 with some important steps.

- Public consultations with civil society have become a fundamental part of the Bank's operations. The revision of the EIB Statement of Environmental and Social Principles and Standards led to open and fruitful discussions regarding the development of EIB activity in the ACPs.
- The EIB also took the initiative to become a member of the Extractive Industries Transparency Initiative (EITI). Through its endorsement of EITI, the EIB has reconfirmed its commitment to good

governance and best practice across the mining sector – an important sector of activity for the EIB in the ACP regions.

Moreover, the EIB's efforts to enhance coordination and cooperation with other donors in the ACPs remained firmly on-track in 2008. Half of the 26 projects in the ACP and OCT regions were co-financed by international development finance institutions, bilateral and/or multilateral donors.

Cooperation with the European Commission (EC) was another strong aspect of 2008 activity, with the continued success of joint initiatives such as the Risk Capital Facility in South Africa, which is designed to support SMEs owned and managed by previously disadvantaged people. Building on this positive experience, the two EU institutions have started to consider the feasibility and operating modalities of the Growth and Employment Facility for South Africa (GEFSA). GEFSA will be sponsored and financed by the Commission and managed by the EIB. It will provide risk-bearing funds to a total of EUR 100-120m and will target a broader spectrum of economic sectors, with a high expected development impact.

## Outlook for 2009

The EIB's activities in the ACPs, OCTs and South Africa in 2009 will doubtless be affected by the international financial crisis and the Bank aims to remain flexible to respond to funding needs as they arise. This will involve the use of innovative financial solutions, as well as increased availability of equity instruments and local currency funding.

Nonetheless, the EIB will remain committed to its operational strategy which concentrates on infrastructure and financial sector growth. Moreover, the EIB will underline the importance of identifying renewable energy projects and initiatives with a positive climate change impact.

Projects to be signed in 2009 include:

- An investment of up to USD 20m to participate in the LeapFrog Microinsurance Fund. The fund will make equity and equity-related investments in companies that deliver insurance products and services to low-income people in developing countries. Improved access to insurance products will help to stimulate poverty reduction and economic growth and the project's success may lead to further development of insurance products for the poor.
- EUR 65m of EIB finance for the rehabilitation of the transport infrastructure of the Beira corridor in Mozambique. This project is emblematic for Mozambique as it will allow the reopening of the Sena railway line, closed for over 20 years due to the civil war. Moreover, it will permit increased operations at the Beira port with improved safety and reduced costs. The project will also receive a subsidy from the EU-Africa Infrastructure Trust Fund due to the positive impact it will have on the transport links across southern Africa.

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

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