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Investment Facility

ACP-EU Cotonou Partnership Agreement

Annual Report 2006

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Investment Facility

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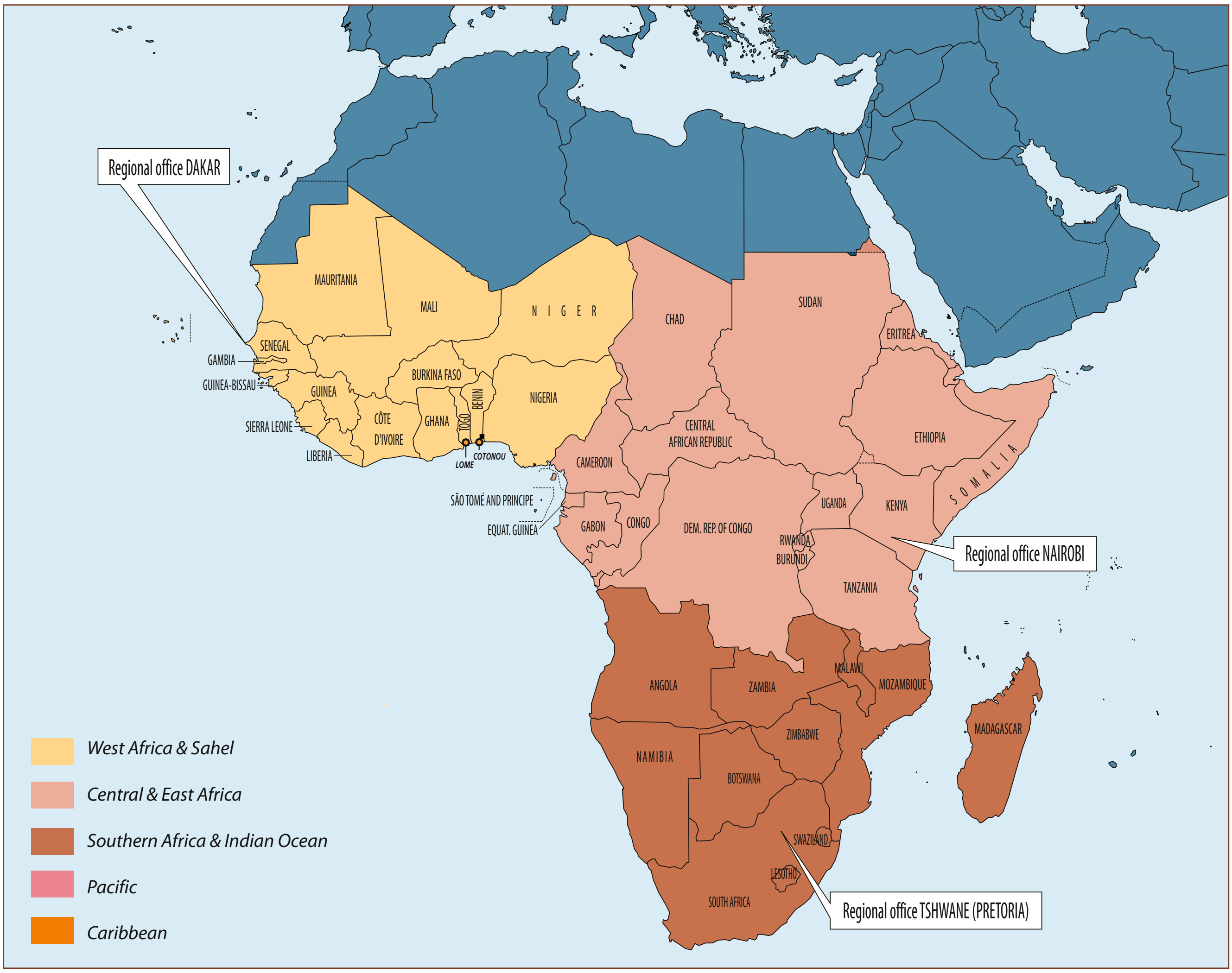
"The Investment Facility shall operate in all economic sectors and support investments of private and commercially run public sector entities, including revenue-generating economic and technological infrastructure critical for the private sector. The Facility shall:

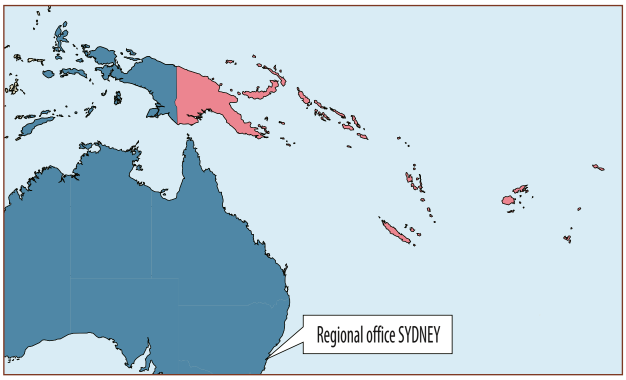
- be managed as a revolving fund and aim at being financially sustainable. Its operations shall be on market-related terms and conditions and shall avoid creating distortions on local markets and displacing private sources of finance;
- support the ACP financial sector and have a catalytic effect by encouraging the mobilisation of long-term local resources and attracting foreign private investors and lenders to projects in the ACP States;
- bear part of the risk of the projects it funds, its financial sustainability being ensured through the portfolio as a whole and not from individual interventions; and
- seek to channel funds through ACP national and regional institutions and programmes that promote the development of small and medium-sized enterprises (SMEs)."

Revised Cotonou Partnership Agreement, Annex II, Article 3

Map of ACPs and OCTs



Pacific



Caribbean

Mission of the Investment Facility

Reducing poverty through a stronger private sector in the ACPs and the OCTs

The European Investment Bank supports the European Union's cooperation and development policies in the African, Caribbean and Pacific regions in the framework of the Cotonou Partnership Agreement between the EU and the 79 ACP countries. It manages the Investment Facility, a EUR 2 037 m risk-bearing instrument funded from the European Development Fund geared specifically to fostering private sector investment in a difficult economic and political context and, thereby, to filling financing gaps in the market. In so doing, the Bank must balance responsiveness to opportunities with scrutiny and accountability, together with the management of public funds, while paying due attention to the developmental merits of the projects it finances. In line with the aims and objectives that were expressed by the international community in the UN Millennium Development Goals, it supports those projects that promise appreciable social, economic or environmental benefits.

In parallel, a EUR 20 m OCT Investment Facility was set up in accordance with the Council Decision of 27 November 2001 on the association of Overseas Countries and Territories (OCTs) with the European Community with a similar aim for the 20 OCTs situated in the Caribbean, the Pacific, and the north and south Atlantic Oceans that are eligible for European Community financial assistance.

Both the ACP and the OCT Investment Facilities (IF) are supplemented by an envelope of up to EUR 1 700 m and EUR 20 m respectively from the Bank's own resources. Operations carried out under the Bank's own resources are ultimately covered by a guarantee from the EU Member States.

The Cotonou Agreement was concluded in June 2000 for a 20-year period, with separate protocols defining the aggregate amount of Community aid to the ACP States for each successive financial period. The second financial protocol, covering the period 2008-2013, was signed in June 2006 on the occasion of the ACP-EU Council of Ministers in Port Moresby (Papua New Guinea). It includes an additional EUR 1.53 bn allocation to be managed by the EIB and split as follows:

- EUR 1.1 bn as a second capital endowment for the ACP Investment Facility;
- EUR 30 m as a second capital endowment for the OCT Investment Facility;
- EUR 400 m for interest rate subsidies, of which up to 10% can be used for project-related technical assistance.

This will be supplemented by an appropriation of up to EUR 2 bn and EUR 30 m for own resources lending in the ACPs and in the OCTs respectively which, as in the past, will be covered by a specific guarantee from the EU Member States.

The new financial protocol will come into force upon completion of the ratification process of the revised Cotonou Agreement.

Operational highlights for 2006

- 2006 proved to be an exceptional year for the IF with signed commitments during the year totalling EUR 570 m, a level never achieved by the Bank in the ACP region under EDF resources, to which should be added EUR 167 m under the Bank's own resources.

- A number of projects for which commitments were made in the years 2003-2005 are now entering into active implementation, marked by an increase in disbursements, which totalled EUR 271 m in 2006 to reach a cumulative total of EUR 396 m under the IF. Disbursements on own resources operations amounted to EUR 86 m in 2006 and stood at a cumulative total of EUR 106 m at the end of 2006.

- The IF has now established a strong track record of activity with a total of approved and signed operations amounting to EUR 1 736 m and EUR 1 398 m respectively, equivalent to approximately 85% and 69% of its initial capital endowment. The current portfolio comprises 76 projects, of which 8 are regional, the rest covering 28 ACP countries. Commitments of EUR 386 m under the own resources mandate have been made for 14 projects, of which 2 are regional, and the rest cover 8 ACP countries.

- Projects promoted by the private sector accounted for 81% of the IF portfolio at the end of 2006. Sectorally, 53% of the current IF portfolio targets financial services and support for SMEs and 21% relates to industrial investments (including mining operations). The other 26% relates to basic infrastructure, covering energy, water, transport and telecommunications investments.

- The EU-Africa Infrastructure Trust Fund was launched in the fourth quarter of 2006, with the EIB as manager. With an initial EUR 60 m contribution from the European Commission, the Fund is expected to start allocating funds to projects in Africa in the first half of 2007.

- The regional offices in Tshwane, Nairobi and Dakar are now well established and proving highly valuable in raising the profile of the Bank in East, West and Southern Africa, and consolidating the portfolio of operations in those regions. The official opening of the Bank's new offices in Fort-de-France and Sydney, scheduled for early 2007, will also significantly contribute to improving project access and maintaining an on-going dialogue with the Bank's various stakeholders in the Caribbean and Pacific regions, while at the same time helping to overcome the specific problems of distance and time-zone differentials.

Contents

Investment conditions in ACP Countries

Countries in the developing world have always been particularly exposed to the vagaries of volatile capital flows. In recent years, with the recovery of world growth, private capital flows to developing countries have been rising sharply, recovering from their trough in 2001. Alongside narrowing interest rate spreads, developing countries managed to secure gross funding of USD 329 bn in 2005, up from USD 214 bn in the previous year[1].

In **Sub-Saharan Africa** too, gross debt flows rose from USD 9.8 bn in 2004 to USD 14.2 bn in 2005, accounting for around 4.5% of total debt flows to developing countries. Net FDI to the region picked up – to USD 17.6 bn in 2005. However, this favourable regional picture masks potential bias in terms of geographic distribution and size. FDI inflows to Sub-Saharan Africa, for example, were concentrated in natural resource-abundant Nigeria, South Africa and Angola. Moreover, although African economies are relatively small, the size of cross-border loans is double that of those flowing into Latin America and the Caribbean. Finally, according to the World Bank, no Sub-Saharan intermediary (apart from those based in South Africa) accessed international bond markets in 2002-2005[2]. The evidence thus suggests that private capital flows to Sub-Saharan Africa tend to be highly skewed towards large economies and/or large natural resource projects. While there should nevertheless be scope for developmental impact, the current composition of capital flows to the region could lead to resource misallocation and rising development gaps between resource-rich and resource-poor societies.

As regards official finance, after a prolonged period of decline in per capita terms, since 2001 official development finance (ODA) has been rising again (see chart p.7). Most of the higher levels can be attributed to debt relief. Indeed, to further buttress the HIPC debt relief initiative, at the G8 Gleneagles Summit in July 2005, Heads of State agreed to immediately write off all the world's poorest countries' IMF, World Bank and African Development Bank debts through the Multilateral Debt Relief Initiative (MDRI)[3]. Though the size of debt relief varies from country to country, average debt-to-export ratios are expected to fall to 45% from over 140%[4]. Debt relief is expected to free up resources for developmental spending in priority areas such as education, health and infrastructure and to obviate unsustainable debt levels. The evidence with existing debt relief, however, suggests that such benefits cannot be taken for granted as they require strong governance and public expenditure standards as well as prudent post-relief borrowing policies. The Paris Club creditors also wrote off USD 17 bn of Nigeria's external debt, the biggest single debt deal ever.

Mirroring the rebound in private and official inflows, economic growth in Sub-Saharan Africa persisted at a relatively

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[1] See World Bank Global Development Finance (2006)
[2] Ibid
[3] All HIPC countries that reach completion point and 2 non-HIPC countries are eligible for 100% debt cancellation under the MDRI. By October 2006, 17 HIPC countries in Sub-Saharan Africa had qualified.
[4] Regarding IMF debts for example, Zambia is expected to save resources worth 7.9% of GDP, while the gain for Ethiopia is worth less than 1%.

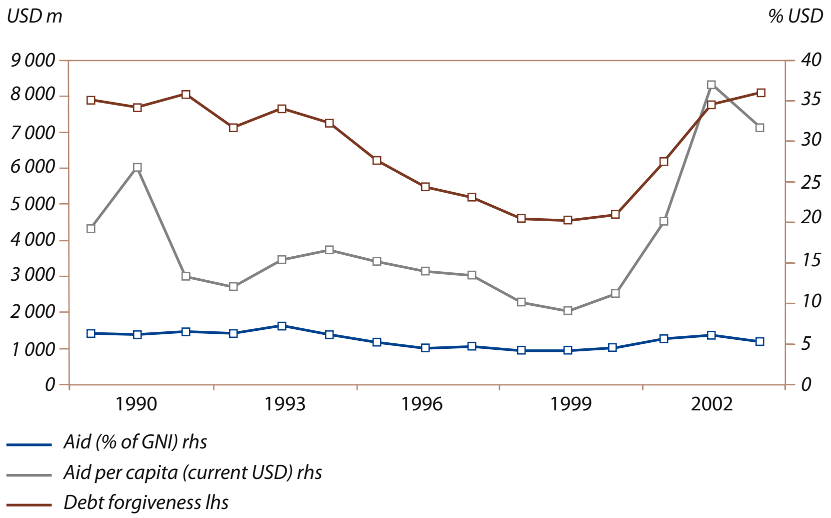
high rate in 2005 and 2006, hovering between 5% and 6% per annum. Conditions have been especially favourable for oil, metal and precious stone exporters, such as Nigeria, Zambia, Namibia or Angola (see p. 8/9). Oil exporters' GDP grew by an annual average of around 7% over the past two years. In contrast, oil price rises put pressure on current account deficits and activity in oil-importing countries. The end of preferential access to developed markets also affected many textile-producing countries. Still, in contrast with previous decades, better macroeconomic policies and a smaller incidence of political turmoil were effective counterweights. In the CFA zone, for example, economies grew on average by around 4% per annum in 2005-2006, while Mozambique and Ethiopia both recorded growth in excess of 7% per annum. Growth in South Africa, the largest economy in the region (1/3 of the region's GDP), is expected to fall to around its potential rate of 4% in 2006.

However, highly liquid financial systems, notably in the CFA zone, suggest that there are risks to macroeconomic stability if structural reforms are not accelerated. Many Sub-Saharan African countries continue to rank at the bottom of the World Bank "Ease of Doing Business" surveys (see box p. 9). Nevertheless, progress has been made in the last few years: in Ghana, petrol price liberalisation advanced; Nigeria increased capital requirements in the banking system to encourage consolidation and efficiency; Rwanda improved land titling and labour laws; and Gabon published its first EITI report on the management of oil revenues for 2004.

In the **Caribbean**, economic growth bounced back in 2005 and 2006 to the order of 5-6% per year. Affected especially harshly by hurricanes in recent years, the region is gradually moving away from some of the traditional industries particularly exposed to weather shocks (sugar cane and bananas) (see p. 8/9). Activity in the tourism sector has, however, remained robust. In the Dominican Republic, one of the largest economies in the region, tourism is the main earner of foreign exchange, and one of the largest employers. An economic mainstay is also workers' remittances – mainly from the estimated 1 million Dominicans living in the US – accounting for about 12% of GDP in 2004. The external account positions of many of the countries in the region have recently suffered from high oil prices (though the few who are natural gas and oil producers, such as Trinidad and Tobago have of course benefited). Public debt levels are high and rising, reaching over 90% of GDP in 2005, up from 70% in the mid 1990s. A large portion of public sector debt is held by local banking systems, raising issues of systemic vulnerabilities and discouraging effective intermediation of savings to the private sector. More positive has been the Caribbean Single Market and Economy agreement (CSME), on which progress was made during 2006 with the launch of the single market component. This should boost trade and investment and positively affect the region's growth potential.

In the **Pacific islands**, annual economic growth in the 2–6% range was recorded across the region in 2005, reflecting contributions from aid flows, commodity exports (see p. 8/9), fishing, remittances, tourism, and trust funds. However, the geologically challenging environment and the high cost of developing infrastructure across widely dispersed small islands is hampering the efficient exploitation of natural resources and broader economic activity. Dependence on foreign aid, mostly coming from Australia, is likely to remain crucial to sustain activity in the medium term. In some countries (Fiji, smaller Pacific Islands) the rise in global oil prices has been weighing on activity, given the importance of oil products for air and sea transportation and power generation. Moreover, the clothing industry is struggling since losing guaranteed access to major markets. Sporadic civil unrest and political uncertainty has also been a constraining factor on private sector activity and foreign investment in many islands. The latest coup d'état dates back to only

Foreign aid to Sub-Saharan Africa*



* Data for debt forgiveness refers to all developing countries

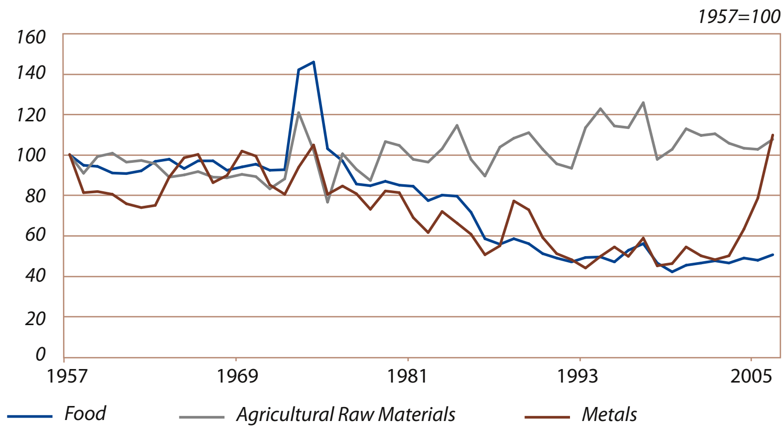
Source: WDI, OECD DAC

Share of commodities in exports in a selected number of ACPs
(2000-2004, %)

Oil*	Nigeria	93
	Angola	94
	Chad	84
Aluminium	Guinea	36
	Mozambique	26
Cocoa	Côte d'Ivoire	34
Coffee	Burundi	43
Copper	Zambia	41
Cotton	Burkina Faso	42
	Benin	28
Fish	Seychelles	30

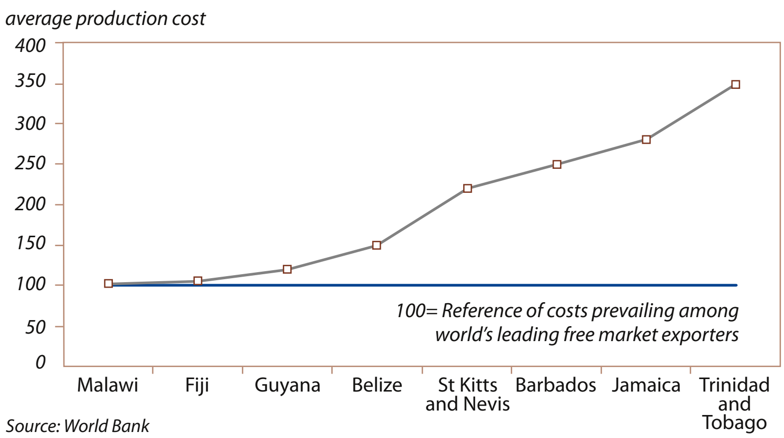
Source: IMF
** 2005 data*

IMF non-fuel commodity price index deflated by manufacturing prices*



Source: IMF

Raw sugar production cost of some ACP producers –
average 2000-2002



Source: World Bank

December 2006, when the military took control of the Fiji islands. Finally, weak enforcement often counterbalances the relatively business-friendly rules and regulations of many Pacific Islands.

Commodity markets and ACP countries

Commodities represent important business and income streams in many ACP countries[5]. Yet, global trends in inflation-adjusted commodity prices have tended to be negative, (see chart), reflecting technological advances and the standardisation of products. For some food commodities, domestic price protection mechanisms in industrialised countries have also encouraged global oversupply and hence put downward pressure on international prices. In recent years, however, the strong recovery of world growth, coupled with highly elastic demand from new large industrial players such as China and sluggish supply have lifted the price of fuels and metals. The latest correction notwithstanding, in September 2006 oil prices were 50% higher than one year before. Metals contributed almost 90% to the cumulative 60% real increase in the IMF non-fuel commodity price index since 2002 (see chart)[6]. China's growing consumption in a number of metals – most notably lead, zinc, nickel and tin – was particularly high, often more than fully accounting for the global increase in demand in these commodities.

Other commodity prices, notably foods, experienced less of an upswing. In 2002-2005, beverage prices rose by 20% in real terms; however, when correcting for the effect of the US dollar depreciation, the rise was only half that. These more moderate price developments can be explained by a more elastic supply, but also by the more muted effect of China's industrialisation on demand for these commodities.

Developments in commodity markets have affected ACP countries in a number of ways. Economic growth was indeed stronger in oil and mineral producers than elsewhere and picked up in 2002-2006 relative to the previous four-year period. Non-resource-intensive countries also recorded stronger growth. This is noteworthy considering the adverse growth effects of the oil price shock[7]. In contrast, activity in food and non-food agriculture producing economies slowed down slightly, partly owing to repeated drought-related poor harvests. Regarding price developments, oil and metal producers, despite notable progress, experienced greater difficulties in controlling inflationary pressures. Oil producers recorded average inflation rates of around 16% in 2002-2006. In contrast, non-resource-intensive countries managed to lower inflation by two thirds to 6-7%. In addition, despite many countries' attempts to moderate the practice of trying to cushion the effect of higher oil prices on retail prices, oil price pass-through remains a burden on fiscal positions and prevents the efficient allocation of resources. In Angola, for example, fuel subsidies exceeded 3% of GDP in 2005.

Apart from macroeconomic developments, changes in trade policies and liberalisation also impact on commodity markets. Preferential access to EU and US markets in cotton, sugar and banana exports is being eroded for many ACP countries, necessitating adjustments and the elimination of inefficiencies in production processes[8]. Cost structures in a number of ACP countries, especially in the Caribbean, are particularly high when compared with those of the major sugar-exporting countries such as Brazil or Australia (see chart p. 8)[9].

In reaction, St. Kitts & Nevis has recently announced plans to close its sugar industry and Trinidad & Tobago began a major restructuring programme in 2003. At the same time, in the medium run, the planned removal of agricultural production and price support measures in industrialised countries is estimated to raise global prices by between 0.1% and 35% on average, depending on commodity and the degree of liberalisation considered. In sugar, for example, the range of estimated price changes lies between 1.1% and 16%[10].

Doing business in ACP countries

The World Bank "Doing Business" survey ranks 175 countries according to the business-friendliness of their rules and regulations. The survey notes that the ACP countries were engaged in many reforms in 2005/2006. As a group, the ACPs improved their ranking from 116th to 112th place out of 175, mainly thanks to measures taken to ease regulations and reduce the administrative burden in cross-border trade and taxation. Individually, Ghana and Tanzania ranked among the top ten reformers. Some countries, for example Namibia, the Solomon Islands and Samoa, record better business settings than average relationships between GNI per capita and the country's rank would suggest. However, many ACPs continue to be plagued by business-hostile regulations: on an individual basis, a large number of countries remain at around the 150th rank out of 175.

[5] Roughly one third of economies can be classified as resource-intensive, i.e. with natural resource rents accounting for over 10% of GDP.

[6] See "The boom in non-fuel commodity prices. Can it last?", September 2006 IMF World Economic Outlook.

[7] Model work suggests that the 2002-2005 fuel price increase lowered GDP by between 0.2 and 1% across nine oil-importing countries in SSA. See IMF Regional Economic Outlook - Sub-Saharan Africa, September 2006.

[8] The Multi-Fiber Agreement expired in January 2005, providing for the gradual dismantling of the quotas that existed under the MFA. In the context of the Doha trade liberalisation round pressure is also mounting to reduce domestic sugar prices in ACPs and eliminate preferential access. The EU and US pay two to three times world market prices for imports from quota holders. European Commission proposals (2005) suggest reducing intervention sugar prices by 36%.

[9] See Donald Mitchell "Sugar in the Caribbean: Adjusting to Eroding Preferences", World Bank Policy Research Working Paper, December 2005.

[10] IMF, op.cit.

Operations in 2006

Moving further towards innovative financing

2006 proved to be an exceptional year for the IF, which succeeded in significantly increasing its lending volume, whilst making the most of its flexibility in terms of risk-taking and of a diversified range of financial instruments.

Signatures under the IF during the year totalled EUR 570 m, a level never achieved by the Bank in the ACP region under EDF funds, to which should be added EUR 167 m under the Bank's own resources (a detailed list of signed operations is presented in Annexes 1 and 2). Project implementation also made good progress with more than 50% of the IF finance contracts signed so far being under disbursement. A number of projects signed in the years 2003-2005 are now entering into active implementation, marked by an increase in disbursements from EUR 99.8 m and EUR 127.3 m in 2004 and 2005 respectively to EUR 271.2 m in 2006 for the IF only. Disbursements on own resources operations totalled EUR 86 m in 2006, up from EUR 13.6 m in 2005.

The financial sector is a key focus area of the Cotonou Agreement and the IF continued implementing its strategy in the sector, further contributing to the development of ACP financial markets, notably by supporting creditworthy institutions and enabling them to grow in a sustainable manner, as well as by developing new financial instruments suitable for the local markets in question.

- The **Banque Internationale d'Investissement (BII)** is a newly created bank in Mauritania in which the IF acquired a 25% share alongside Ballouhey s.a., a French group with a strong presence in the country. It was founded in 2006 to provide modern financial services and best practices to the banking sector and economic actors and was managed by ING under a renewable 2-year contract for management services and technical assistance. The IF's initial expectation, that its equity investment in a greenfield bank would send a strong signal to domestic and international investors, was validated when Société Générale of France later offered to buy a controlling stake in BII. By year-end, BII's two shareholders agreed to cede control of the bank through a partial sale of their shares. The arrival of a leading international bank, Mauritania's first non-domestic bank, gives a new dimension to the local banking sector and will benefit the economy as a whole.

- Under the **Pacific Islands Financing Facility II**, funds have been made available to the Development Bank of Palau, following on from the successful utilisation of the financing provided to Development Bank of Samoa and Tonga Development Bank under a similar facility, signed in October 2004. By combining a series of lines of credit under one facility, the Bank has been able to gain significant efficiencies in the processing and monitoring of individual loans, and to provide substantially improved finance access for SMEs and micro-sized initiatives in the Pacific region.

- The IF has undertaken a second **DFCU Leasing Global Loan (II)** in Uganda, following the successful implementation of the previous global loan of EUR 5 m granted in 2004. The loan will be in local currency for the financing of leasing transactions, a highly suitable arrangement to support SMEs operating in the agro-industry, fishing, mining, manufacturing and tourism sectors, and services related to these sectors, or providing healthcare and education in Uganda.

- Following three previous successful collaborations, the IF has also established a loan guarantee facility for the **Caribbean Development Bank (CDB)** to support its lending operations in the private sector by establishing a risk sharing facility, whereby the Bank would guarantee up to 50% of the risks on loans principally to the private sector originated and managed by CDB. The facility should provide CDB with additional financial flexibility to meet its economic development and poverty reduction mandate, while maintaining its financial soundness.

- The **Rwanda Global Loan II: Private Sector Support** consists of the establishment of a line of credit aimed at financing long-term loans in euros and local currency for investment projects in Rwanda. Final beneficiaries are SMEs and micro enterprises operating in the productive and services sectors eligible under the Cotonou Agreement. The funds have been made available to Banque Rwandaise de Développement and Banque Commerciale du Rwanda, which are amongst the best performing banks in the country with a well-developed branch network. This facility is expected to have a high development impact and supports the intermediary banks' strategic goal of developing their SME portfolio, notably by serving segments of the market which are poorly provided for.

- The **Old Mutual MIDINA Fund** has been set up for the purpose of providing long-term debt finance primarily for municipal infrastructure development projects in Namibia. Eligible investment projects include transport infrastructure, power supply and distribution projects, water and wastewater projects, telecommunications infrastructure, agricultural projects, property investments and community projects in underdeveloped areas, low cost housing and privatisation of Government services. The Fund is managed by Old Mutual Asset Managers (Namibia), part of the Old Mutual group and the largest asset manager in the country. As a new type of debt instrument, the operation contributes to the diversification of the country's financial sector. The IF is providing indirect funding through a long-term (15 years) ZAR denominated line of credit made available to the MIDINA Fund promoter and main investor.

- The IF has also provided a loan aimed at supporting the development of **First Bank of Nigeria (FBN)**, one of the country's largest banks which has embarked on a far-reaching modernisation exercise. Thanks to its unique position and following its planned merger with Ecobank, FBN is going to be a leading actor in financial deepening and economic integration in West Africa. It will leverage its new regional network to improve services to commercial and corporate customers. The IF loan is giving FBN access to a source of stable long-term finance to implement its strategies. Through the provision of tier II capital, the IF is also contributing as a catalyst to increasing the flow of private sector funding to FBN, and hence to a diversification of its funding base.

- Under the **Ghana Financial Sector Global Loan II**, the Bank is providing loans from both IF and own resources to Ecobank Ghana Ltd. (EBG) and Société Générale – SSB (SG–SSB), respectively. These credit lines intend to provide term finance for amounts of up to EUR 5 m to foreign currency-earning corporate clients in sectors such as manufactur-

ing, agro-processing and commercial properties. The intermediary banks also plan to use the proceeds of the loans for onlending to SMEs, predominantly in the export sector. In addition, a portion of the loan to EBG will be onlent to viable sub-projects in the West Africa Monetary Zone (notably, Gambia, Sierra Leone, Liberia and Guinea) through Ecobank's network. The proposed project is expected to make a direct contribution to private sector development by providing much needed foreign currency term finance to supplement the country's low foreign direct investments. The EIB's investment will help deepen the local financial markets, expand access to long-term funding for private companies in Ghana and act as a catalyst in increasing capital flows into the country.

- The **BDEAC Prêt Global III** is intended to bolster the activity of the Banque de Développement des États d'Afrique Centrale (BDEAC) in support of private enterprises in the industrial, agro-industrial, mining and service sectors in the Central African Economic and Monetary Community (CEMAC). The operation is intended to help BDEAC get back on its feet following the financial difficulties encountered during the late 1990s and early 2000s when BDEAC was faced with an impaired portfolio and significant arrears on called capital. The provision of a line of credit for refinancing and a facility for the partial guarantee of loans granted by BDEAC in its region of activity will enable BDEAC to step up its lending and to diversify the risks in its portfolio. It will provide BDEAC with long-term resources and serve to improve the financial terms offered to final beneficiaries in a targeted manner. It represents a first step towards the necessary diversification of BDEAC's resources and will act as a catalyst for other local and international sources of finance.

- The IF has extended a line of credit to the East African Development Bank (EADB) for the financing of loans and leasing transactions to support private enterprise development – the **EADB Regional Finance Facility**. The EADB, majority owned by the Member States of the East African Community – Kenya, Tanzania, Uganda – has undertaken vigorous reform measures recently, allowing it to embark on an expansion plan, which will help increase the supply of long-term finance in the East African financial markets. The Bank's line of credit provides EADB with funds for long-term lending, priced on market-related terms, to the benefit of smaller and medium-sized enterprises generating foreign exchange income, as well as utility companies, which will avail themselves of a fixed rate source of finance on terms longer than usual in the market.

Along the same lines, the IF has pursued its efforts in the **microfinance sector** *that started in early 2000 under Lomé. While continuing to support already well-known institutions, the use of new instruments such as guarantees and equity allows the Bank to reach a significantly larger number of microfinance institutions which, due to their relatively small size, could not be included in traditional lines of credit.*

- Following four fully and successfully utilised lines of credit previously provided to the Banco de Desarrollo Ademi S.A in the Dominican Republic, the **ADEMI V** operation combines a facility to finance SMEs with an additional equity participation that anticipates Ademi's capital needs over the next two years. The credit line offers the possibility for drawdowns in both USD and in local currency, thereby assisting Ademi in expanding its services to local export-oriented SMEs that are in need of financing in USD while at the same time targeting smaller companies in vulnerable areas

AfriCap Microfinance Fund

"Since its introduction in the 1980s, the microfinance industry in Africa has grown exponentially…. The poor are no longer deemed unbankable. This sector has established itself as an industry in its own right, successfully meeting a double bottom line using commercial tools to provide economic and social dividends." W. Diouf, Managing Partner of AfriCap Microfinance Fund.

Through Lomé risk capital funds, the Bank is one of the largest founding investors in the AfriCap Microfinance Fund, a USD 14 m private equity investment fund dedicated to microfinance in Africa. Other co-founders of the fund are DFIs, including IFC, FMO and the Belgian BIO as well as microfinance NGOs, including Acción and Calmeadow.

AfriCap invests in the form of equity and quasi-equity instruments while also providing management advice, governance and technical assistance. Since its inception in 2001, AfriCap has rapidly built a strong deal-flow throughout a number of countries: Ghana, Kenya, Madagascar, Mauritius, Mozambique, Nigeria, Senegal, Sierra Leone, Tanzania and Uganda. In 2005/06, the Fund partially exited its investments in Equity Bank Ltd (EBL, Kenya), which was subsequently listed on the Nairobi Stock Exchange, thereby becoming the second MFI worldwide to be listed on a public exchange. AfriCap also sold its stake in First Allied Savings and Loan (FASL, Ghana). Both exits generated comfortable returns that were largely reinvested in the fund.

In recognition of its successful investment in and partial exit from EBL, AfriCap was granted the 2006 Africa investor award for "Venture Capital Deal of the Year". Thanks to its achievements, AfriCap should be able to raise funds for a new larger vehicle (AfriCap II) with current as well as new investors including African ones.

Equity Bank Ltd, Kenya now listed on the Nairobi Stock Exchange

and improving the development impact of the operation.

- The **Small Enterprises Global Loan** is another example of the IF's support to the financial sector in the Dominican Republic. The credit line is complemented by an equity participation in Banco ADOPEM's capital, to be finalised in the near future. The objective is to repeat the successful model used in the same country with Ademi by supporting the transformation of an experienced microfinance NGO into a regulated bank. Through the equity participation the IF will at an early stage provide institutional and capital support, while the line of credit, denominated in pesos, will be key to improving and diversifying Banco ADOPEM's sources of finance.

- **Access Microfinance Holding AG** ("Access Holding") is a microfinance holding company whose key objective is to develop financial institutions in low-income countries, including Mozambique, Madagascar and Tanzania. To this effect, Access Holding aims to become a leading commercial strategic investor focusing on greenfield and early-stage microfinance institutions (MFIs). Alongside the IF equity participation, the Bank is providing a grant for technical assistance. The initial subscription also includes IFC, KfW, LFS Financial Systems GmbH, a German consulting firm dedicated to microfinance and, MicroAssets GbR as well as two private investors, Gray Ghost Fund LLC and Omidyar-Tufts Microfinance Fund, illustrating this operation's strong demonstration effect.

- Business Partners Ltd of South Africa (BPSA) has been operating in South Africa since 1981 and has established a solid track record. In partnership with IFC, it is seeking to expand its business internationally via Business Partners International (BPI), a new, wholly-owned subsidiary. It is envisaged that BPI will manage a number of funds in Africa, including the **BPI Madagascar SME Fund**, aimed at providing equity and quasi-equity finance to SMEs in Madagascar and the **BPI Kenya SME fund**, making small investments in young Kenyan SMEs operating across a range of sectors, with a specific focus on the businesses at the lower end of the SME spectrum. In Madagascar, the funding will be complemented by business services provided, under the oversight of the promoter, by local and international consultants and mentors. In Kenya, it will make use of investment instruments developed by BPSA for the SME sector, which employs primarily quasi-equity and debt structures. In both countries, the combination of equity, quasi-equity and debt instruments provided by the IF offers a more innovative and flexible range of risk-bearing instruments to those companies which often experience a lack of access to funding adapted to their specific needs.

- The IF is participating in the second closing of **Investisseur et Partenaire pour le Développement (I & P)**, a regional holding company established by well-known private equity investors and dedicated to investing in SMEs and microfinance institutions. The primary geographical focus of direct investments is on West Africa. I & P is a unique investment company, since it is primarily supported by private investors and is targeting smaller SMEs, which are usually neglected by traditional private equity funds due to their relatively small size. The IF investment, alongside that of PROPARCO, is critical to support the development of public-private partnerships in this area traditionally dominated by public investors. It will bring the company to a sustainable level of capitalisation and help it realise a growing deal-flow.

The Bank remains a key player in supporting the provision of basic infrastructure, which is the basis for economic growth and a prerequisite for private investment. In 2006, a total of EUR 145.5 m, equivalent to 25.5% of IF signatures, was committed for four projects in the energy and water and wastewater sectors.

- The **Aménagement Hydroélectrique de Felou** project concerns a 60 MW run-of-river (without reservoir) hydropower plant close to the town of Kayes, Mali, implemented as part of the energy strategy of the Organisation de Mise en Valeur du Fleuve Sénégal – OMVS (Senegal River Development Organisation) to supply Mali, Mauritania and Senegal. The IF's loan will supplement contributions from the World Bank (IDA) and from the OMVS's own resources. The project contributes to meeting growing electricity demand and to the reliability of power supply in the three countries through the use of renewable energy. It constitutes the least-cost solution for additional power supply in the region, and helps defer investment in thermal power generation capacity. Once operational, the project will also displace some thermal generation, thereby allowing for fuel consumption savings and avoidance of atmospheric and GHG emissions. This project is the first potential beneficiary of the Trust Fund in support of infrastructure in Africa.

- With the **AES-SONEL Electricity Supply** project, the IF is extending a loan to the privatised integrated national electricity supply utility of Cameroon, the former Société Nationale d'Electricité (SONEL), to finance the rehabilitation of thermal and hydro-generation facilities, erection and upgrading of transmission lines and HV stations and upgrading and extension of distribution facilities across the country. The financing plan of AES Sonel's post-privatisation investment programme provides for EIB and IFC (coordinator of the lenders) financing of EUR 135 m, together the largest portion of a syndicate also including the AfDB, the BDEAC, DEG, the Emerging Africa Infrastructure Fund, FMO and Proparco. The project is expected to

The Lumwana Copper project in Zambia

The project concerns the development of a new, large-scale copper mine with two open pits, a copper ore processing plant and related infrastructure near Lumwana in the North-Western Province of Zambia. It is an attractive project for Zambia as it opens up further development of the remote North-Western area (the "New Copperbelt"). The project will bring value to an indigenous natural resource, increase Zambia's export revenues, and generate fiscal income for the country through mining royalties and corporate taxes. On the ground it will create 1 150 direct permanent jobs (and many more indirect jobs), and through the training of local employees will contribute to the development of the local skills base. With regard to environmental issues, an independent EIA, compliant with EU Directive 97/11, has been carried out with public consultation. The project incorporates best industry practice and complies with the Bank's environmental statement and EU standards.

The promoter of the project is Equinox Minerals Limited, which at the time when the Bank first became involved in the project was a small exploration company based in Perth, Western Australia. One of the challenges of the project from the start was how to enable Equinox to find the financing to carry out the bankable feasibility study and then to raise the large amounts of capital for the investment project itself. The Bank provided initial assistance by funding 50% of the costs of the feasibility study (EUR 14 m), on terms which would mean write-off if the study were negative but upside returns if the study resulted in a successful project (which proved to be the case). Secondly, for the investment project itself (costing, in the end, EUR 730 m) the Bank supported Equinox with a range of instruments: a subordinated loan (with equity features) of USD 50 m to enhance the capital base and thereby make it possible for Equinox to borrow sufficient senior debt on a sound financing basis, a senior loan from Investment Facility resources of USD 20 m to participate directly in the lending group, and finally a senior loan from the Bank's own resources of USD 20 m together with KfW-IPEX Bank of Germany in a scheme whereby KfW guaranteed the commercial risk on the loan and the Bank assumed the political risk on Zambia.

This type of financing – notably on a risk-bearing basis – which the Bank can offer under the Cotonou Agreement is ideally suited to small or mid-cap companies which need assistance towards mobilising the necessary scale of funding for capital investment projects, and the Bank has deployed this instrument in a number of cases in the African mining sector. The Lumwana project has the ingredients to become a major success for Zambia, and one can say with confidence that it would not have been possible without the assistance from the Bank. The project received the award of "Mining Project of the Year" for 2006 by Project Finance magazine.

provide increased power supply and to prevent load shedding, to allow for the connection of 50 000 new customers every year and to meet the incremental demand from industrial and commercial customers, enabling them to increase their production and create employment. Overall, it will generate significant economic benefits, including improved efficiency, increased system reliability and quality of supply, increased access to electricity, reduced risk of potential accidents due to overloaded equipment and exposed distribution lines, reduced operation and maintenance costs, and a significant reduction of technical and commercial losses.

Despite the focus on financial services and infrastructure, the Bank remains responsive to opportunities in other sectors whenever these are identified, notably in the industry, mining and services sectors, which continued to offer a number of potential investments promoted by private sector operators. There, the IF is providing investors with long-term financial resources either not available locally at all, or at least not available on terms suitable to ensure the sustainability of their projects, while often having a strong catalytic effect to attract other sources of funding.

- In Mozambique, the **Ecocimento Fibre Cement** project entails the technological conversion of a construction materials plant from asbestos fibre cement to clean fibre cement near Beira, on the central coast of Mozambique. Alongside short and long-term funding by Banco Comercial e de Investimentos Fomento (BCIF), a local bank and the promoter's own resources, the IF is providing a subsidised loan that concentrates on the environmental decontamination and environmental upgrade of the site. Besides its strong environmental qualities, the project entails significant social benefits; it will help to maintain over 250 employees and their families in a housing complex that includes social, educational and health services and also encompasses the setting-up of a health fund reserve account, funded by the promoter and which will be used to cover asbestos originated diseases and possible casualties.

- The **Kolombangara Forestry Project** comprises the rehabilitation of a poor quality tropical hard wood plantation and the replacement of ageing forestry equipment on this island in the Western Province of the Solomon Islands. It also supports community-based sustainable management of natural forests aimed at developing best harvesting and marketing practices, while contributing to job creation in a remote rural area of the islands. The IF loan is part of a larger financial support package, which involves a capital injection by a new majority shareholder, the Tropical Timber Fund (TTF), an Australian-based investment fund, and European Commission Stabex 98 grant financing allocated under the Implementation Protocol for the Solomon Islands to fund the replanting of 3 750 hectares of failed (Gmelina) plantations with a species better suited to the site (Eucalyptus).

- In 2006, the IF signed the senior loan part of the financial package supporting the construction of the Club Méditerranée **Albion Resort Mauritius**, complementing the equity participation undertaken in 2005. The project is already proving to be of great economic benefit, tourism being a major driving force in the country, and clearly promotes growth in the private sector in areas where Mauritius has competitive advantages. The loan is provided alongside equity from

Development impact and value added of investment loans in ACP countries

In March 2005, the IF Committee and the Bank's Board of Directors approved the establishment of a Development Impact Assessment Framework for investment loans under the IF. The adoption of this framework enables the Bank to better highlight a broader range of impacts, notably in the social area, when assessing a given project's quality and soundness.

The application of DIAF on a pilot basis over a period of more than a year has confirmed the benefits of a more systematic approach to the social, environmental and developmental merits of projects. Implementation of DIAF has led to a better insight into the expected impacts of projects and is seen as a significant improvement over past practice, likely to improve project assessment throughout the project cycle from appraisal to ex-post evaluation and to offer greater visibility. Following this initial phase of development and testing, the Bank has decided to merge the development impact assessment and value added framework applicable to all the Bank's lending operations into a single framework for direct ACP operations, thereby reinforcing the consistency of value-added assessment across the Bank's operations.

A new era for the EIB's involvement in ACP Water and Sanitation

The Bank was closely involved in the conceptual design of the EU Water Facility, which was established by the ACP-EU Council of Ministers in May 2004 and is directed towards the achievement of the Millennium Development Goal (MDG) targets in the water sector. The Facility amounts to EUR 500 m and has been developed to provide funding to support and reinforce sustainable activities and programmes in the water sector. Managed by the European Commission, the Facility is intended to be a catalyst promoting initiatives, developing projects and building management capacity in the ACP countries. As reported in the 2005 IF Annual Report, about EUR 70 m out of the first tranche of the Water Facility was awarded to five proposals supported by the EIB regarding four projects, including the Maputo Water Supply in Mozambique and the Small Town Water and Sanitation Programme in Ethiopia presented in more detail below, and a Project Preparation Facility (PPF) for ACP water and sanitation projects to be co-funded by the Bank. Signature of the Jirama Water II project, which consists of reinforcing and extending the basic water supply systems of Madagascar's capital, is due to take place in 2007. In the Second Call of the Water Facility 2006, four additional proposals supported by the Bank for projects in Malawi, Lesotho, Benin and Senegal were approved under the second tranche for a total grant of EUR 42 m.

The EUR 3 m PPF, which is managed by the Bank, is designed to finance the preparation of ACP countries' water and sanitation projects that help to achieve the MDGs, support the implementation of Poverty Reduction Strategy Papers (PRSPs) and meet the eligibility requirements of the EU Water Facility and of other sources of grant financing. Furthermore, the PPF aims to facilitate the coordination and cooperation of relevant stakeholders, including donors, from the early preparation stages. Overall, projects supported by the PPF aim to address the needs of urban and peri-urban poor areas through appropriate delivery models and through the use of suitable financing instruments, including sub-sovereign lending.

The encouraging results achieved so far herald a new era in the Bank's involvement in the ACP water sector, characterised by (i) improved project preparation, (ii) innovative project design and implementation, (iii) increased lending volumes and (iv) systematic blending of EIB/IF loans with grants.

- *The Maputo Water Supply project in Mozambique will improve and expand the water supply services for the Greater Maputo Metropolitan area, with a population of 1.7 million inhabitants of which 48% live in absolute poverty and only 40% have access to safe drinking water. The project builds on earlier sector reforms and brings together the national water agency FIPAG – Fundo de Investimento e Património do Abastecimento de Água, as promoter, the Mozambican Government, along with a group of DFIs: the EIB, through the IF, the EU-ACP Water Facility, FMO and the AFD. Day-to-day management of the project is contracted to a private sector operator, Aguas de Moçambique, and water distribution in the poorest peri-urban areas will be entrusted to selected Community-based Organisations (CBOs) and NGOs. The innovative financing structure put in place for the project, with a mix of grants and the EIB subsidised loan, was paramount for the project's financial sustainability and plays a key role in ensuring the future sustainability of the water sector in Mozambique. The positive socio-economic aspects result from the improvement of supply to the currently served population and its extension to areas not already served. To ensure that socio-economic benefits materialise, the project focuses on meeting the populations' needs, with respect to (i) affordability of services, and (ii) the encouragement of participatory management structures, especially for shared water supply services (standpipes), strengthening the sense of ownership in local communities. This is a flagship project, whose general principles and key features are being replicated in other ACP countries, after appropriate tailoring to the local context.*

- *The Small Town Water and Sanitation Programme project aims to improve basic urban water supply and sanitation services for some 500 000 people residing in 15 medium-sized towns across Ethiopia. The project will be implemented within the context of a water sector development strategy agreed between the World Bank and the Government of Ethiopia. World Bank/IDA support is concentrated on a first group of 25 towns and more recently on rural and small urban centres, where more than 70% of the Ethiopian population reside. The project, which is also supported through the EU-ACP Water Facility, complements the World Bank interventions. By significantly increasing the proportion of the population with access to drinking water, the project will help reduce the risk of waterborne diseases and will contribute to poverty alleviation. The EIB has added value to the project at various stages of the application procedure for grant assistance from the EU-ACP Water Facility by structuring the project and developing an innovative micro-credit approach to finance household connections. The combination of an IF subsidised loan with the EC grant will help the promoter to invest without impairing Ethiopia's debt sustainability as a HIPC country. It will also enable new investments in favour of very basic water supply and sanitation services whilst maintaining the increase of tariffs at a level affordable to the population.*

Maputo Water Supply project, Mozambique

Jirama Water II, Madagascar

Jirama Water II, Madagascar

Proparco, usefully complementing local funding, which remains constrained by limited long-term resources.

- In Belize, the IF is financing the establishment and operation of **Astrum Travel Helicopter Services**, which will contribute to strengthening tourism in this small country, characterised by poverty and limited transport infrastructure but which is just beginning to exploit its tourism potential. The IF loan provides appropriate term finance for this start–up operation in a market with a dearth of suitable financing and accordingly is expected to facilitate the cautious but potentially quite rapid growth of this entrepreneurial venture. Helicopter flights will reduce travel times to tourist attractions by as much as 75%. Furthermore, the helicopters will improve Search and Rescue (SAR) infrastructure and medical support to people living in remote areas.

- The **Kouilou Magnesium Phase I** operation concerns the execution of the remaining bankable feasibility studies, including development works and Environmental and Social Impact Assessments, necessary to reach financial close for the development of the Kouilou Magnesium Deposit and associated production plants in the Pointe Noire region of the Republic of Congo (Brazzaville). The outcome of the studies should enable the promoter, MagIndustries Corp, a Canadian-based resource development and industrial materials company, to proceed with the establishment of new mining, processing and power supply facilities designed to produce magnesium and potash for worldwide markets. These facilities would be one of the major industrial investments in a post-conflict country that is slowly attracting inflows of FDI. The IF support for the project, with very flexible terms and conditions

The Bank's own resources

In 2006, the Bank supported a number of operations under its own resources mandate with commitments for the year totalling EUR 167 m. Besides the Lumwana Copper project in Zambia and the Ghana Financial Sector Global Loan II described above, which both featured a combination of own resources and IF funding, three projects benefited from own resources lending:

- The Fiji Power project will increase Fiji's power generation capacity and reduce fuel costs by replacing oil-fired power with a new run-of-the-river hydropower plant. The project comprises a build, own and operate 38 MW hydropower plant and is part of a larger investment plan co-financed with the ADB and the World Bank (WB), each of them offering concessional features in the form of technical assistance and carbon credit support respectively. The long maturity and the cost-effective terms of the Bank loan are vital for the development of new generation capacity while the Bank's support by way of an interest rate subsidy attached to the loan, is also viewed as important to help deliver electricity at sustainable prices to end-consumers.

- The West African Gas Pipeline (WAGP) project consists of a pipeline system (678 km long) that will transport natural gas from Nigeria to Ghana, Togo and Benin, primarily for power generation, but eventually for other uses as well. Volta River Authority (VRA), the state-owned Electricity Company of Ghana will initially be the principal buyer of the gas. The project will bring significant benefits in terms of reduced greenhouse gas emissions in Ghana, Benin and Togo, where natural gas transported by the project will replace liquid fuels. Its cost is financed through direct equity and loans to the West African Gas Pipeline Company (WAPCo), a newly formed company which is incorporated in Bermuda, from its shareholders (Chevron Texaco, Nigerian National Petroleum Corporation, Shell Oil Company, Takoradi Power Company, a wholly-owned subsidiary of VRA, Bengaz and Sotogaz). WAPCo secured guarantees from IDA and MIGA before the start of the pipeline construction and will operate the WAGP from mid-2007 onwards. The EIB loan of EUR 75 m will enable the Government of Ghana to refinance its participation in the WAGP through Takoradi Power Company Ltd (TAPCo) with sufficient long-term resources. FMO similarly provided an amount of USD 36 m to Bengaz and Sotogaz, the gas companies enabling Benin and Togo to connect to the WAGP.

- Following three previous successful operations with the Barbados Light and Power Company Limited (BLPC), the majority privately-owned power utility of Barbados, the Bank is providing a senior loan with interest rate subsidy to BLPC for the financing of the BLPC Wind Power project. The project, which is supported by the Government of Barbados, concerns the construction of a 9.4 MWe wind farm to be located on the northeast coast of Barbados. By virtue of substituting fossil fuel power generation and thereby contributing to a reduction in atmospheric emissions, the wind farm project is eligible under the Bank's Climate Change Financing Facility, which provides for more flexible financial terms and conditions. Wind energy is one of the important potential renewable energy resources, and could provide up to 10% of the island's energy needs. This project will be the first renewable energy project financed by the Bank not only in Barbados where it makes an important contribution the Government's ambitious target of meeting 40% of the island's energy needs with renewable sources by 2025, but also in the wider Caribbean region where it is expected to have a significant catalytic effect.

Yearly and cumulative approvals, signatures and disbursements under own resources in the ACPs are presented in the table below:

EUR m	2003	2004	2005	2006	Cumulative
Approvals	43.1	47.3	170	217.2	**477.6**
Signatures	6.1	62.2	150.9	167.2	**386.4**
Disbursements	-	6.7	13.6	86	**106.3**

adapted to the profile of the operation, provides a positive signal to the international financing community and should be a catalyst for further FDI.

Equity instruments remain an important financing instrument for ACP countries in all major sectors of activity. Participation in investment funds also allows the Bank to enlarge the range of investments – notably towards smaller investment size – that it supports by channelling funding sources through appropriate intermediaries. Alongside its new investments in Mauritania's Banque Internationale d'Investissement and the various microfinance MFIs mentioned above, the IF participated in the closing of the following funds:

- **EMP Africa Fund II** ("Africa Fund II") is the largest private equity fund in Africa and the successor to AIG African Infrastructure Fund ("Africa Fund I"), in which the Bank participated under the former Lomé IV bis Convention, alongside a number of EDFIs (Proparco, Swedfund, Finnfund, Norfund, Seco, and Nordic Development Fund) as well as the IFC, AfDB and DBSA among others. Africa Fund I has targeted projects in infrastructure, natural resources and agribusinesses in the continent's "best performing" countries to demonstrate to international investors and businesses that Africa can offer similar-risk adjusted rates of return to those in other parts of the world. It has built up a diversified pipeline of attractive investment opportunities and successfully achieved the closing of 15 transactions. The new fund, which also benefits from the strong support of DFIs, seeks to support private African companies in sectors with low volatility, which are current or potential market leaders, have robust business plans and are managed by reputable management teams. The access to equity funds will particularly encourage private initiative in infrastructure and service-related investments, the development of local financial markets, and the improvement of the corporate governance of investee companies. Africa Fund II will play a valuable role not only in promoting private sector growth, creating new jobs and improving the general economic situation in Africa by raising finance for important infrastructure and other investments, but also by highlighting to investors the opportunities the African continent offers for investment.

- The **Kula Fund II** is the second fund raised in the Pacific by the Aureos Group, established for the purpose of making equity and quasi-equity investments in small and medium-sized enterprises operating in the region. The Bank is investing in the fund through the IF alongside CDC Group, ADB, ANZ and institutional investors from Papua New Guinea and Fiji. Access to equity funding, which puts less constraint on companies' cash flows, will encourage private initiatives in a wide range of sectors and a large variety of countries in the Pacific region. The development of SMEs, which will benefit from the fund activities, is considered to be one of the keys to the sustained employment growth in the Pacific and to represent a major contribution to both poverty reduction and the building of stable democratic societies.

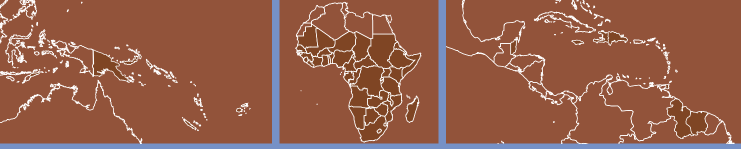
- Finally, the **EDFI European Financing Partners II (Regional – ACP)** follows the IF's first contribution of up to EUR 90 m already committed under the European Financing Partners (EFP I) initiative. Under the EFP agreement (the agreement establishing the set-up of this vehicle together with the EDFIs), resources are made available from the IF and the EDFI institutions (AWS, BIO, CDC, Cofides, Corvinus, DEG, FINNFUND, FMO, IFU-IØ, Norfund, PROPARCO, SBI-BMI, SIFEM, SIMEST and Swedfund) to co-finance operations in ACP countries (see box p. 32). All operations submitted for financing must meet the criteria set out in the operational guidelines of the IF as well as the Bank's environmental guidelines.

Inauguration ceremony of the Banque Internationale d'Investissement in Mauritania

Outlook for 2007

The first financial protocol of the Cotonou Agreement is due to expire at the end of 2007. Provided the ratification process for the revised Cotonou Agreement has been completed, the second financial protocol will enter into force at the earliest on 1 January 2008. Hence, with only just over EUR 300 m available for new approvals, the Bank will not be in a position to report further growth in the IF lending volume in 2007 as reflows on outstanding investments will not yet have reached a level that allows significant reinvestments in new projects. The focus will therefore be on improving (i) the ratio of commitments to approvals so far, and (ii) the disbursement pattern of the portfolio. Efforts will also be made to promote greater use of own resources and technical assistance wherever possible.

With this in mind, regional integration, environment and good governance will be given a certain degree of priority in the identification of new potential projects. This will apply to all sectors of activity, whether infrastructure – notably in the framework of the EU-Africa Infrastructure Partnership – or industry, or in support of the financial sector and SMEs. The Bank will also endeavour to support the European Commission in its programme to assist the ACP countries in their efforts to adapt to the planned reform of the preferential EU/ACP sugar regime, in line with the June 2006 Port Moresby Council Declaration.



Portfolio overview

The IF is moving into the fifth and final year of the first Financial Protocol of the Cotonou Agreement and has now established a strong track record of activity with a total of approved and signed operations amounting to EUR 1 736 m and EUR 1 398 m[11] respectively, equivalent to approximately 85% and 69% of the IF's initial capital endowment and corresponding to some 76 projects financed.

Yearly and cumulative approvals, signatures and disbursements under the IF are presented in the table below:

EUR m	2003	2004	2005	2006	Cumulative	*% of IF capital endowment*
Approvals	368.9	318.2	472.5	576.0	**1 735.6**	*85.2%*
Signatures	140.2	337.2	351.2	569.6	**1 398.2**	*68.6%*
Disbursements	4.1	93.2	113.8	185.2	**396.3**	*19.5%*

At the end of 2006, more than half of the finance contracts signed so far were under active disbursement or completely disbursed. Cumulative disbursements stood at EUR 396 m, equivalent to 19.5% of the IF capital endowment and 28.3%[12] of signatures to date (see charts p. 25). Whilst this percentage represents an average for the whole portfolio, experience shows that disbursement patterns differ depending on the type of operation, i.e. individual loans, lines of credit to financial sector intermediaries or equity investments (notably through equity funds). At the end of 2006, 40% of commitments signed for individual / direct loans – mainly for private sector projects – had been disbursed, against 32% for equity holdings and 26% only for lines of credit.

In line with the orientations and objectives of the Cotonou Agreement, the focus remained 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).

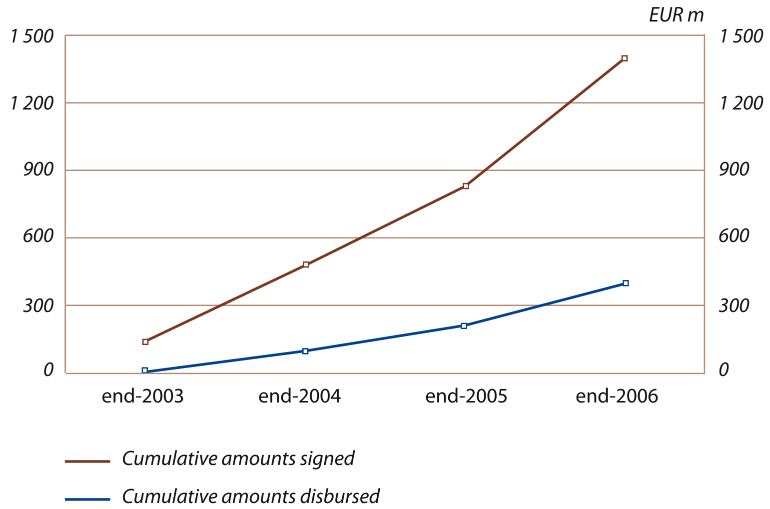
Otherwise, 49% of the current IF portfolio targets investments in the financial sector, and ultimately promotes investments by SMEs. This can take the form of lines of credit in favour of local or regional financial institutions, participation in investment funds or the EFP agency agreements. The relative share of lines of credit (see statistical overview p. 26) remained stable at around 20% of the overall portfolio. Despite a marked improvement in the actual utilisation of credit lines extended to financial intermediaries in 2004 and 2005, notably in Burkina Faso and Nigeria, results achieved so far remain below expectations in countries where excess liquidity remains an obstacle. Repeat operations in Niger and Uganda and their rapid utilisation nevertheless confirm the utility of credit lines in support of SME development in those countries.

Investments in the financial sector also cover microfinance operations, and by the end of 2006, the IF had committed EUR 26.4 m in debt and equity for microfinance in favour of 7 MFIs in the ACPs. A number of these are focusing more specifically on Africa, which remained until recently the poor child of the industry.

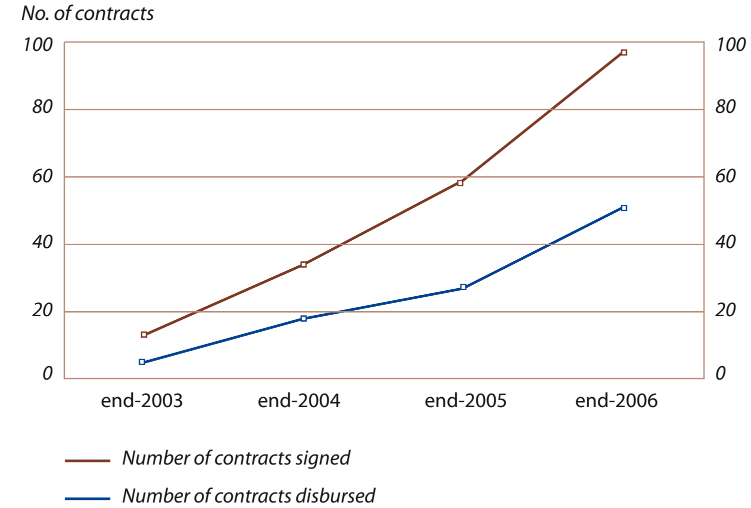
Infrastructure is the second largest sector of intervention of the IF – and by far the largest

[11] This amount does not take into account partial cancellation of signed amounts equivalent to EUR 37 m or 2.8% of signed amounts at the end of 2006.
[12] If taking into account partial cancellation of signed contracts, the percentage increases to 31%.

No. of contracts signed vs. no. of contracts disbursed on a cumulative basis (01/04/2003-31/12/2006)



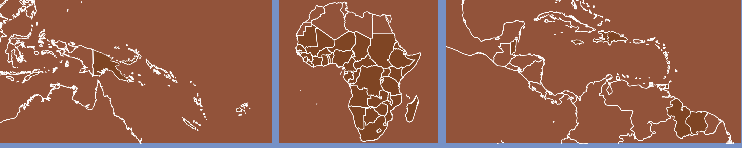
Amounts signed vs. amounts disbursed on a cumulative basis (01/04/2003-31/12/2006)



in Eastern and Central Africa – with signed commitments equivalent to 26% of the overall IF portfolio. Besides the two water sector projects mentioned (see box p. 19), infrastructure projects in the portfolio mainly concern energy with 11 projects located in Burkina Faso, Cameroon, Ethiopia, Ghana, Grenada, Kenya, Mauritania, Mozambique, and Zambia as well as a regional project covering Mali, Mauritania and Senegal.

Industry, agro-industry and mining operations – the latter predominantly in the Southern African region – accounted for 21% of the portfolio at the end of 2006, with the balance corresponding to investments in the services sector, mainly tourism (Pacific and Indian Ocean sub-regions).

A reasonable balance has so far been achieved in terms of coverage of the



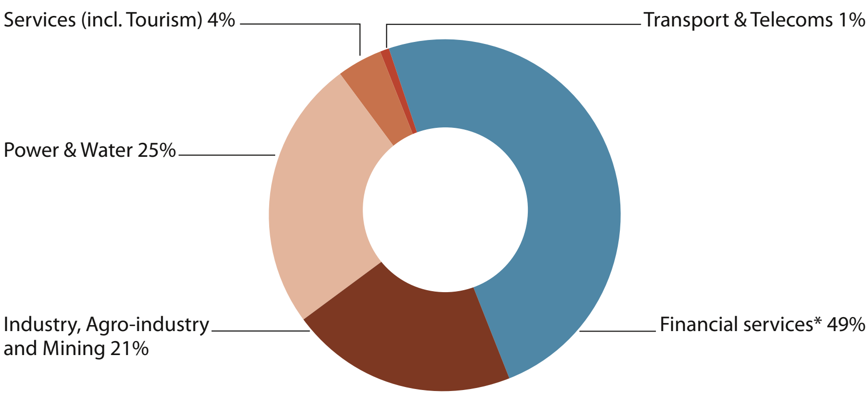
Overview of IF lines of credits (all amounts in EUR m)

Country	Name	Date of signature	Signed amount	Amount allocated	Allocation number
Burkina Faso	PG Burkina Faso II	08/12/2003	12	7.29	26
Cameroon	Dév. Du Secteur Privé PG II	16/12/2003	28	3	44
Uganda	DFCU Leasing	09/08/2004	5	5	11
Gabon	Prêt Global II	18/10/2004	10	3.5	4
Nigeria	Nigeria Global Loan	06/12/2004	50	33.59	15
Regional West Africa	BOAD IV B Facilité de Garantie	10/12/2004	25	-	-
Regional Pacific	Pacific Islands Facility - Development Bank of Samoa	15/10/2005	7	2.04	71
Niger	Niger – PG Secteur Financier II	26/10/2005	8	3.13	22
Trinidad and Tobago	Clico Global Loan	03/11/2005	20	10.6	5
Regional Pacific	Pacific Island Facility - Tonga Development Bank	15/12/2005	6	-	-
Cape Verde	Cap Vert - Secteur Financier PG II	20/12/2005	8	-	-
Trinidad and Tobago	Development Finance Ltd IX	20/12/2005	7	2.9	3
Namibia	Old Mutual Midina Fund	10/03/2006	4	-	-
Regional Central Africa	BDEAC Prêt Global III	24/05/2006	15	5	1
Uganda	DFCU Leasing Global Loan II	28/06/2006	10	2.45	6
Regional East Africa	EADB Regional Finance Facility	17/11/2006	25	-	-
Regional Pacific	Pacific Islands Financing Facility II – National Bank of Palau	05/12/2006	5	-	-
Regional Caribbean	Caribbean Development Bank IV B	19/12/2006	20	-	-
Dominican Republic	Small Enterprises Global Loan	19/12/2006	4	-	-
Dominican Republic	ADEMI V B	19/12/2006	3	-	-
Rwanda	Rwanda GL II Private Sector Support A	21/12/2006	3	-	-
Ghana	Ghana Financial Sector Global Loan II B	22/12/2006	15	-	-
Total			**290**	**78.5**	**208**

various ACP regions (see chart). IF financings have gone to 28 out of the 79 ACP and 20 OCT eligible countries. This is without taking into consideration the IF regional operations – 8 in total. Whereas lending volumes in the Caribbean and Pacific sub-regions lag behind the other sub-regions at some 8% of the signed portfolio, it remains in proportion to the smaller size of the economies concerned and consequently of the projects financed. Experience under the former Lomé conventions also indicates that the occurrence of large investments requiring major funding volumes is cyclical in the Caribbean and Pacific sub-regions. None of these projects could be finalised since the entry into force of the IF.

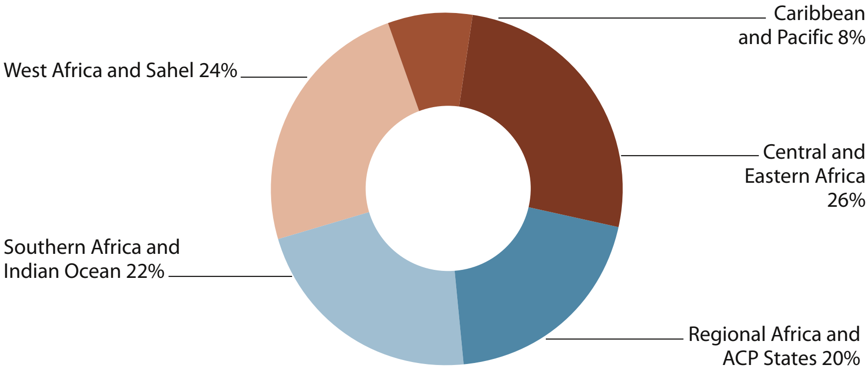
As indicated above, the availability of a wide range of risk-bearing financial instruments, denominated in EUR and other widely traded currencies as well as local currencies, is an important feature of the IF. The use of sometimes innovative risk-bearing instruments proves to be most appropriate notably in the financial sector where a number of operations concern equity investments or are denominated in local currencies. Ordinary loans never-

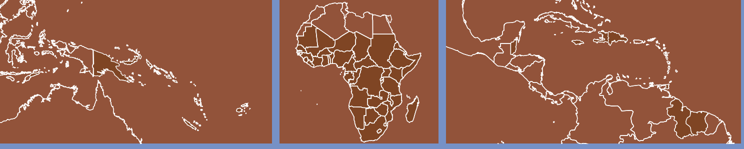
Breakdown by sector (01/04/2003-31/12/2006)



** including financial intermediation through equity funds, agency agreements, lines of credit, etc.*

Breakdown by region (01/04/2003-31/12/2006)

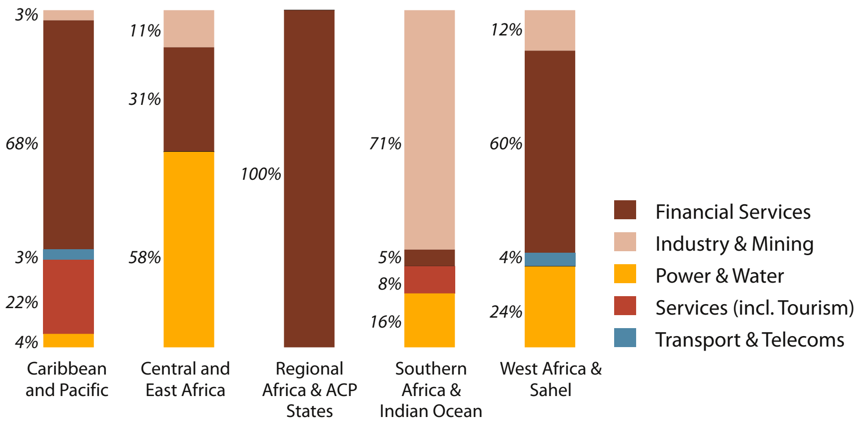




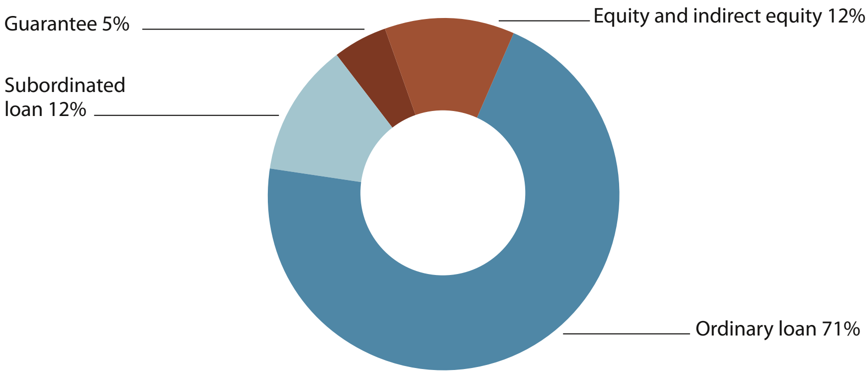
Microfinance operations under the Cotonou IF

Year of signature	Region / country	Operation name	Instrument	Amount signed	Amount disbursed
2004	Africa	ShoreCap Int.	Equity	2.50	1.05
2005	Africa	La Fayette Investissements	Equity	3.50	1.34
2005	Western Africa	BIMAO	Guarantee	5.00	0.00
2006	Dominican Rep.	ADEMI V	Loan	3.00	0.00
2006	Dominican Rep.	ADEMI V	Equity	0.75	0.22
2006	Africa	Access Holding	Equity	3.46	0.58
2006	Africa	I & P Dev.	Equity	3.25	0.00
2006	Dominican Rep.	Small enterprises Global Loan	Loan	4.00	0.00
2006	Dominican Rep.	Small enterprises Global Loan	Equity	1.00	0.00
Total				**26.46**	**3.19**

Breakdown by region and sector (01/04/2003-31/12/2006)



Cumulative signatures
Breakdown by financial instrument (01/04/2003-31/12/2006)



Moma Titanium Minerals - mining and processing of heavy mineral sands in northern Mozambique

theless remain predominant in the overall portfolio in terms of lending volume, as they mainly concern large infrastructure or industrial projects for which lending volumes are more significant than those involving equity or quasi-equity investments. At the end of 2006, the breakdown of the IF portfolio by financial instruments in terms of number of operations was (i) 25 equity or quasi-equity investments, (ii) 58 ordinary loans, (iii) 6 guarantees and (iv) 9 subordinated loans (see chart below for percentages). Local currency investments totalled the equivalent of EUR 93 m for 14 operations and concerned the following currencies: Rwanda franc, CFA franc, Uganda shilling, Fiji dollar, Dominican Republic pesos and Mauritanian ouguiya. Overall the current risk profile of the IF portfolio fully reflects its intrinsic risk-bearing nature, with 60% of the portfolio rated in the high-risk category.

Greater concessionality through interest rate subsidies

IF operations and own resources (OR) loans can benefit from an interest rate subsidy appropriation of some EUR 187 m, the purpose of which is to increase their concessionality under certain specific conditions:

** "For infrastructure projects in the Least-Developed Countries, in post-conflict countries and post-natural disaster countries … that are prerequisites for private sector development...;*
** For infrastructure projects by commercially run public entities that are prerequisites for private sector development in countries subject to restrictive borrowing conditions under the Heavily Indebted Poor Countries (HIPC) initiative or another internationally agreed debt sustainability framework…;*
** For projects that involve restructuring operations in the framework of privatisation or for projects with substantial and clearly demonstrable social or environmental benefits…."*

Revised Cotonou Partnership Agreement, Annex II, Article 2, paragraph 7.

At the end of 2006, a total amount of EUR 90.8 m equivalent to 48.6% of the Cotonou I interest rate subsidy appropriation, had been earmarked for 14 projects both on own resources and under the IF, 11 of which concerned infrastructure investments.

Under Cotonou's second financial protocol, the interest rate subsidy appropriation will be increased to EUR 400 m, of which up to 10% can be used for project-related technical assistance.

Contract name	Country	Loan amount in EUR	Estimated subsidy amount in EUR	Sector	Justification
SONABEL III (IF)	Burkina Faso	15 250 000	2 160 000	Energy	Social
COMPAGNIE SUCRIERE DU TCHAD (IF)	Chad	11 800 000	1 800 000	Agro-industry	Environmental & social
LIAISON MARITIME DAKAR-ZIGUINCHOR (IF)	Senegal	10 000 000	2 396 000	Transport	HIPC
GILGEL GIBE II HYDROPOWER PLANT (IF)	Ethiopia	50 000 000	18 410 000	Energy	HIPC
VRA VII (IF)	Ghana	10 500 000	2 580 000	Energy	HIPC
KPLC GRID DEVELOPMENT (IF)	Kenya	43 000 000	10 290 000	Energy	HIPC
CARIBBEAN DEVELOPMENT BANK III FACILITY	Regional – Caribbean	40 000 000	5 000 000	Financial Sector	Social
MAPUTO WATER SUPPLY (IF)	Mozambique	31 000 000	9 152 000	Water	HIPC
AMENAGEMENT HYDROELECTRIQUE DE FELOU (IF)	Regional – West Africa	33 000 000	9 137 000	Energy	HIPC
ECOCIMENTO FIBRE CEMENT (IF)	Mozambique	1 300 000	173 000	Industry	Environment
SMALL TOWN WATER & SANITATION PROGRAMME (IF)	Ethiopia	16 500 000	4 608 000	Water	HIPC
FIJI POWER (OR)	Fiji	24 500 000	4 251 000	Energy	Environment
WEST AFRICAN GAS PIPELINE (OR)	Regional – West Africa	75 000 000	18 148 000	Energy	HIPC
BLPC IV WIND POWER (OR)	Barbados	9 750 000	2 750 000	Energy	Environment
TOTAL		**371 600 000**	**90 855 000**		

Partnership

The Bank's activities and involvement in the ACP regions extends beyond strictly project-related activities and encompasses a continuous dialogue with the European Commission, the EU Member States and the ACP States as well as the major stakeholders in European and international development aid.

Overall responsibility for setting the policy and direction of the IF rests with the Bank's Management Committee and Board of Directors, in close consultation with the IF Committee. Based on proposals by the Bank, the IF Committee provides guidance on IF investments, policies and strategies. By gathering together representatives of all EU Member States as well as the Commission and the European Council, the IF Committee helps to achieve greater coherence and efficiency in EU development aid. In this context, and in anticipation of the forthcoming entry into force of the revised Cotonou Agreement, the Bank has actively participated, jointly with the EU Member States concerned, in the European Commission's programming exercise for the 10th EDF, which, in the relevant Country Strategy Papers, defines the key orientations and objectives of EU development co-operation in each individual ACP State as well as at regional level and aims to ensure coherence and complementarity among the different development aid agencies in any given country or region.

The blending of European Commission grant resources and IF or Bank funds proves to be an appropriate mechanism to increase the efficiency of EU financial assistance in the ACPs, as illustrated by the successful implementation of the ACP-EU Water Facility (see box p. 18). During 2006, the European Union drew up a new Partnership for African Infrastructure. A central component of this Partnership will be the EU-Africa Infrastructure Trust Fund, which also rests on the pooling of the Bank's and the EC's expertise in the area of infrastructure projects, and will focus on supporting regional and cross-border infrastructure projects in the energy, water, transport and communications sectors. The Trust Fund Agreement signed between the European Commission and the EIB in July 2006, which is open to all EU Member States, designates the EIB as

July 2006 - H.E. the President of Mozambique, Mr Armando Emílio Guebuza being welcomed to the Bank by Vice-President Torsten Gersfelt the Trust Fund manager. In addition to an initial contribution of EUR 60 m from the European Commission, detailed discussions in late 2006 suggest that several Member States will contribute to this new European development initiative during 2007. The Trust Fund is expected to start allocating funds to projects in Africa in the first half of 2007.

With regard to the EU's major bilateral aid agencies, following the signature in 2005 of a Memorandum of Understanding between the Bank, the AFD and the KfW, a working group comprising representatives of the three institutions concluded its assignment in December 2006. The group's findings will be put into practice by jointly appraising projects for co-financing. In the ACPs, opportunities for co-financing have been identified in basic infrastructure projects (energy and water) and in microfinance.

The promotion of a consistent approach between the Bank and the various multilateral development banks (MDBs) and IFIs continued to be a key feature of institutional cooperation, notably through the HIPC initiative, but also through the recently established EIB-World Bank co-managed Carbon Fund for Europe of about EUR 100 m, which aims to purchase greenhouse gas emission reductions (ERs) generated through the project-based mechanisms of the Kyoto Protocol on behalf of European sovereigns and corporate investors. This Fund is expected to stimulate fixed investment in developing countries and introduce additional liquidity into the EU Emission Trading Scheme through the purchase of ERs.

At another level, microfinance is an area of intense dialogue with the other major actors of development aid. Despite recent encouraging developments, a majority of poor people still have no access to financial services. A lot remains to be done and the Bank endeavours to contribute in a proactive manner by remaining at the forefront of the industry. During 2006, the EIB signed a Memorandum of Understanding with the Grand Duchy of Luxembourg that established a framework for cooperation on funding technical assistance programmes relating to the promotion of microfinance activities in the ACPs. This framework gives the Bank's microfinance projects access to grants that can be used to strengthen existing or newly created MFIs by meeting their demand for technical assistance in the particular areas of (i) management information systems, (ii) risk management,

European Financing Partners – enhanced financial cooperation between European Development Finance Institutions (EDFIs)

Following the successful implementation and subsequent evaluation of European Financing Partners (EFP) activities in 2005, the Bank contributed an additional EUR 100 m to be made available from IF resources (in parallel with an additional EUR 50 m from the EDFIs), bringing the IF's total participation in EFP to EUR 190 m.

At the end of 2006, EFP had committed EUR 156 m, equivalent to just over 50% of its EUR 315 m funding base in favour of 13 projects in 7 countries in Africa and in the Caribbean. This includes EUR 7.1 m in equity investments. Among the projects supported by the IF through EFP were:

- Nigeria Zenith Bank, one of the leading commercial banks in Nigeria, a so-called New Generation Bank, which has been very successful in competing with the old and dominant banks, by following an aggressive growth strategy and providing a diversified range of new banking products and services. Its strategic goal is to become a reputable international financial institution while maintaining its position as a leading bank in Nigeria.

- Digicel International Finance Ltd. is the financial holding of Digicel Ltd. (Digicel) group of companies that was founded in March 2000 and is the number one cellular phone operator in the English-speaking Caribbean countries, with operations in 20 markets and over 2 million subscribers. EFP is participating in the financing of the rollout and the development of the company's GSM networks in St. Lucia and Haiti.

- Nigeria Guaranty Trust Bank Plc (GTB) was incorporated in July 1990 as a private limited liability company and commenced operation in February 1991. In April 1996 the bank listed 74% of its shares on the Nigerian Stock Exchange and in 2001 it obtained its universal banking licence. GTB's strategy is to provide specialised financial services to the middle and top end of the market. GTB is a successful full service commercial Nigerian bank.

- Zambia Copperbelt Energy Corporation (CEC) is a profitable USD revenue-generating, independent electricity transmission and distribution company. The company supplies power to Zambia's copper and cobalt mining and processing companies on the Copperbelt, accounting for 60% of Zambia's power sales. CEC was created in 1997 as a first step in the privatisation process of the parastatal Zambia Consolidated Copper Mines (ZCCM). A consortium consisting of Cinergy, National Grid Transco and a team of five individuals with senior executive experience in the Zambian mining and power industry was the successful bidder for ZCCM's Power Division which upon its sale became CEC. Each for their own strategic reasons, Cinergy and National Grid Transco decided in 2003 to sell their joint stake in CEC to Zambia Energy Corporation (ZamEn). ZamEn is a joint venture formed by: three directors of CEC, the power project developer Aldwych International, DBSA and FMO. EFP is providing financing to ZamEn for the acquisition of CEC as well as for the financing of CEC's capital expenditure requirements.

- Kenya Panda Flowers Ltd. produces and exports cut flowers with a greenhouse area of 40 ha located in the so-called Flower Business Park in Naivasha, Kenya and provides services to independent companies engaged in cut flower production as tenants or part owners of the flower park. The flower park comprises well-developed infrastructure (roads, water supply, electricity, etc.) and 150 ha of greenhouses. With the proceeds of the loan the company will be investing in new infrastructure for the flower park, new greenhouses and the expansion of its existing cut flower production.

(iii) human resources, (iv) product development and (v) the creation of new financial instruments targeting MFIs. The Bank also played a leading role in setting up the EU-ACP Microfinance Framework programme, a pilot programme funded by the EC to provide technical assistance funding for microfinance operations. This programme is administered by the Consultative Group to Assist the Poor (CGAP), a consortium of public and private development agencies working together to expand access to financial services for the poor in developing countries. Since 2005 the Bank has been an active member of CGAP, which held its 2006 annual meeting in Benin.

Climate Change Technical Assistance Facility (CCTAF)

The EUR 5 m CCTAF established by the Bank in 2005 provides advance conditional funding for activities associated with the development of project-based carbon assets (credits) under the Clean Development Mechanism (CDM) and Joint Implementation (JI) instruments of the Kyoto Protocol. A number of activities are needed for a project to be registered for carbon credits, all of which involve complicated technical and methodological issues. In addition, in order to be entitled to carbon credits, the project has to take a number of steps (e.g. a carbon feasibility study), which incur considerable up-front costs. The CCTAF is designed to facilitate development of CDM and JI by providing technical assistance for project promoters to get them through the main stages of the CDM/JI project cycle till credit registration. The necessary studies and processing work are outsourced to private sector consultants. The CCTAF takes the form of conditional funding that would be reimbursed by the promoter if the project were successfully registered by the relevant CDM/JI authority. Should the carbon asset development fail, the Bank would assume the CCTAF costs. In the ACP, a first commitment was made under the CCTAF for an energy project in Namibia. Calls for expressions of interest have been made for a hydro IPP project in Madagascar, the BLPC IV Wind Power project in Barbados and a regional hydropower investment in Western Africa.

Organisation and staffing

As part of the Directorate for Lending Operations outside Europe, the ACP-IF Department is responsible for the management of all projects and other EIB activities in the ACP countries and the OCTs. To carry out this task, it draws on the services of the Bank's Projects, Legal, Risk Management and Finance Directorates for their input into the analysis and monitoring of operations. It also avails itself of the services of the Bank's non-operational support directorates (e.g. Human Resources, Information Technology, Financial Control).

At the end of 2006, a total of 73.4 Equivalent Full Time Staff (EFT) was directly assigned to operations in the ACP countries. New recruitments were fairly marginal during the year, reflecting a further consolidation of the ACP-IF Department and other operational directorates directly involved in the implementation of the IF. Whereas identification and evaluation of potential new projects remains a priority, due attention is being given to the monitoring of the Bank's portfolio of projects in the ACP regions. Proactive monitoring is indeed essential to ensuring the IF's sustainability.

Most of the staff are based in Luxembourg but benefits from the support of the EIB/IF regional representation offices in Dakar, Nairobi and Tshwane (Pretoria), which have, since their official opening in 2005, considerably strengthened the Bank's operations in those regions. The opening of regional offices for the Caribbean and Pacific regions, initially scheduled for 2006, will take place in the early part of 2007. As is the case with the regional offices already operating in Africa, the new offices should contribute significantly to improving project access and maintaining an on-going dialogue with the Bank's various stakeholders in the Caribbean and Pacific regions, while at the same time helping to overcome the specific problems of distance and time-zone differentials.

Nairobi Office

Dakar Office

The ACP-IF team

Tshwane (Pretoria) Office

Fort-de-France Office

Sydney Office

Financial review

The IF financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRS), are presented in Annex 4. At the end of its third full year of activity, the IF reported a net profit of EUR 23.7 m on total assets of EUR 710 m, of which EUR 402 m corresponds to outstanding loans and equity investments.

A significant share of the IF portfolio of investments is denominated in non-euro currencies, notably US dollar investments which accounted for 52% of the total outstanding at the end of 2006. The IF minimises its currency risk exposure on USD lending by entering into currency swaps. This policy can however not be applied equally to the whole portfolio of USD investments, notably equity or quasi-equity, nor to the ACP currencies denominated investments. In accordance with IFRS, unrealised foreign exchange gains or losses on equity investments do not impact the IF profit and loss account directly, but are included in the fair value reserve in the balance sheet. The net EUR 153 000 loss on financial operations reported in 2006 therefore relates to the unhedged portion of the IF's portfolio of non-EUR denominated loans.

Impairments are made for loans outstanding at the end of the financial year, when presenting objective evidence of risks of non-recovery of all or part of their amounts according to the original contractual terms or the equivalent value. At the end of 2006, specific provisions for impairment totalled EUR 1.8 m, corresponding mainly to a specific investment in Mauritania.

The EUR 24 m net profit for the year does not take into account the costs incurred by the Bank for managing the IF, which are fully covered by the Member States' remuneration and by appraisal or commitment fees charged by the IF for specific projects. These costs include the direct costs incurred by the respective operational directorates and, on a pro-rata basis, the costs of non-operational directorates and other overheads.

Costs and revenues for 2006 are summarised in the table below:

Investment Facility – Costs and Revenue (in EUR '000)	Year: 2006
Total expenses	35 413
of which: operational directorates	23 600
non-operational directorates and overheads	11 813
Revenue	35 413
of which: fees charged to the Member States	33 913
project appraisal fees	1 500

Annexes

Annexes

Annex 1 – IF Portfolio of signed operations 2003-2006

Nature of operation:
Agency agreement ◇ – Local currency loan D – Guarantee ✧ – Senior loan ☆ – Equity □ – Indirect equity ♧ – Ordinary loan 💧 – Subordinated loan ○

(in EUR m)

Name	Region / Country	Sector	Nature of operation	Public or private sector	Amount
2003					
PG BURKINA FASO CREDIT BAIL II	Burkina Faso	Financial sector	💧	Private	2.0
PG BURKINA FASO II	Burkina Faso	Financial sector	💧	Private	10.0
DEV. DU SECTEUR FINANCIER PG II A CAMEROUN	Cameroon	Financial sector	💧	Private	3.0
DEV. DU SECTEUR FINANCIER PG II B CAMEROUN	Cameroon	Financial sector	💧	Private	25.0
BEL OMBRE HOTEL B (SUBORDINATED LOAN)	Mauritius	Services, Tourism	○	Private	3.3
BEL OMBRE HOTEL C (SUBORDINATED LOAN)	Mauritius	Services, Tourism	♧	Private	2.8
EBTR MAURITANIE	Mauritania	Infrastructure	☆	Private	4.0
AFRICAN BANKS HOLDINGS, LLC	Regional - ACP	Financial sector	□	Private	30.0
AUREOS SOUTHERN AFRICA VENTURE CAPITAL	Regional – East & Central	Financial sector	□	Private	10.5
AUREOS EAST AFRICA FUND	Regional – East & Central	Financial sector	□	Private	6.8
AUREOS WEST AFRICA FUND	Regional – West Africa	Financial sector	□	Private	8.75
KANSANSHI COPPER MINE	Zambia	Industry, Mining	💧	Private	34.0
Sub-total for 2003					**140.15**
2004					
AFRICAN LION MINING FUND II	ACP States	Industry, Mining	□	Private	7.0
EDFI EUROPEAN FINANCING PARTNERS (EFP)	ACP States	Financial sector	◇	Private	90.0
EDFI EUROPEAN FINANCING PARTNERS (EFP)	ACP States	Financial sector	□	Private	0.01
SHORECAP INTERNATIONAL LTD (SCI)	ACP States	Financial sector	□	Private	2.5
FABULOUS FLOWERS	Botswana	Floriculture, Industry	○	Private	2.0
SONABEL III	Burkina Faso	Energy	○	Public	15.25
WESTIN MACAO RESORT	Dominican Republic	Services, Tourism	○	Private	20.0
NOVOTEL DENARAU PROJECT (IF)	Fiji	Services, Tourism	♧	Private	5.0
PRET GLOBAL II (GABON)	Gabon	Financial sector	D	Private	6.5
PRET GLOBAL II (GABON) B	Gabon	Financial sector	D	Private	3.5
MAGADI SODA PURE ASH PROJECT B	Kenya	Industry, Mining	☆	Private	11.37
MAGADI SODA PURE ASH PROJECT C	Kenya	Industry, Mining	○	Private	1.62
SNIM VII	Mauritania	Energy	☆	Public	22.5
MOMA TITANIUM MINERALS	Mozambique	Industry, Mining	☆	Private	15.0
MOMA TITANIUM MINERALS	Mozambique	Industry, Mining	○	Private	40.0
MOZ/RSA NATURAL GAS-UPSTREAM COMPONENT	Mozambique	Energy	💧	Public	10.0
NIGERIA GLOBAL LOAN	Nigeria	Financial sector	💧	Private	50.0
BOAD IV B FACILITE DE GARANTIE	Regional - West Africa	Financial sector	✧	Private	25.0

Nature of operation:
Agency agreement ◇ – Local currency loan ᗡ – Guarantee ✧ – Senior loan ☆ – Equity ☐ – Indirect equity ♧ – Ordinary loan ◊ – Subordinated loan ○

(in EUR m)

Name	Region / Country	Sector	Nature of operation	Public or private sector	Amount
BOAD IV C PRISE DE PARTICIPATION	Regional - West Africa	Financial sector	☐	Private	4.6
SAMOA VENTURE CAPITAL FUND	Samoa	Financial sector	☐	Private	0.35
DFCU LEASING GLOBAL LOAN	Uganda	Financial sector	ᗡ	Private	5.0
Sub-total for 2004					**337.2**
2005					
ALBION RESORT MAURITIUS B	Mauritius	Services	☐	Private	5.0
AQUALMA III	Madagascar	Industry & Mining	◊	Private	5.0
BANQUE REGIONALE DES MARCHES B	Regional - West Africa	Financial sector	◊	Private	0.61
BIMAO	Regional - West Africa	Financial sector	✧	Private	5.0
CAPE II	Regional – West Africa	Financial sector	☐	Private	11.90
CAP VERT - SECTEUR FINANCIER PG II	Cape Verde	Financial sector	◊	Private	8.0
CLICO GLOBAL LOAN	Trinidad and Tobago	Financial sector	◊	Private	20.0
COMPAGNIE SUCRIERE DU TCHAD	Chad	Industry & Mining	✧	Private	11.8
DANGOTE CEMENT	Nigeria	Industry & Mining	◊	Private	33.06
DEVELOPMENT FINANCE LIMITED IX	Trinidad and Tobago	Financial sector	◊	Private	7.0
ETUDE EL AOUJ	Mauritania	Industry & Mining	☐	Private	5.0
GILGEL GIBE II HYDROPOWER PLANT	Ethiopia	Energy	◊	Public	50.0
GRENLEC III PROJECT	Grenada	Energy	◊	Private	5.0
KPLC GRID DEVELOPMENT	Kenya	Energy	◊	Public	43.0
LA FAYETTE INVESTISSEMENTS (LFI)	Regional - ACP	Financial sector	☐	Private	3.5
LIAISON MARITIME DAKAR-ZIGUINCHOR	Senegal	Transport	◊	Public	10.0
MOMA TITANIUM C	Mozambique	Industry & Mining	○	Private	2.75
MOPANI COPPER PROJECT	Zambia	Industry & Mining	◊	Private	48.0
NIGER - PG SECTEUR FINANCIER II	Niger	Financial sector	◊	Private	8.0
OLKARIA II EXTENSION	Kenya	Energy	◊	Public	32.5
PACIFIC ISLANDS FINANCING FACILITY	Regional - Pacific	Financial sector	◊	Private	7.0
PACIFIC ISLANDS FINANCING FACILITY B	Regional - Pacific	Financial sector	◊	Private	6.0
SEPH-NOUADHIBOU	Mauritania	Industry	◊	Private	5.0
VRA VII	Ghana	Energy	◊	Public	10.5
ZESCO KARIBA NORTH II	Zambia	Energy	◊	Public	7.6
Sub-total for 2005					**351.22**
2006					
BANQUE INTERNATIONALE D'INVESTISSEMENT	Mauritania	Financial services	☐ ♧	Private	5.00
PACIFIC ISLANDS FINANCING FACILITY II	Regional - Pacific	Financial services	◊	Private	5.00

Nature of operation:
Agency agreement ♢ – Local currency loan D – Guarantee ✧ – Senior loan ☆ – Equity □ – Indirect equity ♧ – Ordinary loan ♁ – Subordinated loan ○

(in EUR m)

Name	Region / Country	Sector	Nature of operation	Public or private sector	Amount
DFCU LEASING GLOBAL LOAN II	Uganda	Financial services	D	Private	10.00
CARIBBEAN DEV BANK IV B	Regional - Caribbean	Financial services	✧	Private	20.00
RW - GL II PRIVATE SECTOR SUPPORT A	Rwanda	Financial services	♁	Private	3.00
NAMIBIA - OLD MUTUAL MIDINA FUND	Namibia	Financial services	D	Public	4.00
FIRST BANK OF NIGERIA	Nigeria	Financial services	♁	Private	35.00
FIRST BANK OF NIGERIA B	Nigeria	Financial services	♁	Private	15.00
GHANA FINANCIAL SECTOR GLOBAL LOAN II B	Ghana	Financial services	♁	Private	15.00
BDEAC PRET GLOBAL III	Regional - Central Africa	Financial services	♁	Private	15.00
BDEAC PRET GLOBAL III B	Regional - Central Africa	Financial services	✧	Private	5.00
EADB REGIONAL FINANCE FACILITY	Regional - East Africa	Financial services	♁	Private	25.00
ADEMI V	Dominican Republic	Financial services	□ ♧	Private	0.23
ADEMI V B	Dominican Republic	Financial services	D	Private	3.00
ACCESS MICROFINANCE HOLDING	Regional - ACP	Financial services	□ ♧	Private	3.46
SMALL ENTERPRISES GLOBAL LOAN	Dominican Republic	Financial services	D	Private	4.00
BPI KENYA SME FUND	Kenya	Financial services	□ ♧	Private	4.24
BPI MADAGASCAR SME FUND	Madagascar	Financial services	□ ♧	Private	2.00
I & P	Regional - Africa	Financial services	□ ♧	Private	3.25
AMENAGEMENT HYDROELECTRIQUE DE FELOU	Regional - West Africa	Power, Water	♁	Public	11.00
AMENAGEMENT HYDROELECTRIQUE DE FELOU B	Regional - West Africa	Power, Water	♁	Public	11.00
AMENAGEMENT HYDROELECTRIQUE DE FELOU C	Regional - West Africa	Power, Water	♁	Public	11.00
AES SONEL-ELECTRICITY SUPPLY	Cameroon	Power, Water	♁	Private	55.00
AES SONEL-ELECTRICITY SUPPLY B	Cameroon	Power, Water	♁	Private	10.00
MAPUTO WATER SUPPLY	Mozambique	Power, Water	♁	Public	31.00
SMALL TOWN WATER & SANITATION PROGRAM	Ethiopia	Power, Water	♁	Public	14.85
SMALL TOWN WATER & SANITATION PROGRAM	Ethiopia	Power, Water	♁	Public	1.65
ECOCIMENTO FIBRE CEMENT	Mozambique	Industry, Agro-industry and Mining	♁	Private	1.30
KOLOMBANGARA FORESTRY PROJECT	Solomon Islands	Industry, Agro-industry and Mining	♁	Private	3.50
ALBION RESORT MAURITIUS	Mauritius	Services, Tourism	♁	Private	14.00
ASTRUM TRAVEL HELICOPTER SERVICES	Belize	Transports, Telecoms	♁	Private	3.74
KOUILOU MAGNESIUM PHASE I	Congo	Industry, Agro-industry and Mining	♁	Private	13.00
LUMWANA COPPER PROJECT A	Zambia	Industry, Agro-industry and Mining	○	Private	48.00
LUMWANA COPPER PROJECT B	Zambia	Industry, Agro-industry and Mining	♁	Private	19.00
EMP AFRICA FUND II	Regional - Africa	Financial services	□ ♧	Private	40.00
KULA FUND II	Regional - Pacific	Financial services	□ ♧	Private	4.40
EDFI EUROPEAN FINANCING PARTNERS II	Regional - ACP	Financial services	♁	Private	90.00
EDFI EUROPEAN FINANCING PARTNERS II B	Regional - ACP	Financial services	□ ♧	Private	5.00
EDFI EUROPEAN FINANCING PARTNERS II C	Regional - ACP	Financial services	✧	Private	5.00
Sub-total for 2006					**569.62**
TOTAL					**1 398.19**

Annex 2 – Portfolio of signed own resources operations 2003-2006

(in EUR m)

Name	Region / Country	Sector	Nature of operation	Public or private sector	Amount
2003					
Bel Ombre Hotel A (Senior Loan)	Mauritius	Services	Senior Loan	Private	6.10
Sub-total for 2003					**6.10**
2004					
Novotel Denarau Project	Fiji	Services	Senior Loan	Private	6.00
Magadi Soda Pure Ash Project A	Kenya	Industry	Senior Loan	Private	8.93
Vinlec IV	St Vincent & Grenadines	Energy	Senior Loan	Public	8.30
BOAD PG IV A	Regional – West Africa	Financial Sector	Senior Loan	Private	25.00
Mauritius Container Terminal II	Mauritius	Transport	Senior Loan	Public	14.00
Sub-total for 2004					**62.23**
2005					
SBM Global Loan	Mauritius	Financial Sector	Senior Loan	Private	20.00
Dangote Cement - A	Nigeria	Industry	Senior Loan	Private	11.57
Dangote Cement - A	Nigeria	Industry	Senior Loan	Private	46.28
Dangote Cement – B	Nigeria	Industry	Senior Loan	Private	6.61
Dangote Cement - B	Nigeria	Industry	Senior Loan	Private	26.45
Caribbean Dev Bank III Facility	Regional - Caribbean	Financial Sector	Senior Loan	Public	40.00
Sub-total for 2005					**150.91**
2006					
Fiji Power	Fiji	Power, Water	Senior Loan	Public	24.50
BLPC IV Wind Power	Barbados	Power, Water	Senior Loan	Private	9.75
Lumwana Copper Project – C	Zambia	Industry, Agro-industry and mining	Senior Loan	Private	18.00
West African Gas Pipeline (WAGP)	Ghana	Power, Water	Senior Loan	Public	75.00
Ghana Financial Sector Global Loan II – C	Ghana	Financial Services	Senior Loan	Private	40.00
Sub-total for 2006					**167.25**
TOTAL					**386.49**

Annex 3 – Organisation Chart

ACP-IF Department

Manager
Martin CURWEN

Division ACP - IF - 1	Division ACP - IF - 2	Division ACP - IF - 3	Division ACP - IF - 4	Division ACP - IF - RBD	Division ACP - IF - PMP
West Africa & Sahel	Central & East Africa	Southern Africa & Indian Ocean	Caribbean & Pacific	Resource and Business Development	Portfolio Management, Policy
Guus HEIM	Flavia PALANZA	Serge-Arno KLÜMPER	David CRUSH	Tassilo HENDUS	Catherine COLLIN

DEAS
Development Economics Advisory Service

Chief Development Economist
Daniel OTTOLENGHI

Operational Directorates

Projects Directorate	Legal Directorate	Credit Risk Directorate
Director General Grammatiki TSINGOU	General Counsel Alfonso QUEREJETA	Director General Pierluigi GILIBERT

Non-Operational Directorates

Regional Representation

- **Dakar** – Jack REVERSADE
- **Nairobi** – Carmelo COCUZZA
- **Tshwane (Pretoria)** – David WHITE
- **Fort-de-France** – Anthony WHITEHOUSE
- **Sydney** – Jean-Philippe DE JONG

Annex 4 – Financial Statements of the Investment Facility as at 31 December 2006

INCOME STATEMENT

(in EUR '000)

	Notes	Year to 31.12.2006	Year to 31.12.2005
Interest and similar income		23 816	12 376
From loans		*21 556*	*12 117*
From interest subsidies		*162*	-
From treasury		*2 098*	*259*
Interest expenses and similar charges		(2 493)	(1 103)
From derivatives		*(2 483)*	*(1 103)*
From others		*(10)*	-
Net interest income		**21 323**	**11 273**
Net fee and commission income	5	4 366	708
Financial operations			
Net result on financial operations	6	(153)	1 008
Impairment loss on loans and equity investments	9	(1 823)	(1 918)
Member States special contribution to general administrative expenses	7	33 913	32 455
General administrative expenses	7	(33 913)	(32 455)
Net profit for the year		**23 713**	**11 071**

The notes refer to the Notes to the Financial Statements.

BALANCE SHEET

(in EUR '000)

	Notes	31.12.2006	31.12.2005
ASSETS			
Cash and cash equivalents	8	190 780	194 916
Derivative financial instruments	12	8 473	-
Loans and equity investments	9		
Loans		338 997	196 731
of which accrued interest		*3 784*	*2 722*
Equity investments		66 449	30 886
Amounts receivable from contributors	10	103 913	92 455
Other assets	11	1 365	351
Total assets		**709 977**	**515 339**
LIABILITIES			
Derivative financial instruments	12	-	5 584
Amounts owed to third parties	13	134 425	115 655
Deferred income	14	7 908	186
Other liabilities	15	1 463	-
Total liabilities		**143 796**	**121 425**
EQUITY ATTRIBUTABLE TO MEMBER STATES			
Facility Member States Contribution called	16	515 000	370 000
Retained earnings		41 184	17 471
Fair value reserve		9 997	6 443
Total equity		**566 181**	**393 914**
Total liabilities and Member States' resources		**709 977**	**515 339**

The notes refer to the Notes to the Financial Statements.

CASH FLOW STATEMENT

(in EUR '000)

	Year to 31.12.2006	Year to 31.12.2005
Cash flows from operating activities		
Profit for the financial year	23 713	11 071
Adjustments		
Impairment on equity investments	130	1 918
Impairment on loans	1 693	-
Interest capitalised	(4 303)	(1 978)
Increase in accruals and deferred income	8 038	468
Profit on operating activities	**29 271**	**11 479**
Net loan disbursements	(157 004)	(107 817)
Repayments	3 585	863
Fair value movement on derivatives	(14 057)	5 441
Increase in prepayments and accrued income on loans	(1 062)	(2 404)
Increase in equity investments	(31 965)	(5 854)
Proceeds from equity investments	25	-
Increase in other assets	(1 014)	(351)
Increase in other liabilities	1 463	-
Net cash from operating activities	**(170 758)**	**(98 643)**
Cash flows from financing activities		
Paid in by Facility Member States	145 000	210 000
(Increase) / decrease in amount receivable from contributors	(11 458)	(32 455)
Net increase in amount payable from interest subsidies	17 312	78 200
Increase in amount payable to third parties	1 458	32 455
Net cash from financing activities	**152 312**	**288 200**
Effects of exchange rate changes on loans and equity investments	14 310	(6 431)
Summary statement of cash flows		
Cash and cash equivalents at beginning of financial year	**194 916**	**11 790**
Net cash from operating activities	(170 758)	(98 643)
Net cash from financing activities	152 312	288 200
Effects of exchange rate changes on loans and equity investments	14 310	(6 431)
Cash and cash equivalents at end of financial year	**190 780**	**194 916**

STATEMENT OF CHANGES IN EQUITY

(in EUR '000)

For the year ended 31 December 2006	Facility Member States contribution	Retained earnings	Fair value reserve on AFS investment	Total Equity
At 31 December 2004	**160 000**	**6 400**	**(899)**	**165 501**
Facility Member States contribution called during the year	230 000	-	-	230 000
Facility Member States contribution cancelled during the year	(20 000)	-	-	(20 000)
Net profit of the year	-	11 071	-	11 071
Change in fair value during the year	-	-	7 342	7 342
At 31 December 2005	**370 000**	**17 471**	**6 443**	**393 914**
Facility Member States contribution called during the year	145 000	-	-	145 000
Net profit of the year	-	23 713	-	23 713
Change in fair value during the year	-	-	3 554	3 554
At 31 December 2006	**515 000**	**41 184**	**9 997**	**566 181**

Notes to the Financial Statements

1. General information

The Investment Facility (the "Facility") has been established within the framework of the Cotonou Agreement (the "Agreement") on co-operation and development assistance negotiated between the African, Caribbean and Pacific Group of States (the "ACP States") and the European Union and its Member States on 23 June 2000 and revised on 25 June 2005.

The Facility is managed by the European Investment Bank (the "EIB" or the "Bank"). Under the terms of the Agreement up to EUR 2,200 million for ACP and EUR 20 million for OCT (as agreed by the Council Decision of 27 November 2001 on the association of the Overseas Countries and Territories with the European Community) may be allocated to finance the Facility. Within the framework of the Agreement, the EIB also manages loans granted from its own resources. All other financial resources and instruments under the Agreement are administered by the European Commission.

2. Significant accounting policies

2.1 Basis of preparation

The Facility's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The accounting policies applied are in conformity with the IFRS and with the overall principles of the Directive 86/635/EEC of the Council of the European Communities of 8 December 1986 on the annual accounts and consolidated accounts of banks and other financial institutions, as amended by Directive 2001/65/EC of 27 September 2001 and by Directive 2003/51/EC of 18 June 2003 on the annual and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings (the "Directives").

2.2 Significant accounting judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Facility's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed.

The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Impairment losses on loans and advances

The Facility reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant loans and advances, the Facility also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the internal rating of the loan or investment since it was granted or acquired. These internal ratings take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arms length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Facility calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data.

Impairment of equity investments

The Facility treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of whether a decline is significant or prolonged is based on a judgmental appreciation.

2.3 Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except as follows:

The Facility adopted the amendment to IAS 39 *Financial Instruments: Recognition and Measurement* for financial guarantee contracts (issued in August 2005), which requires for financial guarantee contracts that are not considered to be insurance contracts to be recognized initially at fair value and to be remeasured at the higher of the amount determined in accordance with IAS 37 *Provision, Contingent Liabilities and Contingent Assets* and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 *Revenue*.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Facility's accounting periods beginning on or after 1 March 2006 or later periods but which the Facility has not yet early adopted, as follows:

- IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after January 1, 2007): the Standard requires the Facility to make disclosures that enable users to evaluate the significance of the Facility's financial instruments and the nature and extent of risks arising from those financial instruments.
- Amendment to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after January 1, 2007): this amendment requires the Facility to make new disclosures to enable users of the financial statements to evaluate the Facility's objectives, policies and processes for managing capital.
- IFRIC 9 (effective for annual periods beginning on or after June 1, 2006): this interpretation establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The Facility is still evaluating the effect of this interpretation and expects that adoption of this interpretation will have no impact on the Facility's financial statements when implemented in 2007.

2.4 Summary of significant accounting policies

The balance sheet represents assets and liabilities in decreasing order of liquidity and does not distinguish between current and non-current items.

2.4.1 Foreign currency translation

The Facility uses the Euro (EUR) for presenting its financial statements, which is also the functional and presentational currency.

Foreign currency transactions are translated, in accordance with IAS 21, at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than in Euro are translated into Euro at the exchange rate prevailing at the balance sheet date. The gain or loss arising from such translation is recorded in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

The elements of the income statement are translated into Euro on the basis of the exchange rates prevailing at the end of each month.

2.4.2 Cash and cash equivalents

The Facility defines cash equivalents as current accounts or short-term deposits with original maturities of three months or less.

2.4.3 Financial assets other than derivatives

Financial assets are accounted for using the settlement date basis.

• *Loans*

Loans originated by the Facility are recognized in the assets of the Facility when cash is advanced to borrowers. They are initially recorded at cost (net disbursed amounts), which is the fair value of the cash given to originate the loan, including any transaction costs, and are subsequently measured at amortized cost, using the effective yield method, less any provision for impairment or uncollectability.

• *Equity investments*

After initial measurement, these direct and indirect equity investments, classified as available for sale financial investments, are subsequently carried at fair value.

a. Venture capital funds

The fair value of each venture capital fund will be based on the Net Asset Value (NAV), reported by the fund, if calculated based on international valuation standard recognized to be compliant with IFRS. The Facility may however decide to adjust the NAV reported by the fund if there are issues that may affect the valuation.

If no internationally recognized fair valuation standard is applied, the valuation will be conducted on the basis of the underlying portfolio.

b. Direct equity investments

The fair value of the investment will be based on the latest set of financial statements available, re-using, if applicable, the same model as the one used at the acquisition of the participation.

Unrealized gains or losses on equity investments are reported in equity until such investment is sold, collected or disposed of, or until such investment is determined to be impaired. If an available for sale investment is determined to be impaired, the cumulative unrealized gain or loss previously recognized in equity is included in the income statement.

For non quoted investment, the fair value is determined by applying recognized valuation technique. These investments are accounted for at cost when the fair value cannot be reliably measured.

• *Guarantees*

Financial guarantees are initially recognized at fair value in the balance sheet under item "Other liabilities". Subsequent to initial recognition, the Facility's liabilities under each guarantee are measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement under item "Credit loss expense". The premium received is recognized in the income statement under item "Net fee and commission income" on a straight line basis over the life of the guarantee.

2.4.4 Impairment of financial assets

The Facility assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans outstanding at the end of the financial year and carried at amortized cost, impairments are made when presenting objective evidence of risks of non recovery of all or part of their amounts according to the original contractual terms or the equivalent value. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

The Facility conducts credit risk assessments based on which there is no need for a collective impairment provision.

For the available for sale equity investments, the Facility assesses at each balance sheet date whether there is objective evidence that an investment is impaired. Objective evidence would include a significant or prolonged decline in the fair value of the investment below its costs. Where there is evidence of impairment, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement) is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in equity.

The European Investment Bank's Risk Management reviews financial assets for impairment at least once a year. Resulting adjustments include the unwinding of the discount in the income statement over the life of the asset, and any adjustments required in respect of a reassessment of the initial impairment.

2.4.5 Derivative financial instruments

Derivatives include cross currency swaps and cross currency interest rate swaps.

In the normal course of its activity, the Facility may enter into swap contracts with a view to hedge specific lending operations, denominated in actively traded currencies other than the Euro, in order to offset any gain or loss caused by foreign exchange rate fluctuations.

However, the Facility has not entered into any hedge accounting transactions under IFRS rules as at December 31, 2006 and 2005. Therefore, all derivatives are measured at fair value through the income statement. Fair values are derived primarily from discounted cash-flow models, option-pricing models and from third party quotes.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in "Net result on financial operations".

2.4.6 Contributions

Contributions from Member States are recognized as receivable in the balance sheet on the date of the Council Decision fixing the financial contribution to be paid by the Member States to the Facility.

2.4.7 Interest income on loans

Interest on loans originated by the Facility is recorded in the profit and loss account (interest and similar income) and on the balance sheet (loan and advances) on an accrual basis using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loan to the net carrying amount of the loan. Once the recorded value of a loan has been reduced due to an impairment, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

2.4.8 Interest subsidies

As part of its activity, the Facility manages interest subsidies on behalf of the Member States.

The part of the Member States contributions allocated to the payment of interest subsidies is not accounted for in the Facility's equity but is classified as an amount owed to third parties.

2.4.9 Interest income on treasury

Under the terms of the Facility and according to the Financial Regulation applicable to the 9th European Development Fund, the funds received by the EIB on behalf of the Facility are recorded in an account in the Commission's name. Interest on these deposits, placed by the Facility with the EIB, is not accounted for by the Facility as it is payable directly to the European Commission.

Reflows, being repayment of principal, interest or commissions stemming from financial operations, and interest calculated on these reflows are accounted for within the Facility.

2.4.10 Fees, commissions and dividends

Fees received in respect of services provided over a period of time are recognized as income as the services are provided. Commitment fees are deferred and recognized in income using the effective interest method over the period from disbursement to repayment of the related loan.

Dividends relating to equity investments are recognized when received.

2.4.11 Taxation

The Protocol on the Privileges and Immunities of the European Communities, appended to the Treaty of 8 April 1965 establishing a Single Council and a Single Commission of the European Communities, stipulates that the assets, revenues and other property of the Institutions of the Union are exempt from all direct taxes.

2.4.12 Reclassification of prior year figures

Where necessary, certain prior year figures have been reclassified to conform with changes to the current year's presentation for comparative purpose.

3 Risk Management

3.1 Credit risk

This section presents financial information about the investments made by the Facility.

The table hereafter analyses the Facility exposure disbursed by nature of borrower.

Exposure disbursed (in EUR '000)	2006	2005
Private borrowers	378 428	225 174
Sovereign and Public borrowers	23 234	-
Total	**401 662**	**225 174**

The table hereafter analyses the Facility exposure disbursed by type of investment instrument used.

Exposure disbursed (in EUR '000)	2006	2005
Senior Loans (exposure disbursed)	226 392	111 671
of which Global Loans	*96 841*	*50 314*
Subordinated Loans and Quasi Equity	108 821	82 617
Equity	66 449	30 886
Total	**401 662**	**225 174**

The table below analyses the Facility exposure disbursed by sector.

Exposure disbursed (in EUR '000)	2006	2005
Infrastructure	1 693	3 683
Industry	182 783	140 597
Energy	38 291	-
Services	33 618	11 548
Agriculture	9 349	6 500
Services (financial activities)	39 087	12 532
Global loans	96 841	50 314
Total	**401 662**	**225 174**

3.2 Interest rate risk

The table below summarizes the Facility's exposure to interest rate risk through its investments.

Exposure disbursed (in EUR '000)	2006	2005
Fixed rate interest	170 790	92 150
Floating rate interest	164 423	102 138
Non-interest bearing investments	66 449	30 886
Total	**401 662**	**225 174**

3.3 Liquidity risk

The table below sets out the Facility's assets and liabilities by relevant maturity groupings based on the remaining period to the contractual maturity date.

Liquidity risk (in EUR '000)	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
ASSETS					
Cash and cash equivalents	190 780	-	-	-	190 780
Derivative financial instruments	-	-	1 558	6 915	8 473
Loans and equity investments					
Loans	1 945	1 518	15 714	319 820	338 997
Equity investments	-	-	-	66 449	66 449
Amounts receivable from contributors	103 913	-	-	-	103 913
Other assets	1 365	-	-	-	1 365
Total assets	**298 003**	**1 518**	**17 272**	**393 184**	**709 977**
LIABILITIES					
Amounts owed to Member States	(134 425)	-	-	-	(134 425)
Deferred income	-	-	-	(7 908)	(7 908)
Other liabilities	(1 463)	-	-	-	(1 463)
Total liabilities	**(135 888)**	**-**	**-**	**(7 908)**	**(143 796)**
Net liquidity position at 31 December 2006	**162 115**	**1 518**	**17 272**	**385 276**	**566 181**
Net liquidity position at 31 December 2005	**174 110**	**397**	**2 192**	**217 215**	**393 914**

3.4 Foreign exchange risk

The table below analyses the Facility assets and liabilities by relevant currency groupings.

Foreign exchange risk (in EUR '000)	EUR	USD	CAD	ACP/OCT Currencies	Total
ASSETS					
Cash and cash equivalents	190 549	231	-	-	190 780
Derivative financial Instrument	8 473	-	-	-	8 473
Loans and equity investments					
Loans	141 075	176 214 (*)	-	21 708	338 997
Equity investments	18 541	32 427	3 356	12 125	66 449
Amounts receivable from contributors	103 913	-	-	-	103 913
Other assets	-	965	-	400	1 365
Total assets	**462 551**	**209 837**	**3 356**	**34 233**	**709 977**

LIABILITIES					
Amounts owed to third parties	(134 425)	-	-	-	(134 425)
Deferred income	(7 908)	-	-	-	(7 908)
Other liabilities	(1 463)	-	-	-	(1 463)
Total liabilities	**(143 796)**	**-**	**-**	**-**	**(143 796)**
Currency position at 31 December 2006	**318 755**	**209 837**	**3 356**	**34 233**	**566 181**
Currency position at 31 December 2005	**273 874**	**100 367**	**-**	**19 673**	**393 914**
COMMITMENTS					
Undisbursed loans and equity investments	717 974	149 820	-	-	867 794
Guarantees drawn	-	-	-	7 925	7 925
Guarantees undrawn	63 875	-	-	-	63 875
	781 849	**149 820**	**-**	**7 925**	**939 594**

(*) Some loans issued in US Dollar are covered by swap agreements as detailed in note 12.

In accordance with the Cotonou Agreement, the Facility may enter in financial operations in currencies other than Euro and bear the foreign exchange risk. However, when an adequate swap market exists, the Facility may enter into a swap agreement to cover itself against any foreign exchange fluctuation.

4 Segment information

In accordance with IAS 14, the primary segment of the Facility is business operation and the secondary segment is geographical.

The activity of the Facility comprises primary Banking and Treasury operations.

Banking operations represent investments in projects, which are made with the purpose of supporting investments of private and commercially run public sector entities. The main investment products are loans, equity investments and guarantees.

Treasury activities include investing surplus liquidity and managing the Facility foreign exchange risk.

The Facility's activities are divided into five regions for internal management purposes.

Primary reporting format – business segment (in EUR '000):

At 31 December 2006	Treasury	Banking	Total
Revenues from segments	2 098	26 084	28 182
Expenses and charges from segments	(2 646)	(1 823)	(4 469)
Profit for the year			**23 713**
Segment assets	200 067	405 997	606 064
Unallocated assets			103 913
Total assets			**709 977**
Segment liabilities	1 128	8 243	9 371
Unallocated liabilities			134 425
Total liabilities			**143 796**
Commitments		**939 594**	**939 594**

Secondary reporting format – geographical segment (in EUR '000):

At 31 December 2006	Revenues(*)	Total assets	Total liabilities	Commitments
Caribbean and Pacific	4 217	42 558	-	69 801
Central and Eastern Africa	2 216	56 713	7 707	296 819
Regional Africa and ACP states	2 536	54 944	-	192 882
Southern Africa and Indian ocean	12 990	161 006	51	124 241
West Africa and Sahel	2 502	75 509	150	255 851
Others(**)	-	319 247	135 888	-
Total	**24 461**	**709 977**	**143 796**	**939 594**

(*) Revenues represent the net profit on the Facility's operational activity (i.e. interest and similar income from loans and interest subsidies, net fee and commission income, plus or minus the realized gain or impairment loss on loans and equity investments respectively).

(**) Under geographical segment "Other" are considered the amount payable to or receivable from the Member States or the European Investment Bank and the Facility cash and cash equivalent.

5 Net fee and commission income *(in EUR '000)*

The main components of net fee and commission income are as follows:

	2006	2005
Fee and commission on loans and equity investments	4 168	684
Guarantee fee	198	24
	4 366	**708**

6 Net result on financial operations *(in EUR '000)*

The main components of net result on dealing activities and foreign exchange are as follows:

	2006	2005
Net result arising from foreign exchange variations	(14 210)	6 449
Fair value movement on derivatives	14 057	(5 441)
	(153)	**1 008**

7 General administrative expenses *(in EUR '000)*

General administrative expenses represent the actual costs incurred by the European Investment Bank (the "Bank") for managing the Facility less income generated from standard appraisal fees directly charged by the Bank to clients of the Facility.

	2006	2005
Actual cost incurred by the European Investment Bank	35 413	33 364
Income from appraisal fees charged to clients of the Facility	(1 500)	(909)
Net general administrative expenses	**33 913**	**32 455**

Under Council Decision of 8 April 2003, the Member states agreed to cover in full the expenses incurred by the Bank for the management of the Facility for the first 5 years of the 9th European Development Fund.

8 Cash and cash equivalents *(in EUR '000)*

For the purposes of the cash flow statement, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

The cash and cash equivalents can be broken down between the funds received from the Member States and not yet disbursed and the funds from the Facility's operational and financial activities.

	2006	2005
Member states contributions received and not yet disbursed	69 720	155 523
Funds from the Facility's financial and operational activities	121 060	39 393
	190 780	**194 916**

9 Loans and equity investments *(in EUR '000)*

	Loans	Equity investments	Total
At 1st January 2006	194 009	30 886	224 895
Movement in fair value revaluation	-	3 554	3 554
Impairment	(1 693)	(130)	(1 823)
Change in amortized cost	(316)	-	(316)
Disbursements	157 004	31 965	188 969
Interest capitalised	4 303	-	4 303
Repayments	(3 585)	(25)	(3 610)
Foreign exchange movement	(14 509)	199	(14 310)
At 31st December 2006	**335 213**	**66 449**	**401 662**

At 31 December 2006, two operations were impaired for a total of EUR 1.8 million. One of these operations concerned a loan in Mauritania for an impairment amount of EUR 1.7 million.

Investments in quoted companies represent EUR 15.2 million of the total equity investments.

10 Amounts receivable from contributors *(in EUR '000)*

The main components of amounts receivable from contributors are as follows:

	2006	2005
Contribution called but not paid	70 000	60 000
Special contribution to general administrative expenses	33 913	32 455
	103 913	**92 455**

11 Other assets

The main components of other assets are as follows:

	2006	2005
Interest on loans not yet collected	551	351
Amounts receivable from EIB	814	-
	1 365	**351**

12 Derivative financial instruments *(in EUR '000)*

At December 31, 2006	Contract Notional Amount	Positive Fair Value
Cross currency swaps	114 597	6 046
Cross currency interest rate swaps	86 963	2 427
		8 473

At December 31, 2005	Contract Notional Amount	Negative Fair Value
Cross currency swaps	59 176	3 979
Cross currency interest rate swaps	21 089	1 605
		5 584

13 Amounts owed to third parties *(in EUR '000)*

The main components of amounts owed to third parties are as follows:

	2006	2005
Net general administrative expenses payable to EIB		
Interest subsidies not yet disbursed	100 512	83 200
	134 425	**115 655**

14 Deferred income

The main components of deferred income are as follows:

	2006	2005
Deferred interest subsidies	7 687	-
Deferred commissions on loans and equity investments	221	186
	7 908	**186**

15 Other liabilities

The main components of other liabilities are as follows:

	2006	2005
Remuneration repayable to the Commission with regard to the Contribution account	696	-
Amounts repayable to EIB	767	-
	1 463	**-**

16 Facility Member States Contribution *(in EUR '000)*

With regard to the Member States Contribution to the Facility, an amount of EUR 625 million has been called, of which EUR 555 million has been paid-in. Of this contribution, an amount of EUR 515 million is allocated to the funding of the Facility as such, whereas EUR 110 million are earmarked to finance interest subsidies.

The statement of Facility Member States Contribution as at 31 December 2006 is as follows:

Member States	Contribution to the Facility	Contribution to interest subsidies	Total contributed	Called and not paid(*)
Austria	13 648	2 914	16 562	1 855
Belgium	20 188	4 312	24 500	2 744
Denmark	11 021	2 354	13 375	1 498
Finland	7 622	1 628	9 250	1 036
France	125 145	26 730	151 875	17 010
Germany	120 304	25 696	146 000	16 352
Greece	6 437	1 376	7 813	875
Ireland	3 193	682	3 875	434
Italy	64 581	13 794	78 375	8 778
Luxembourg	1 494	319	1 813	203
Netherlands	26 883	5 742	32 625	3 654
Portugal	4 995	1 068	6 063	679
Spain	30 076	6 424	36 500	4 088
Sweden	14 060	3 002	17 062	1 911
United Kingdom	65 353	13 959	79 312	8 883
TOTAL	**515 000**	**110 000**	**625 000**	**70 000**

(*) On the 18 December 2006, the Council fixed the amount of the financial contributions to be paid by each Member State by 19 January 2007.

17 Commitments *(in EUR '000)*

The Facility's commitments are as follows:

	2006	2005
Undisbursed loans	779 241	489 310
Undisbursed commitment in respect of equity investments	88 552	81 572
Guarantees drawn	7 925	5 347
Guarantees undrawn	63 876	36 453
	939 594	**612 682**

18 Subsequent events

There have been no material post balance sheet events which would require disclosure or adjustment to the 31 December 2006 financial statements.

On a proposal from the Management Committee, the Board of Directors reviewed these financial statements on 13 March 2007 and decided to submit them to the Board of Governors for approval at their meeting to be held on 5 June 2007.

Independent Auditor's Report

To the chairman of the Audit Committee of
EUROPEAN INVESTMENT BANK
Luxembourg

We have audited the accompanying financial statements of the Investment Facility, which show a profit of EUR 23.713 million and a total balance sheet of EUR 709.977 million and which comprise the balance sheet as at December 31, 2006, the income statement, the statement of changes in equity, the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Management Committee's responsibility for the financial statements

The Management Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the general principles of the Directives of the European Union on the annual accounts and consolidated accounts of certain type of companies, banks and other financial institutions and insurance undertakings. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "Réviseur d'Entreprises"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Luxembourg "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the "Réviseur d'Entreprises", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "Réviseur d'Entreprises" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Committee, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Investment Facility as of December 31, 2006, of its financial performance, of its changes in equity and of its cash flows for the year then ended in accordance with International Financial Reporting Standards and with the general principles of the Directives of the European Union on the annual accounts and consolidated accounts of certain types of companies, banks and other financial institutions and insurance undertakings.

ERNST & YOUNG
Société Anonyme
Réviseur d'Entreprises

March 13, 2007

Bernard LHOEST

Alain KINSCH

The Audit Committee

The Audit Committee reports to the Board of Governors, the following statement being communicated to the Governors prior to their approval of the Annual Report and the financial statements for the past financial year.

Statement by the Audit Committee on the Investment Facility financial statements[1]

The Committee, instituted in pursuance of Article 14 of the Statute and Article 25 of the Rules of Procedure of the European Investment Bank for the purpose of verifying that the operations of the Bank are conducted and its books kept in a proper manner, having

- designated Ernst & Young as external auditors, reviewed their audit planning process, examined and discussed their reports,
- noted that the opinion of Ernst & Young on the financial statements of the Investment Facility for the financial period ending on 31 December 2006 is unqualified,
- convened on a regular basis with the Heads of Directorates and relevant services, and studied the documents which it deemed necessary to examine in the discharge of its duties,
- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the financial statements for the financial period ending on 31 December 2006 as drawn up by the Board of Directors at its meeting on 13 March 2007,
- that the foregoing provides a reasonable basis for its statement and,
- Articles 22, 23 & 24 of the Rules of Procedure,

to the best of its knowledge and judgement:

confirms that the activities of the Investment Facility are conducted in a proper manner, in particular with regard to risk management and monitoring;

has verified that the operations of the Investment Facility have been conducted and its books kept in a proper manner and that to this end, it has verified that the Investment Facility's operations have been carried out in compliance with the formalities and procedures laid down by the Statute and Rules of Procedure;

confirms that the financial statements, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the financial statements give a true and fair view of the financial position of the Investment Facility as at 31 December 2006 in respect of its assets and liabilities, and of the results of its operations for the year then ended.

Luxembourg, 13 March 2007

The Audit Committee

R. POVEDA ANADÓN

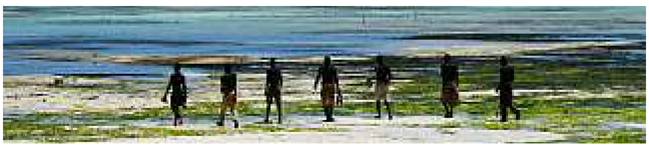
M. DALLOCCHIO

1 The Financial Regulation applicable to the 9th European Development Fund in Article 112 with regard to the operations managed by the European Investment Bank states that these operations shall be subject to the audit and discharge procedures laid down in the Statute of the Bank for all of its operations. On this basis, the Audit Committee issues the above statement.

Annex 5 – ACP Countries and OCTs

Africa

- Angola
- Benin
- Botswana
- Burkina Faso
- Burundi
- Cameroon
- Cape Verde
- Central African Republic
- Chad
- Comoros
- Congo
- Democratic Republic of Congo
- Côte d'Ivoire
- Djibouti
- Equatorial Guinea
- Eritrea
- Ethiopia
- Gabon
- Gambia
- Ghana
- Guinea
- Guinea-Bissau
- Kenya
- Lesotho
- Liberia
- Madagascar
- Malawi
- Mali
- Mauritania
- Mauritius
- Mozambique
- Namibia
- Niger
- Nigeria
- Rwanda
- São Tomé and Principe
- Senegal
- Seychelles
- Sierra Leone
- Somalia
- South Africa
- Sudan
- Swaziland
- Tanzania
- Togo
- Uganda
- Zambia
- Zimbabwe



Pacific

- Cook Islands
- East Timor
- Fiji
- Kiribati
- Marshall Islands
- Micronesia
- Nauru
- Niue
- Palau
- Papua New Guinea
- Samoa
- Solomon Islands
- Tonga
- Tuvalu
- Vanuatu

Caribbean

- Antigua and Barbuda
- Bahamas
- Barbados
- Belize
- Cuba
- Dominica
- Dominican Republic
- Grenada
- Guyana
- Haiti
- Jamaica
- Saint Kitts and Nevis
- Saint Lucia
- Saint Vincent and the Grenadines
- Suriname
- Trinidad and Tobago

OCTs

- Anguilla
- Aruba
- British Antarctic Territory
- British Indian Ocean Territory
- British Virgin Islands
- Cayman Islands
- Falkland Islands
- French Polynesia
- French Southern and Antarctic Lands
- Greenland
- Mayotte
- Montserrat
- Netherlands Antilles
- New Caledonia
- Pitcairn Islands
- Saint Helena
- Saint Pierre and Miquelon
- South Georgia and the South Sandwich Islands
- Turks and Caicos Islands
- Wallis and Futuna

Annex 6 – Glossary of abbreviations

A

ACP:	Africa, Caribbean and Pacific
ADB:	Asian Development Bank
AFD:	Agence Française de Développement
AfDB:	African Development Bank
Approvals:	Projects approved for financing by the EIB's decision-making bodies
AWS:	Austria Wirtschaftsservice

B

BDEAC:	Banque de Développement des Etats de l'Afrique Centrale
BIO:	Belgium Investment Company for Developing Countries
BOAD:	West African Development Bank
BPI:	Business Partners International
BPSA:	Business Partners Ltd. of South Africa
BII:	Banque Internationale d'Investissement

C

CBOs:	Community-based Organisations
CDB:	Caribbean Development Bank
CDC:	Capital for Development Group Plc
CEMAC:	Central African Economic and Monetary Community
CFA:	Communauté française d'Afrique
Cofides:	Compañía Española de Financiación del Desarrollo
Commitments:	Signed loans, equity, quasi-equity investment, agency and guarantee agreements
Corvinus:	Corvinus International Investment Ltd.
CRPGs:	Credit Risk Policy Guidelines

D

DBSA:	Development Bank of South Africa
DEG:	Deutsche Investitions- und Entwicklungsgesellschaft mbH
DFCU:	Development Finance Company of Uganda
DFIs:	Development Finance Institutions
DIAF:	Development Impact Assessment Framework
Disbursements:	Loans and investments paid out

E

EADB:	East African Development Bank
ECOWAS:	Economic Community of West African States
EDF:	European Development Fund
EDFIs:	European Development Finance Institutions
EFP:	European Financing Partner
EIA:	Environmental Impact Assessment
EIB:	European Investment Bank
EITI:	Extractive Industry Transparency Initiative
EU:	European Union

F

FDI:	Foreign Direct Investment
FINNFUND:	Finnish Fund for Industrial Cooperation Ltd
FMO:	Netherlands Development Finance Company

G

GDP:	Gross Domestic Product
GNI:	Gross National Income

H

HIPC:	Heavily Indebted Poor Countries

I

IDA:	International Development Agency
IF:	Investment Facility
IFC:	International Finance Corporation
IFIs:	International Financial Institutions
IFRS:	International Financial Reporting Standards
IFU	Industrialisation Fund for Developing Countries
IMF:	International Monetary Fund
ING:	Internationale Nederlanden Group

K:

KfW:	Kreditanstalt für Wiederaufbau

M

MDGs:	Millennium Development Goals
MDRI:	Multilateral Debt Relief Initiative
MFIs:	Microfinance Institutions
MIDINA:	Managing Infrastructure Development in Namibia
MIGA:	Multilateral Investment Guarantee Agency
MoU:	Memorandum of Understanding

N

NGOs:	Non-governmental Organisations
Norfund:	Norwegian Investment Fund for Developing Countries

O

OCTs:	Overseas Countries and Territories
ODA:	Official Development Assistance
OMVS:	Organisation pour la Mise en Valeur du fleuve Sénégal
OPEC:	Organisation of the Petroleum Exporting Countries

P

PPF:	Project Preparation Facility
PROPARCO:	Société de Promotion et de Participation pour la Coopération Economique

Q

Quasi-equity:	Instruments incorporating both loan and equity features, designed to provide varying degrees of risk/return trade-offs that lie between those of straight loans and equity investments

S

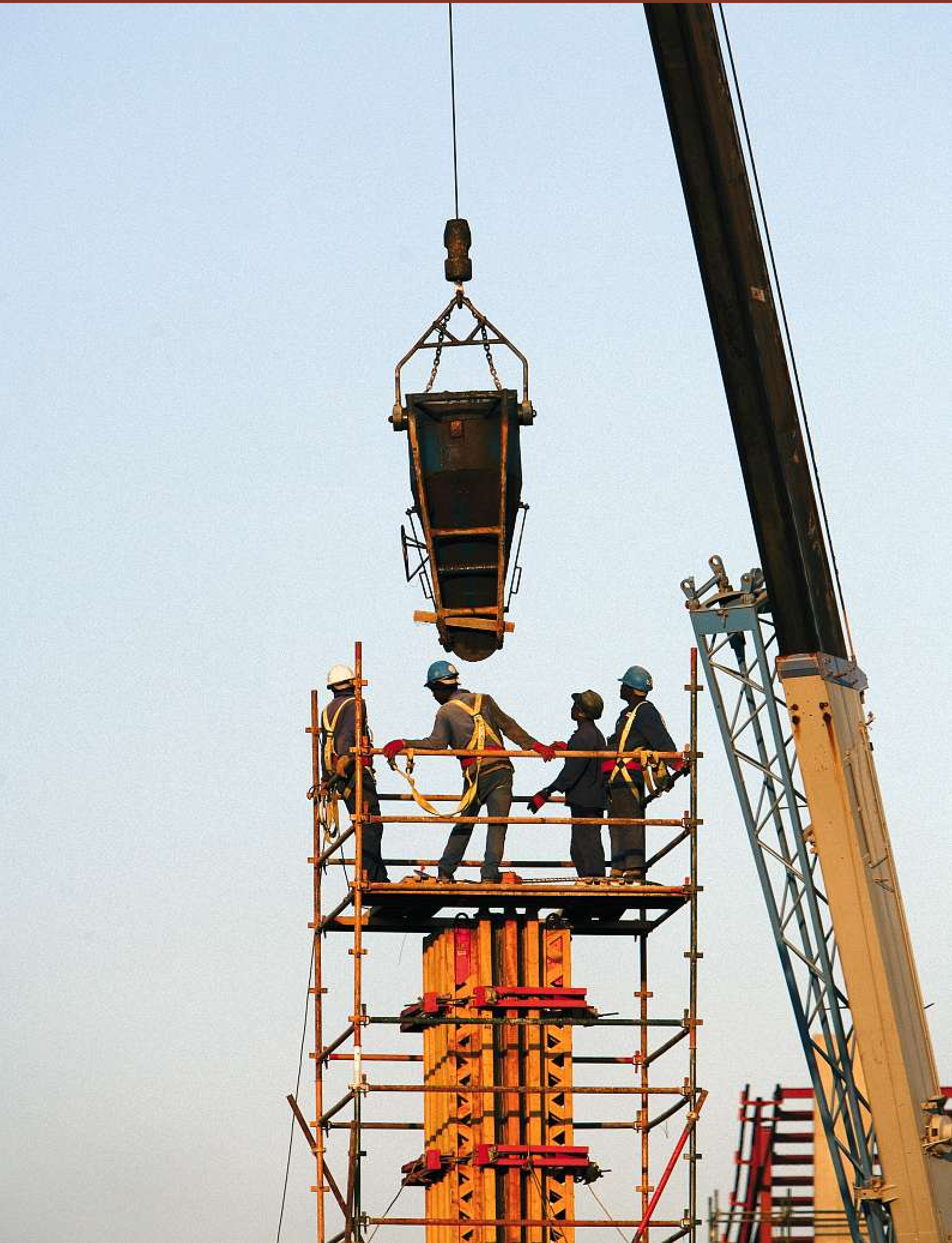
SADC:	Southern African Development Community
SBI-BMI:	Belgian Corporation for International Investment
SIFEM:	Swiss Investment Fund for Emerging Markets
SIMEST:	Società Italiana per le Imprese all'Estero
SMEs:	Small and Medium-Sized Enterprises
SPV:	Special Purpose Vehicle
Swedfund:	Swedfund International AB

U

UEMOA:	Union Economique et Monétaire Ouest Africaine
UN:	United Nations

W

WAEMU:	West African Economic and Monetary Union



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European Investment Bank

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