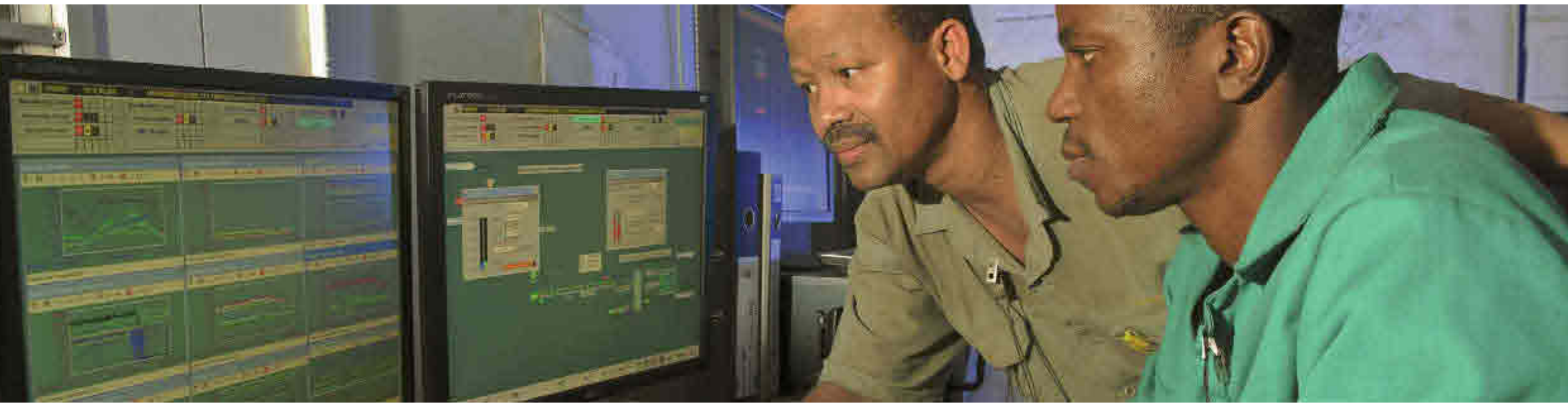
Annual Report 2010



European Investment Bank • European Investment Bank • European Investment Bank • European Investment Bank • European Investment Bank

African, Caribbean and Pacific Countries (ACPs) Overseas Countries and Territories (OCTs)

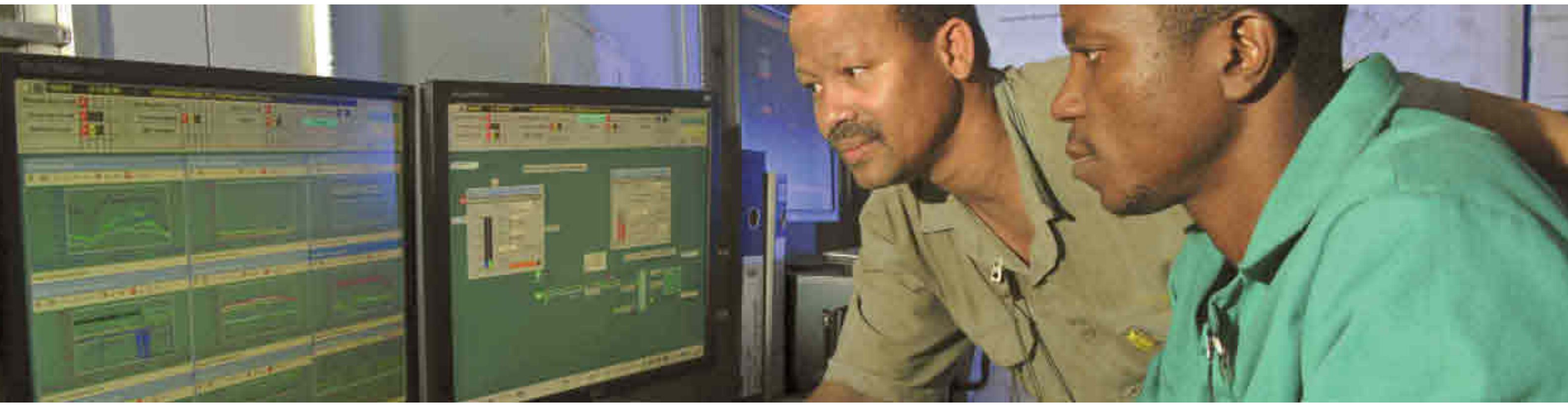
Investment Facility

ACP-EU Cotonou Partnership Agreement
OCT-EU Overseas Association Decision

EIB Operations

European Investment Bank

Annual Report 2010



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European Investment Bank

Looking back at recent achievements, and considering the challenges ahead, the European Investment Bank's commitment to working with others to encourage sustainable private sector development in the partner countries shows both our strengths and the diversity of what can be accomplished.

Message from the Vice-President

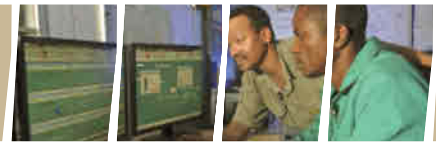
During 2010, the Bank increased its support for infrastructure in the ACP countries as well as encouraging the emergence of stronger and more professional financial institutions in sub-Saharan Africa. In this way, the Bank not only supported regional integration, but also helped the local banking sector grow. Financial institutions in Nigeria, Liberia, the Dominican Republic, St Kitts and Nevis and further afield have been able to expand their customer base and services thanks to EIB funding and assistance. We are committed to helping banks across Africa face the challenges of the global financial crisis and support the sustainable development of SMEs.

Renewed emphasis on inclusive growth and private sector development, as indispensable vehicles for sustainable development, made a remarkable comeback last year and reinforced the European Investment Bank's role and relevance in using our external mandate and instruments to address our partner countries' most difficult challenges.

Upgrading Nairobi airport and improving transmission links in Tanzania and the Caprivi Strip will help address the regional energy challenges. Water schemes in Lesotho, Malawi and Samoa will help improve the quality of life of hundreds of thousands of households.

The importance of microfinance and equity investments in our portfolio was also demonstrated, and is a direct response to the request for greater engagement from our partners. Seeing projects at first hand in Cameroon, Kenya and the Dominican Republic enabled me to witness the impressive impact of small-scale support.

The EIB's overall commitment to enabling climate action can also be seen in flagship projects across Africa, the Caribbean and the Pacific. The Bank's approval to finance wind farms in Cape Verde in the first PPP project in sub-Saharan Africa, an environmental credit line in New Caledonia and the establishment of the Interact Climate Change Facility represented



important milestones in 2010. The dilemma of achieving inclusive growth and development in a carbon-constrained world will remain with us all.

At the same time, operational reforms, notably the creation of a dedicated project finance and guarantees unit and special monitoring task force, are enhancing the Bank's effectiveness by enabling us to be more focused, more accountable and more transparent.

Last year the European Investment Bank enabled 26 ACP projects to benefit from investment exceeding EUR 1bn. This was only possible by working closely with leading private and public sector business partners. Since the start of the Cotonou mandate in 2003 the European Investment Bank has provided more than EUR 6bn for projects across Africa, the Caribbean and the Pacific, including South Africa. This annual overview seeks to capture a few individual success stories behind the dry figures.

I wish to take this opportunity to thank all EIB staff for their hard work, extend my gratitude to all partners and reiterate our continued deep commitment to ensuring an effective response to the most pressing needs of the ACP countries by building on our expertise.

Looking ahead, the European Investment Bank stands ready, with its knowledge and expertise, to contribute to the shaping of future EU external development cooperation post-2013.

Plutarchos Sakellaris
EIB Vice-President
responsible for sub-Saharan Africa,
Caribbean and Pacific lending operations

Institutional **framework**

"Supporting the European Union's cooperation and development policies"

"As the bank of the European Union, the EIB uses its special expertise and resources to make a difference to the future of Europe and its partners by supporting sound investments which further EU policy goals."

The European Investment Bank (EIB) has been an active development finance partner in the African, Caribbean and Pacific countries (ACPs)[1] and in the Overseas Countries and Territories (OCTs) since 1963 and 1968 respectively.

Currently, the EIB operates in these regions under the ACP-EU Partnership Agreement ("Cotonou Agreement") and the Overseas Association Decision. Both cooperation agreements are centred on the reduction and eventual eradication of poverty, sustainable development, and progressive integration of ACP and OCT economies into the world economy.

Within these frameworks, the EIB is entrusted with the management of the Investment Facility[2], which meets the financing needs of investment projects in the regions with a broad range of flexible risk-bearing instruments such as junior loans, equity, quasi-capital, guarantees and, in particular cases, interest rate subsidies.

The second revision of the ACP-EU Partnership Agreement, the so-called Cotonou Agreement, was signed during the 35th meeting of the ACP-EU Council of Ministers held in Ouagadougou (Burkina Faso) in June 2010. It recognises, for the first time, climate change as a key issue for the ACP-EU partnership, whilst confirming the role of public sector investment in basic infrastructure and introducing the possibility of financing EIB operations in ACP countries through South African intermediaries.

[1] *The EIB extends long-term financing to the Republic of South Africa from its own resources to promote the country's economic development under a separate mandate of up to EUR 900m for the period 2008-2013.*

[2] *The ACP Investment Facility, as defined in the ACP-EU Partnership Agreement signed in June 2000 in Cotonou, Benin, for a period of twenty years, and revised in 2005 and 2010; and the OCT Investment Facility, as defined in the Overseas Association Decision signed in 2001 for a duration of twelve years, and revised in 2007. For more information on the terms and conditions of the Investment Facility as an instrument, please refer to the EIB flysheet "Investment Facility and loans from EIB own resources – outline of terms and conditions", available on the EIB website.*

"**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 ACPs;
- 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

Funds managed by the EIB: the Cotonou Partnership Agreement and Overseas Association Decision

European Development Fund
(EU Member States' budgetary funds)

European Commission

⇛ Grants

- National & regional indicative programmes
- Intra-ACP & inter-regional cooperation

European Investment Bank

Investment Facility

⇛ Loans*
⇛ Equity
⇛ Guarantees

revolving fund

Total capital endowment under 9th and 10th EDFs

⇛ ACPs EUR 3 137m
⇛ OCTs EUR 48.5m

Subsidies

⇛ Interest rate
⇛ Technical assistance

Own resources

⇛ Senior loans

Amounts available under 10th EDF 2008-2013

Subsidies:
⇛ ACPs EUR 400m
⇛ OCTs EUR 1.5m

Own resources:
⇛ ACPs up to EUR 2 000m
⇛ OCTs up to EUR 30m

** Senior, junior, subordinated and intermediated loans, as well as quasi-equity operations.*

"Committed to sustainable private sector development"

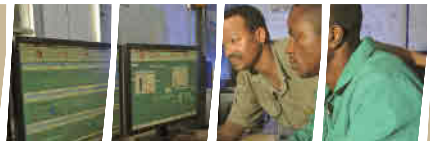
The EIB concentrates its efforts on fostering private sector-led initiatives that promote economic growth and have a positive impact on the wider community and region. It also supports public sector projects, typically in infrastructure, that are critical for private sector development and the creation of a competitive business environment.

In line with the objectives set out by the international community in the United Nations (UN) Millennium Development Goals (MDGs), as well as the European Consensus on Development, the EIB's overriding aim is to support projects that deliver sustainable economic, social and environmental benefits whilst ensuring strict accountability for public funds. This involves:

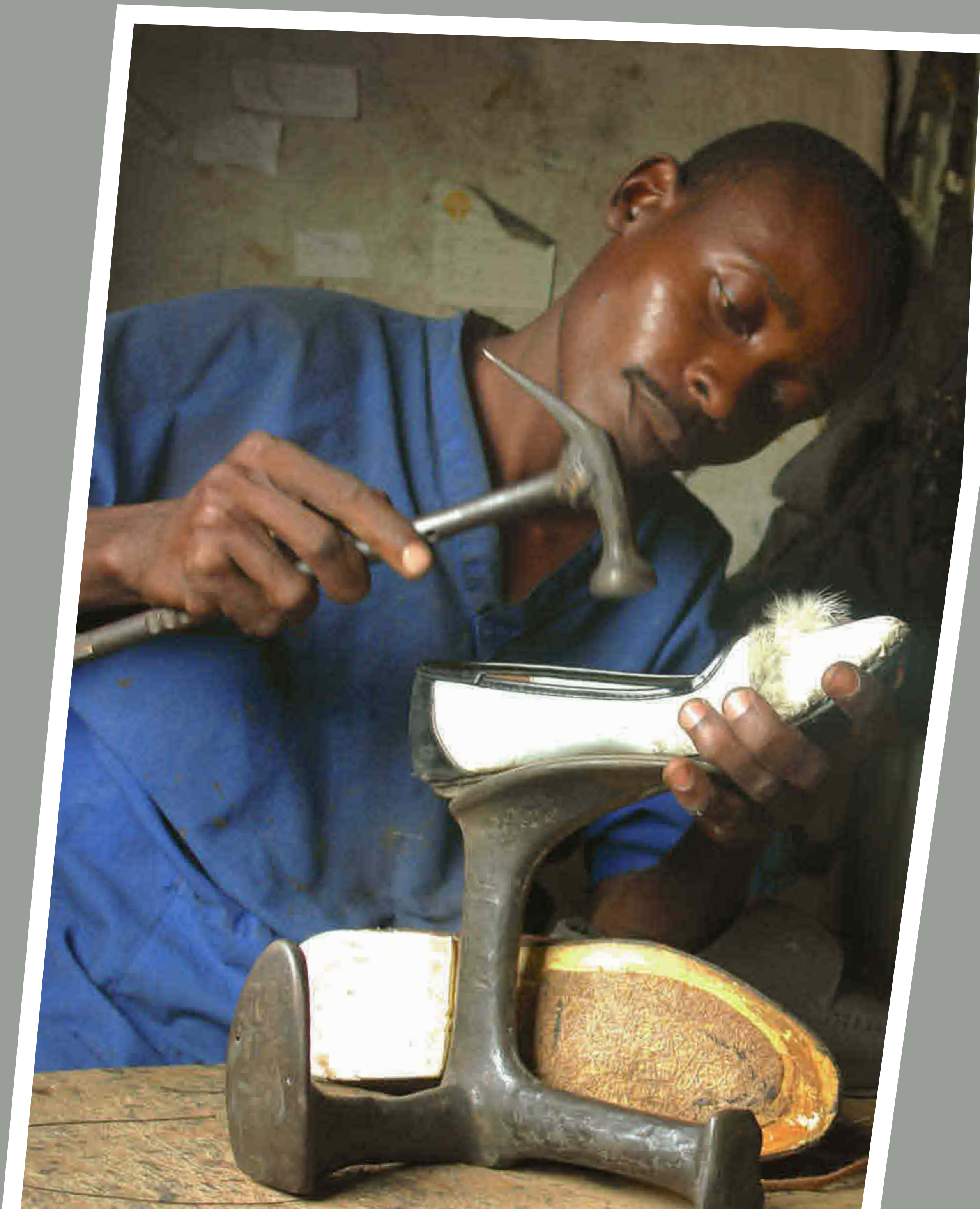
- **supporting responsible private and public investments;**
- **fostering regional cooperation and integration;**
- **mobilising domestic savings and acting as a catalyst for foreign direct investment;**
- **encouraging the broadening, deepening and strengthening of the local financial sector;**
- **relying on/promoting partnerships.**

[3] *For a detailed list of ACP countries and OCTs covered by the Bank's mandate, refer to Annex 1.*

This report covers ACP and OCT Investment Facility projects[3], as well as EIB own resources lending operations carried out in these regions. Although operations in South Africa are financed under a different external mandate (see Footnote 1), they are also included in the interest of coherence and comprehensiveness.



Investment conditions in the ACP countries and OCTs



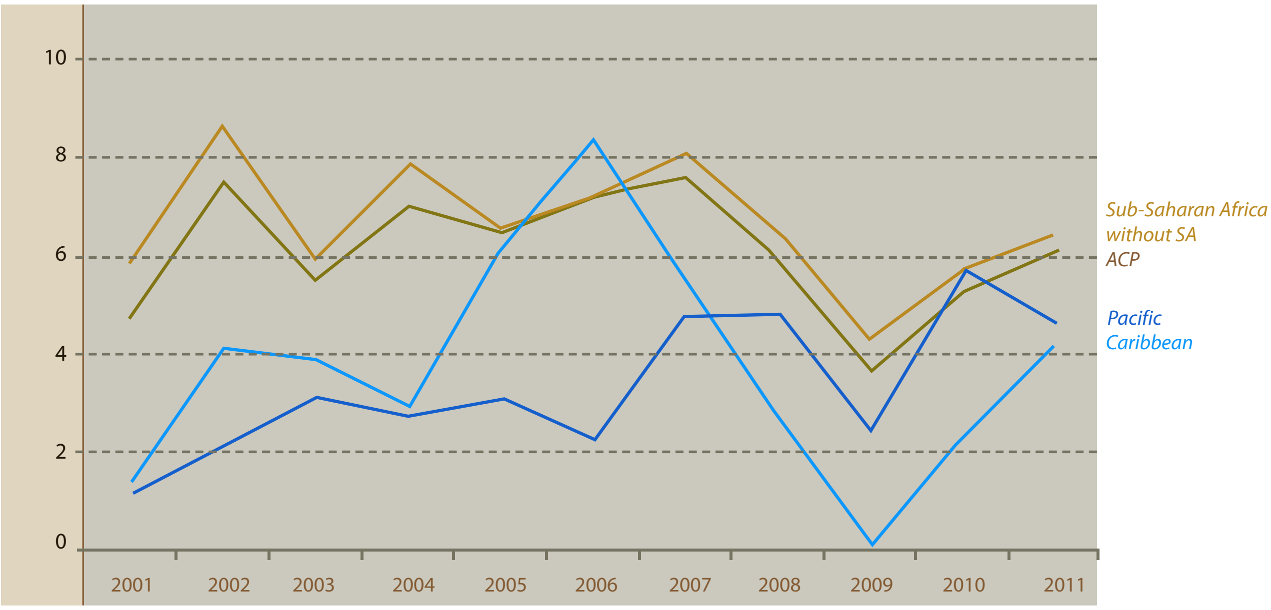
"Recovering from the crisis"

In line with world economic developments, the ACP countries in general recovered well from the marked slowdown of 2009. The response varied, however, from country to country, with more positive performances in those less dependent on advanced economies and more exposed to emerging market demand.

Moma Titanium – Kenmare development project, Mozambique

In 2010, the world economy grew by a robust 4.8%, mostly driven by activity levels in emerging economies. Growth was particularly strong in emerging Asia, with China and India serving as the engine of growth for the entire region. By contrast, the recovery in advanced economies remained tentative, particularly in Europe and Japan. That said, the rebound in emerging economies led to strong growth in global trade and to a sharp increase in capital inflows to these economies.

Growth in the ACP countries



Source: EIB calculations, based on data from the World Economic Outlook, October 2010.

The increase in the pace of activity in emerging markets has been followed by an increase in price inflation, mostly driven by rapid increases in food and energy prices, which remain volatile. Monetary authorities have in general responded by tightening up monetary conditions, which has further reinforced the flow of capital to those countries. This has led to the implementation of capital control-type measures to contain the concomitant currency appreciation pressures.

While macro-economic developments in the ACPs were broadly positive, the 2008-2009 global crisis has left profound marks on the region. Progress towards the Millennium Development Goals has been delayed. Incomes per capita declined for the first time in a number of years and employment conditions deteriorated.

Sub-Saharan Africa[4]

The economies of sub-Saharan Africa (SSA) responded well to the overall improvement of the world economy in 2010. Benefiting from the rebound in world trade and the increase in commodity prices coupled with dynamic domestic demand, SSA economies expanded by 5.3%, up from 3.6% in 2009. While positive, this performance, once again, did not match that of the fastest-growing emerging market economies and it remained below pre-crisis growth figures (growth exceeded 6.5% every year from 2004 to 2008). However, it shows that the economies of the region managed to remain relatively immune to the tentative recoveries of the advanced economies, notably that of the European Union, SSA's main trading partner.

Furthermore, the growth performance was broad-based. With the exception of Madagascar, where political instability is putting sharp constraints on economic developments, growth was in positive territory for all the countries of the region. The strongest performance came, however, from an oil-producing country – the Republic of the Congo, where GDP grew by more than 10%.

On the other hand, the 2008-2009 crisis has left clear marks on the SSA economies. Progress towards the Millennium Development Goals was delayed. Incomes per capita dropped for the first time in a number of years, unemployment increased and the impact on poverty,

[4] In this section the term "sub-Saharan Africa" does not include the Republic of South Africa. It refers to African ACP countries signatory to the Cotonou Partnership Agreement.

although hard to quantify, was palpable. Furthermore, the 2010 rebound and the foreseen consolidation of the recovery in 2011 will not completely offset – at least in the short run – the full impact of the crisis.

This is also clear from some macroeconomic figures. Exports from the region, although significantly above those of the 2008-2009 period have not yet regained pre-crisis levels, at which exports peaked at some 40% of GDP. The corresponding figure for 2010 did not exceed 32%. The impact on the current account balance was, however, small as imports declined more or less in line with exports. On the other hand, fiscal positions deteriorated further, reflecting both the discretionary policy measures taken to sustain domestic demand and the automatic reduction in fiscal revenues associated with the decline in activity. The impact of the crisis is also reflected in the prevailing risk aversion among financial intermediaries. While financial sectors across sub-Saharan Africa endured the crisis well, credit growth figures dropped consistently throughout the region.

Expectations for 2011 are positive, with growth reaching 6.3%. The balance of risks seems, however, to be on the negative side, as the consolidation of the recovery for the world economy depends on developments in the advanced economies and on their potential consequences for emerging markets. Furthermore, the projected withdrawal of fiscal stimuli might lead to the relative weakening of domestic demand in SSA. That said, increasing fiscal discipline can further contribute to improving the business climate in the region. Some of those efforts – one of the most paradigmatic cases being Rwanda, which was named the world's top reformer in 2010 under the World Bank's Doing Business Initiative – have contributed to an overall improvement in governance and the business climate in SSA and help explain the resilience shown by the region to the severe 2008-2009 crisis.

Macroeconomic indicators for African ACP countries*

	Real GDP growth (%)				Inflation (%)				Current account balance (% of GDP)			
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
African ACPs	6.0	3.6	5.3	6.1	11.6	10.5	8.6	7.5	1.4	-2.0	-0.8	-1.1

**Excludes South Africa, GDP-weighted averages. Source: EIB calculations, based on data from the World Economic Outlook, October 2010.*

EIB official visit to Kenya, June 2010

Caribbean countries

Dominican Republic, rainforest

Among the ACP countries, the countries of the Caribbean were the most severely affected by the global financial and economic crisis. The most recent data show that the region barely escaped an economic contraction in 2009, reflecting the dependence on economic conditions in advanced economies. Tighter external financing conditions, lower worker remittances and the deterioration in the region's external demand were further exacerbated by a fall in tourism earnings.

On the other hand, with conditions improving in advanced economies – notably in the region's main economic partner, the United States – the growth performance of Caribbean countries in 2010 improved significantly, reaching 2.3%. This encompasses both the earthquake induced contraction in Haiti (-8.5%) and, at the other extreme, the rapid acceleration in the pace of activity in the Dominican Republic (5.5%) after the adoption of a stabilisation programme sponsored by the IMF in late 2009. The region also benefited from a small improvement in tourism demand as well as from subsequent reconstruction efforts in Haiti.

Moving forward, the outlook for the region is positive. However, the global crisis has left its marks and a number of countries in the region have to undertake difficult fiscal consolidation measures. Fiscal deficits in 2010 remained substantial and a number of countries have large stocks of public debt. Furthermore, the region remains exposed to developments in the labour markets of the advanced economies.

Macroeconomic indicators for Caribbean ACP countries*

	Real GDP growth (%)				Inflation (%)				Current account balance (% of GDP)			
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
Caribbean ACPs	2.8	0.1	2.3	4.2	11.9	3.6	7.2	5.6	-1.8	-4.2	-3.0	-2.9

**GDP-weighted averages of Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago.*
Source: EIB calculations, based on data from the World Economic Outlook, October 2010.

Pacific islands

In 2010, the Pacific region experienced – on aggregate – a strong economic rebound, with growth climbing from 2.5% in 2009 to 5.7% in 2010. Gains were, however, mostly restricted to the commodity-exporting countries of the region. Accordingly, GDP expanded by some 8% in Papua New Guinea (by far the largest of the economies of the region) and in East Timor, while in the Solomon Islands growth reached 3.4%. Elsewhere, gains were small or even negative, as was in the case of Samoa.

With a narrow production base, the Pacific islands are all dependent on imported goods, mainly from Australia and New Zealand. Apart from Papua New Guinea and East Timor, trade deficits are a regular feature of these countries' balance of payments. Private and official transfers, as well as remittances from nationals living overseas, have contributed considerably to offsetting these trade deficits.

Looking ahead, growth conditions are expected to remain broadly favourable in the region. However, outcomes will be highly dependent on the behaviour of commodity prices as well as on the evolution of tourism flows to the region, which were strongly disrupted by the global crisis of 2008-2009. Non-commodity exporters are expected to continue implementing programmes of policy reform and public sector adjustment, assisted by development partners. These programmes provide budget support for financing infrastructure upgrades and help to preserve priority expenditure on government services.

Helios Bay, New Caledonia

Macroeconomic indicators for Pacific ACP countries*

	Real GDP growth (%)				Inflation (%)				Current account balance (% of GDP)			
	2008	2009	2010	2011	2008	2009	2010	2011	2008	2009	2010	2011
Pacific ACPs	4.8	2.5	5.7	4.6	9.7	6.1	6.1	6.3	13.8	2.5	-4.7	-7.8

**GDP-weighted averages of Fiji, Kiribati, Papua New Guinea, Samoa, Solomon Islands, East Timor, Tonga and Vanuatu.*
Source: EIB calculations, based on data from the World Economic Outlook, October 2010.


KENMARE

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Executive summary

Working in ever closer partnership with other stakeholders to maximise the impact of projects in the ACPs and OCTs in 2010.

Improving coherence and aid effectiveness: focus on development outcomes

Ensuring the coherence, consistency and complementarity of the Bank's activities with EU policies, as well as with the activities of the European Commission, bilateral and multilateral financing institutions and others, remains an ongoing objective: of the 181 projects signed to date in the ACP region, 96 are co-financed with development finance institutions. The implementation of pilot projects under the Mutual Reliance Initiative with AFD and KfW marked an important step and confirms the Bank's commitment towards achieving this objective.

Major development challenges were also jointly addressed by a number of ongoing and new initiatives such as the European Financing Partners and the African Financing Partnership. The EIB will continue to promote the effectiveness, visibility and coherence of financing for development in 2011.

Increasing attention was paid – and will continue to be paid – to the results and notably to the development outcome of EIB operations, through the strengthening of project monitoring and continued use of the Economic and Social Impact Assessment Framework to gauge the relevance, quality and value added of the EIB's involvement in each project.

Key results achieved include:

- over 1 700 direct jobs created in Uganda through a private sector development credit line targeting SMEs;
- over 3 300 direct or indirect jobs created in Zambia through the establishment of a new copper mine;
- over 20 000 direct and indirect jobs created under the European Financing Partners initiative.

Financing infrastructure and promoting financial sector development

In line with overall EU development and cooperation policy objectives, the Bank's lending activity remained focused on supporting economic infrastructure, notably in the energy and water sector, and financial sector development. The overarching objectives of support for regional integration, private sector development and sustainable growth remained central, together with climate action, which has become a key priority area in itself. Lending to climate action projects in the ACP region surpassed the Bank-wide target of 20% in 2010 and included the establishment, together with other European DFIs, of the new Interact Climate Change Facility.

ACP countries in general recovered positively from the financial crisis and the resulting slowdown of 2009. The EIB continued to work closely with other stakeholders to help sustain the momentum of economic recovery and support growth in the region, while also promoting financial sector development, including microfinance.

Key projects included:

- supporting the first renewable energy public-private partnership in sub-Saharan Africa through the financing of four wind farms in Cape Verde, to assist climate action;
- financing of the first fibre optic cable connecting Mauritania to Europe and West Africa, thus helping to bridge the digital divide;
- providing loan finance to a pan-African finance group, Ecobank, fostering regional integration in the financial sector.

Operations in 2010

Key Figures

ACP/OCT lending in EUR m	Investment Facility	Own resources	Total
2008	336.3	224.8	561.0
2009	450.1	413.2	863.3
2010	374.2	597.8	972.0

In 2010, signed commitments totalled EUR 972m, providing support to 25 development projects in the ACPs and OCTs. Total signatures in the ACPs and OCTs since the entry into force of the Cotonou mandate in 2003 now amount to EUR 4 937m.

The Bank also supported sustainable economic development in the Republic of South Africa through the signature of one project for EUR 50m.

This brings the total amount of signatures in the ACPs, OCTs and South Africa in 2010 to EUR 1bn in support of 26 projects and to EUR 6bn since 2003.

In 2010, EUR 70.7m of grant funding was provided for project-related technical assistance (EUR 7m) and for interest rate subsidies (EUR 63.7m).

Despite the broad retrenchment of the private sector in 2010 in the wake of the financial crisis, 21 projects were signed with private sector project promoters representing 84% of the annual portfolio in number and 60% in volume.

24% of the signed commitments were directed towards climate action financing.

The Investment Facility:

- supported eight cross-border schemes and nine individual ACP and OCT countries;
- 100% of the amounts signed concerned the private sector;
- 91% of the amounts signed in 2010 were directed to financial sector projects, including equity investments and microfinance, while other projects targeted the industrial and energy sectors.

EIB Own Resources:

- supported eight individual ACP countries;
- 65% of the amounts signed concerned the public sector and infrastructure schemes;
- 42% of the amounts signed in 2010 supported investments in energy, 32% in services and 23% in water and sewerage.

The main differences between the Investment Facility and the EIB's own resources lie in the higher level of risk that can be borne by the IF and its greater flexibility in terms of instruments (the IF is able, for instance, to intervene with equity or quasi-equity or to provide non-recourse finance). On this basis, the IF can meet categories of needs which own resources cannot cover.

List of Projects Signed

(Detailed lists of cumulative signatures since the inception of the Cotonou mandate are presented in Annexes 1 and 2).

IF projects signed in 2010				
ACPs				
Regional – Pacific	PACIFIC ISLANDS FINANCING FACILITY II D ☼ AND E	Credit line	Private	9.00
Cameroon	PRET GLOBAL PRO-PME III (CAMEROUN)	Credit line	Private	5.00
Lesotho	PHILIPS LIGHTING MASERU ☼	Industry	Private	5.00
Liberia	ACCESS BANK LIBERIA B ◆	Financial services	Private	1.50
Regional – ACP	ACCESS MICROFINANCE HOLDING II	Equity	Private	1.73
Regional – Africa	REGMIFA MSME INV FUND FOR AFRICA ◆	Equity	Private	15.00
Regional – ACP	RURAL IMPULSE MICROFINANCE FUND II	Equity	Private	10.00
Regional – Africa	AFRICA CAPITALISATION FUND	Equity	Private	30.00
Dominican Republic	ADEMI RURAL MICROFINANCE	Credit line	Private	7.00
Congo (Democratic Republic)	RAWBANK LINE OF CREDIT (DRC)	Credit line	Private	5.00
Regional – ACP	EDFI EUROPEAN FINANCING PARTNERS IV, IV B AND IV C	Agency agreement	Private	100.00
Cape Verde	CAPE VERDE WIND POWER PPP	Energy	Private	30.00
Regional – ACP	INTERACT CLIMATE CHANGE FACILITY	Financial services	Private	45.00
Regional – ACP	INTERACT CLIMATE CHANGE FACILITY B	Guarantee	Private	5.00
Uganda	PRIVATE ENTERPRISE FINANCE FACILITY II	Credit line	Private	40.00
Regional – West Africa	ECOBANK REGIONAL FACILITY II	Financial services	Private	50.00
				359.23
OCTs				
New Caledonia	NC-LIGNE DE CREDIT ENVIRONNEMENTALE II ☼	Credit line	Private	10.00
French Polynesia	SOCREDO LIGNE ENVIRONNEMENTALE II ☼	Credit line	Private	5.00
				15.00
IF TOTAL				**374.23**
EIB own resources projects signed in 2010				
ACP States				
Nigeria	NIGERIA FRAMEWORK LOAN A, B AND C	Financial services	Private	190.00
Dominica	AIDBANK LINE OF CREDIT III A AND B ☼	Credit line	Private	8.00
Lesotho	METOLONG DAM AND WATER SUPPLY PROGRAM ☼	Water, sewerage	Public	140.00
Dominican Republic	ETED POWER TRANSMISSION	Energy	Public	26.80
Tanzania, United Republic of	TANZANIA BACKBONE INTERCONNECTOR ☼	Energy	Public	100.65
Kenya	OLKARIA I & IV GEOTHERMAL EXTENSION ☼	Energy	Public	119.00
Saint Kitts and Nevis	DBSKN LINE OF CREDIT IV A AND B ☼	Credit line	Private	5.99
Mauritania	MAURITANIA SUBMARINE CABLE CONNECTION ☼	Telecommunications	Private	7.32
				597.77
EIB OR TOTAL				**597.77**

☼ Operations receiving/to receive an interest rate subsidy appropriation.

◆ Operations receiving a technical assistance grant.

Spotlight **on Projects**

"Promoting low-carbon growth"

Infrastructure sectors

"The EIB is a bank with green credentials and an indispensable partner in delivering EU climate action investment."
EIB President, Philippe Maystadt, EU-ACP Council of Ministers, Ouagadougou, 22 June 2010

The EIB has incorporated CO_2 emission reduction in its sector lending policies. The carbon footprint and environmental impact of projects is systematically assessed to identify inter alia potential for generating carbon credit. Climate change mitigation and adaptation projects can, moreover, benefit from financing covering up to 75% instead of the usual limit of 50% of project cost. Climate action considerations have been mainstreamed into the Bank's project cycle.

In the infrastructure sectors, the EIB continues to prioritise strategic regional infrastructure projects and those that offer specific environmental benefits. Infrastructure has a key role to play in this regard by creating an enabling environment for private sector development. In order to achieve the broader goals of economic development and poverty reduction a number of challenges must continue being addressed, including the provision of affordable and sustainable sources of energy, enhancing the use of information and communication technologies and promoting access to a safe and sustainable water supply.

The EIB is increasingly keen to attract private sector financing of infrastructure projects, as illustrated by the Mauritania cable project or the setting up of a project preparation facility launched in March 2010 with the Development Bank of Southern Africa, which aims to assist private participation in infrastructure.

Luwunga and Namwasa plantations, Uganda

Box 1: Financing Climate Action in the ACPs/OCTs

In line with EU policy, the EIB has made climate change mitigation and adaptation a top policy priority. The EIB already dedicates at least 20% of its overall lending to climate action, and this target, established in 2010, is meant to progressively increase in future years. The ambitious emission reduction targets endorsed by the European Union set the tone for EIB operations, both within and outside the Union.

During the **2010 United Nations Climate Change Conference** in Cancún, Mexico, the **Bank** presented the latest developments of the Global Renewable Energy and Energy Efficiency Fund (GEEREF) as well as concrete examples of mitigation and adaptation projects financed by the EIB in small island states. It also participated in a roundtable discussion on Multilateral Development Banks' climate safeguards and performance standards among other side events.

The Bank specifically supports investments in energy efficiency and renewable energy, low-carbon technologies, afforestation and sustainable forest management, adaptation to climate change, technical assistance initiatives and the development of carbon markets. Building on its expertise and wide range of financial instruments, the EIB supports the EU's leadership role in tackling this global challenge in two complementary ways: setting specific lending targets and embedding climate action in all EIB-financed projects.

Climate action projects

In 2010, five "climate action" projects were signed in the ACP region, amounting to EUR 230.8m (Olkaria I and IV Geothermal in Kenya, Cape Verde Wind Power PPP, Interact Climate Change Facility, Philips Lighting Maseru in Lesotho and ETED Power Transmission in the Dominican Republic) and representing 24% of total signed amounts. The Interact Climate Change Facility (ICCF) for example was launched in 2010 by the EDFI together with the EIB and AFD. This new Climate Fund supports private sector projects by matching investment amounts, targeting a market segment that is otherwise difficult to reach. The ICCF focuses on climate change mitigation projects, particularly in the areas of renewable energy, energy efficiency, manufacturing of equipment for renewable energy and reduction of industrial gases. The EIB's contribution of EUR 50m to the EUR 250m facility is limited to ACP countries, although the ICCF operates worldwide.

Climate action was also taken into account in a number of other projects signed in 2010, as well as in ongoing or recently completed projects:

- environmental credit lines, such as those set up in New Caledonia, French Polynesia, Dominica and Saint Kitts and Nevis, are representative of the Bank's increased efforts to support climate change adaptation in small island states that are particularly vulnerable to the impacts of climate change;
- water sector projects, such as the Metolong Dam and Water Supply Programme in Lesotho or the Peri-Urban Water and Sanitation project in Malawi, are good examples of the EIB's water sector lend-

Lesotho Highlands, water project

ing policy. In Malawi, the extension of services to lower income peri-urban areas is coupled with water loss reduction and energy efficiency programmes. This should lead to a more climate-resilient water supply system and emission reductions of up to 100 000 t CO_2 per annum;

- forestry plays a significant role in reducing greenhouse gas emissions. As a long-term lender, the EIB is supporting, for example, the sustainable commercial planting of eucalyptus and pine trees on degraded forest land in Uganda. This project could also generate carbon credits through forestry-based carbon sequestration producing certified emission reduction credits.

Partnering on climate action

The EIB continues to work on climate action activities in close partnership with other EU institutions, the governments of EU and partner countries and other international or bilateral financing institutions, acting as catalyst and an experienced partner in supporting climate action investments. In addition to the Investment Facility and the EIB's own resources, the Bank supports low-carbon and climate-resilient projects in the ACPs and OCTs under the following initiatives:

- the Energy Sustainability and Security of Supply Facility (ESF). The EIB is authorised to commit up to EUR 3bn from its own resources for projects in developing countries on top of its 2007-2013 external lending mandates. This facility promotes inter alia the transfer of sustainable energy technologies between the EU and developing countries;
- the EU's Global Energy Efficiency and Renewable Energy Fund (GEEREF). Both the EIB and the European Investment Fund (EIF) are actively involved – as advisers – in the fund, which invests in regional risk capital funds, catalysing private investments in energy efficiency and renewable energy projects in developing/transition economies;
- five Carbon Funds with EIB involvement, one of which supports small programme projects in the least developed countries.

The EIB continues to expand its product range in order to enhance its role in the financing of clean energy investments in general and in support of the carbon market in particular. In the coming years, the Bank will endeavour to promote the existence of strong, liquid international and regional carbon markets, including initiatives to attract technology transfer to countries and regions that have seen a lower share of carbon market flows to date. Measures to enhance the Technical Assistance tools to support promoters' access to carbon markets are also undertaken.

Water

"Achieving UN Millennium Development Goals for water supply"

In the ACP region, the EIB's water sector activities aim to improve sustainable access to safe drinking water and sanitation in line with the targets of the UN Millennium Development Goals and to support climate change adaptation. It is widely recognised that climate change impacts on society will largely be transmitted through the medium of water – including to sectors such as energy, transport, agriculture, forestry, health and biodiversity. Thus, integrated water resources management and the provision of sustainable, affordable water and sanitation services play a crucial role in resilient development, low carbon growth and the green economy.

This multi-donor funded programme comprises six principal investment components totalling EUR 282m, two-thirds being debt financed and one-third grant financed. The main objective is to supply treated bulk water for households and industry in the capital Maseru and other urban centres by September 2013. This ambitious programme, which is currently on schedule to provide an additional 75 000 m^3 of clean water for 385 000 people by this date, is to be carried out in an environmentally, sustainable and socially responsible manner.

The EU is the lead donor in the Lesotho water sector and the detailed design of the Metolong programme's conveyance system was prepared under the European Development Fund, managed by the European Commission. The EIB loan encompasses the Metolong Dam itself, along with related infrastructure, a conveyance system, water treatment works, environmental and social management and institutional support. The EIB's support in the form of a long-term loan, well suited to the project's long economic life, and provided in local currency (ZAR), made up the funding needed to complete the project.

Lesotho: Metolong Dam and Water Supply Programme	
Borrower	Government of Lesotho
Currency	EUR*
Amount	140m
Source of funding	- EIB own resources - IF interest rate subsidy
Co-financiers	World Bank, Millennium Challenge Corporation, African Renaissance and International Cooperation Fund of the Republic of South Africa, Saudi Development Fund, OPEC Fund, Kuwait Fund, Arab Bank for Economic Development in Africa

* Disbursed in ZAR.

Energy

"Improving access to clean energy"

Cape Verde: Wind Power PPP Project	
Borrower	Cabéolica S.A.*
Currency	EUR
Amount	30m (46% of total project cost)
Source of funding	IF: loan and interest rate subsidy
Co-financiers	African Development Bank, Finnfund, Africa Finance Corporation

* A special purpose vehicle formed to develop, build, finance and maintain the project.

Cape Verde has outstanding wind resources but the country relies heavily on expensive imported fossil fuel for power generation. The development, construction and operation of four onshore wind farms on four islands of the archipelago are intended to reduce that dependence substantially, as well as to reduce greenhouse gas emissions and increase access to electricity in Cape Verde. It is one of the largest wind projects and the first renewable energy public-private partnership (PPP) in sub-Saharan Africa.

The project demonstrates the developmental benefits of enabling small island states to use renewable energy as part of the global contribution to climate action. It is expected to result in emission reductions of 92 000 t CO_2 a year. All wind farms are expected to be operational by the end of 2011 and to provide significant employment.

The EIB was involved at a very early stage and designated "lead financier" by the Cape Verde counterparty, working closely with the African Development Bank.

Wind turbines, Cape Verde

Tanzania: Electricity Backbone Project	
Borrower	United Republic of Tanzania
Currency	USD
Amount	134.5m (28.4% of total project cost)
Source of funding	- EIB own resources - EU-Africa Infrastructure Trust Fund interest rate subsidy
Co-financiers	World Bank, African Development Bank, Japan International Cooperation Agency, Korean Economic Development Cooperation Fund

This project is part of the Tanzania Electricity Supply Company's (TANESCO) national grid reinforcement strategy and is aimed at providing access to the cost-efficient electricity essential for private sector development in the country.

It comprises the construction and operation of a 667 km overhead transmission line, providing a much needed improvement to grid stability and applying technologies that are mature, reliable and widely used in the power sector. Hydropower generated in the South will be transferred to northern Tanzania, which is currently experiencing strong economic growth and increased demand for electricity due to the expansion of mining and industrial activities. In the future, it will constitute an essential link in the interconnection of the South and East African Power Pools, from Kenya in the North to Zambia in the South, thus promoting regional economic cooperation and contributing to economic development throughout the region. Thanks to a strong rural electrification component, the project is also expected to have a positive social impact in the areas surrounding the transmission line.

Zambesi substation

Transport

"Financing regional transport corridors"

Zambia: Great East Road	
Borrower	Republic of Zambia
Currency	EUR
Amount	80m (32.4% of total project cost)
Source of funding	- EIB own resources - EU-Africa Infrastructure Trust Fund: interest rate subsidy (25m) and technical assistance
Co-financiers	European Union (10th EDF), AfDB, AFD

Great East Road Nacala corridor

The improvement of about 360 km of single carriageway highway connecting central Zambia to its eastern province is part of the inter-modal (road to rail) Nacala corridor, a regional transport corridor linking Malawi and Zambia to the deep water port of Nacala in Mozambique. It will result in a comprehensive road upgrade over the next five years, facilitating the movement of heavy goods in the region.

The EIB loan also provides for the construction of a dry port at Chipata, close to the border with Malawi. The EU Delegation is the lead cooperation partner for the transport sector in Zambia and a feasibility study, financed under the European Development Fund, is in progress. An independent road safety assessment of the project road has been carried out. It identified a number of high-risk spots and made recommendations for improvements, bringing additional benefits in terms of road safety.

The interest rate subsidy from the EU-Africa ITF provides the necessary grant element required to ensure Zambia's debt sustainability. Combined with the EIB loan, it highlights the project's regional strategic importance and its forecast positive impact on transport links.

Telecommunications

"Bridging the digital divide"

Mauritania: Submarine High-Speed Cable Connection	
Borrower	Islamic Republic of Mauritania
Currency	EUR*
Amount	8m
Source of funding	- EIB own resources - EU-Africa Infrastructure Trust Fund interest rate subsidy**
Co-financiers	Private investors, including telecommunications operators

* Disbursed in USD.
** Approval expected in early 2011.

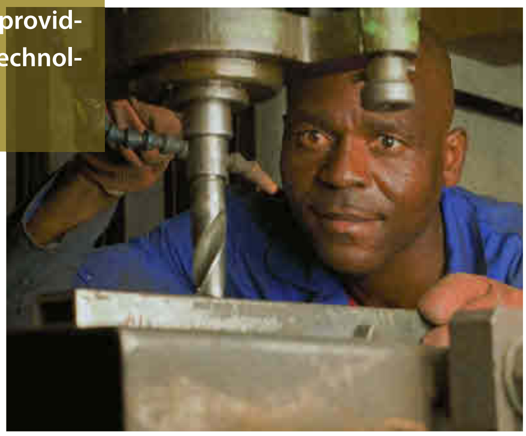
The ACE (Africa Coast to Europe) consortium plans to build a 17 000 km cable to connect around twenty countries along the west coast of Africa and Europe. The economic and social development impact of establishing the first fibre optic cable connection between West Africa and the rest of the world is expected to be significant. This project will greatly expand available capacity in the country and provide alternative and cheaper internet access than is currently possible using the existing satellite-based transmission infrastructure, laying the foundations for further development of an efficient telecommunications system. In Mauritania, the cable will be used by three Mauritanian telecommunications operators and may in the future serve the landlocked neighbouring country of Mali. It will also enable innovative e-services to be provided in the areas of government, education and healthcare, thus supporting the modernisation of public services and government decentralisation.

The EIB loan is financing 35% of Mauritania's participation in the project. The additional provision of a EUR 1.6m interest rate subsidy under the EU-Africa Infrastructure Trust Fund highlights the significant regional dimension of the cable connection, while underpinning Mauritania's debt sustainability under the Heavily Indebted Poor Countries (HIPC) initiative. Project implementation started in 2010 and the connection is scheduled to be operational by mid-2012.

Industry

"Supporting energy efficiency policies"

Through its operations in the industrial sector, the Bank aims to promote the optimisation of natural resources and to encourage productivity gains, as well as providing support to projects that rely on innovative technologies.



During 2010, emphasis was placed on assisting the industrial activities of small and medium-sized enterprises by providing dedicated credit lines.

Under the IF, the Bank financed a private sector project in support of energy efficiency policies in Lesotho:

Lesotho: Philips Lighting Maseru	
Borrower	Philips Lighting Maseru (Pty) Ltd/Royal Philips Electronics NV
Currency	EUR*
Amount	5m
Source of funding	IF: ordinary loan and interest rate subsidy
Co-financiers	The factory shell is provided by the Lesotho National Development Corporation (LNDC) **

In view of the electricity supply shortages in the region, many governments in southern Africa are implementing energy efficiency policies, including a push to replace incandescent bulbs by energy efficient lighting through a system known as Demand Side Management.*** This project aims to support the construction of a manufacturing plant which will produce energy-saving fluorescent lamps for the Southern African market. It also includes the installation of a modern recycling station.

Besides its positive environmental impact, this private sector-led initiative will help to diversify Lesotho's industrial structure away from the textile industry. It is expected to contribute to the creation of 500 jobs in Lesotho and additional jobs in South Africa. An interest rate subsidy provided by the IF will help the promoter introduce social improvements for the workers and their families, notably the establishment of an on-site health clinic (including HIV/AIDS), as well as minibuses to enable the physically challenged to participate in the labour force and scholarships for children of the staff.

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* Loan can be disbursed in ZAR or USD.
** Balance from the borrower's own resources.
*** Energy savings of the compact fluorescent lamp (CFL) bulbs compared to incandescent lamps are approximately 80% with CO_2 savings per lamp per annum of 34 kg.

Financial sector

"Developing the financial sector"

The EIB aims to promote financial sector development by encouraging banks and other financial institutions to provide loans with longer maturities and support smaller clients. Specific products targeting SMEs and microfinance institutions contribute to improving access to finance in the ACP region.

Technical assistance - Advans Bank

The EIB continued to work closely with other international financing institutions and donor agencies to respond to the needs of local and regional banks and microfinance institutions, notably through the signature and implementation of operations that were conceived at the height of the financial crisis.

The recovery from the crisis apart, the Bank's priorities in the financial sector remained largely unchanged, particularly with regard to the provision of credit lines targeting small and medium-sized enterprises (SMEs) which play an important role in economic development. A number of innovative features of the EIB's operations during 2010 are worth noting:

- environmental credit lines gained in importance, particularly in the Caribbean and Pacific regions, thus enabling the dual objectives of SME development and support for green growth to be targeted;
- innovative initiatives were signed in the microfinance sector, including support for the first pan-African local-currency debt fund. The EIB also supported an initiative which aims at improving access to finance for the rural poor, the demand for rural microfinance having been largely unmet until now;
- loan finance was provided to a pan-African finance group with the aim of fostering regional integration in the financial sector while also enabling private sector projects to be supported in countries that the EIB cannot normally reach;
- the first ever "framework loan" in Africa was signed in support of medium-sized infrastructure projects[5].

[5] A framework loan consists of a list of potential projects meeting objectives identified and approved at the appraisal stage. It may include further appraisal work and contractual documentation after signature.

Regional-West Africa: ECOBANK Regional Facility II	
Borrower	Ecobank Transnational Inc. (ETI)*
Currency	EUR
Amount	50m (16.7% of total project cost)
Source of funding	IF subordinated loan
Co-financiers	IFC, OFID **

* ETI is the holding company of the Ecobank Group.
**Balance from borrower's own resources.

The Ecobank Group is a dynamic pan-African banking group focused on sub-Saharan Africa, currently operating in 30 countries in Western and Central Africa. The IF loan enables the Ecobank Group to extend the availability of credit and financial services to a larger segment of the population, thus supporting private sector development, particularly in the more difficult countries of the region that the EIB cannot reach directly and fostering regional integration. The operation follows on from the Ecobank Regional Facility I, which provided finance in a range of sectors to private enterprises in Nigeria and Ghana among other countries, and provides high added value by reinforcing Ecobank's capital at a time when other sources of funding are limited.

Dominica: AIDBANK Line of Credit III	
Borrower	Dominica Agricultural, Industrial and Development Bank
Currency	EUR
Amount	8m
Source of funding	- EIB own resources
	- IF interest rate subsidy*

* Balance from borrower's own resources.

The EUR 8m line of credit to the Dominica Agricultural, Industrial and Development Bank ('AIDBANK') aims to promote growth, employment, competitiveness and economic diversification on the island of Dominica. The credit line targets local SMEs in particular and provides funds on affordable terms to finance projects in the fields of manufacturing, industry, agro-industry, infrastructure, energy, health, education and tourism. Renewable energy and energy efficiency projects benefit from a dedicated EUR 1m component together with an interest rate subsidy to support investment in these fields, in recognition of the specific challenges faced by small island states in their fight against climate change. The long tenor of the loan and the interest rate subsidy, coupled with the availability of the funding itself, provides valuable support to the local development bank, particularly in a context of liquidity tightening due to the financial crisis. The AIDBANK Line of Credit III was the first EIB project to materialise under the Caribbean Joint Action Plan signed in May 2010 and illustrates the EIB's recognition of the importance of working closely with local commercial and development banks throughout the Caribbean so that they can continue lending to SMEs despite difficult financial conditions. A similar credit line was subsequently signed with the Development Bank of Saint Kitts and Nevis.

Uganda: Private Enterprise Finance Facility II	
Borrower	Bank of Africa – Uganda, Centenary Rural Development Bank, Crane Bank, DFCU Bank, Housing Finance Bank
Currency	EUR*
Amount	40m
Source of funding	IF ordinary loan**

* Disbursed in Ugandan Shillings (UGX), USD and EUR.
** Balance from borrower's own resources.

The Private Enterprise Financing Facility (PEFF) II aims to support private sector development by financing the expansion, diversification, modernisation or start-up of enterprises through loans and leasing transactions, supplying banks with long-term finance. The credit line targets private companies and businesses – particularly SMEs – involved in agro-industries, fishing, food processing, manufacturing, industry, construction, transport, tourism, private education and healthcare, building on the experience of the previous EIB-financed facility, PEFF I, which supported private sector development in a wide range of sectors.

The EIB brings further value added by providing funding in Ugandan Shillings, in addition to EUR and USD, as well as through the provision of a Technical Assistance grant in order to enhance credit analysis skills among the staff of intermediary banks and thus further strengthen the quality of banks' loan portfolios. Potential loan applicants will also be assisted in improving the creditworthiness of their applications and associated business plans.

Private Enterprise Finance Facility I – Results Achieved		
Job creation:	over 1 700 direct jobs	
Sector coverage:	education	(15%)
	accommodation and food services	(43%)
	construction	(17%)
	manufacturing	(20%)
	mining and quarrying	(2%)
	transport and storage	(3%)

Investment example: a bottling plant – Crown Beverages Ltd

The bottling plant produces, sells and distributes carbonated soft drinks under franchise to a major international soft drinks producer. The factory is located along Jinja road in Kampala's industrial area. CBL obtained a EUR 2 415 000 finance lease from the EIB through the intermediary bank, DFCU Bank. The funds were utilised to acquire, from a German supplier, a fully automated bottling line with a nominal capacity of 40 000 bottles per hour. The increased production capacity enabled the company to meet increased demand following an expansion of its operations and led to the creation of an estimated 200 jobs. The company produces for local and regional markets such as Rwanda and Burundi.

New Caledonia: Environmental II Credit Line	
Borrower	Banque Calédonienne d'Investissement (BCI) Société Générale Calédonienne de Banque (SGCB) BNP Paribas Nouvelle-Calédonie (BNP NC) Banque de Nouvelle-Calédonie/Caisse d'Épargne Nouvelle-Calédonie (BNC/CENC)
Currency	EUR
Amount	10m
Source of funding	IF: loan and interest rate subsidy*

* Balance from shareholders' funds and, if necessary, loans from other sources.

Green growth and the development of renewable energy are among the core priorities for New Caledonia. The country still generates only a small amount of energy from renewable resources but must be capable of meeting ambitious environmental protection objectives, particularly to preserve one of the world's unique ecosystems, its lagoon, which is included on the UNESCO World Heritage list.

The aim of the credit line is twofold: (i) to encourage private enterprises to preserve the environment and promote the development of green energy and (ii) to promote diversification of the intermediary banks' lending activity by facilitating long-term loans. The subsidised facility will enable the banks to finance on better terms innovative projects in the renewable energy, energy efficiency, environmental and waste treatment sectors, such as the construction of wind farms or photovoltaic systems or more environmentally-friendly means of transport. The support to the private sector is also expected to result in job creation.

The second credit line was developed and is being implemented in close cooperation with AFD, which is providing a complementary line of credit. It is a follow-up to the previous Environmental I Credit Line, signed in 2007 with an allocated amount of EUR 5m and currently being disbursed. The signature of the loan also highlights the EIB's commitment to provide more effective support for the Overseas Countries and Territories.

Environmental Credit Line I – Expected Results	
Job creation:	16
Investment cost:	EUR 27m
Number of investments:	3
Wind Farm	
Electricity production:	9.4 GWh per annum
Oil savings:	2 000 t per annum
Photovoltaic Plant	
Electricity production:	2.8 GWh per annum
CO_2 savings:	1 710 t per annum
Scrap Metal Processing and Recycling Plant	
Aluminium recycled:	200 t per annum
Used batteries recycled:	450 t per annum

Site visit, Helios Bay, New Caledonia

Microfinance

"Increasing access to finance"

Investment fund	Rural Impulse Microfinance Fund II
Currency	EUR
Amount	10m
Source of funding	Investment Facility
Co-financiers	IFC, KfW, Belgian Investment Company for Developing Countries (BIO), Netherlands Development Finance Company (FMO)

The EIB helped launch REGMIFA – the first pan-African local-currency debt fund aiming to provide financing to micro, small and medium-sized enterprises. The EIB also participated in the launch of Rural Impulse II, a rural microfinance fund, specifically targeting the rural poor in developing countries. The creation of new microfinance institutions was also supported through the Bank's participation in the capital increase of Access Microfinance Holding, a microfinance investment company based in Germany and investing in developing countries, including to date four countries in sub-Saharan Africa (Madagascar, Tanzania, Nigeria and Liberia). Technical assistance continued to be provided to a number of the EIB's intermediaries to improve and strengthen their capacity.

Rural Impulse Fund II aims to expand access to financial services for the rural poor in emerging countries. The Fund will invest through debt and equity instruments in commercially viable rural microfinance institutions (MFIs), located in four geographic regions: the ACP region, Asia, Latin America and Eastern Europe. Rural Impulse Fund II includes a local-currency feature, only offered by a limited number of microfinance funds. The Fund also provides technical assistance to selected intermediaries to strengthen the capacity of rural MFIs to provide financial services to clients in a sustainable and efficient way.

The Fund was developed by drawing on the positive achievements of Rural Impulse Microfinance Fund I, which was a pioneer in rural microfinance. By further improving the access of the rural poor to finance, Rural Impulse II is expected to result in increased employment and business opportunities, thus contributing to economic growth and poverty reduction.

In addition to an EIB equity participation of EUR 10m, the Fund is backed by leading public and private financial institutions and investors, with total commitments amounting to EUR 86m in June 2010. By combining private and public resources, Rural Impulse Fund II has the potential to serve as a credible platform for delivering sustainable microfinance investments on a long-term basis.

Rural Impulse Microfinance I – Results achieved	
Deal flow:	achieved in half the expected time
Customer base:	1.5m clients
Investment coverage:	24 institutions across 18 countries and three continents
Awards:	2008 Luxflag label (a quality label for successfully performing microfinance funds)

Regional-Africa: REGMIFA – Regional Micro, Small and Medium Enterprises Investment Fund for Sub-Saharan Africa	
Investment fund	REGMIFA
Currency	USD
Amount	15m
Source of funding	Investment Facility
Co-financiers	German Ministry for Economic Co-operation and Development (BMZ), KfW Development Bank, IFC, the Belgian Investment Company for Developing Countries (BIO), the Development Bank of the Netherlands (FMO), the European Commission, French Development Agency (AFD), PROPARCO, Norwegian Microfinance Initiative, Spanish Agency for International Development Cooperation (AECID), Spanish Ministry of Foreign Affairs (MAEC), African Development Bank

Regional Micro, Small and Medium Enterprises Investment Fund for Sub-Saharan Africa (REGMIFA) is a pioneer pan-African local-currency debt fund exclusively targeting micro, small and medium-sized enterprises (MSMEs) located in sub-Saharan Africa. By providing medium-term debt financing to smaller but high growth potential microfinance institutions which on-lend to MSMEs, REGMIFA aims to contribute to improving access to finance for entrepreneurs in Africa. The Fund completed its first months of operations during the third quarter of 2010 and by end-September three loans had been disbursed, two of which in local currency, for a total amount of USD 7m. REGMIFA includes a technical assistance component aimed at strengthening the capacities of local intermediaries.

The EIB is one of the Fund's lead investors and a main contributor and has supported and helped design the Fund since 2007, through its active cooperation with other donor finance institutions and also by providing grant funding for the co-financing of a study on foreign currency and playing a key role in selecting a dedicated Fund manager.

REGMIFA – Beneficiaries to date
Ghana-based NGO
established in 1994, with total assets amounting to nearly USD 30m, and on-lending to micro-enterprises, mainly located in rural areas, primarily using a group lending methodology.
Non-banking financial institution in Ghana
established in Ghana 1995, with total assets of USD 35m, targeting micro and small entrepreneurs, offering mainly individual loans but also group loans.
Leading Kenyan microfinance institution
founded in 1981 by female professionals in order to promote the participation of low-income women in Kenyan society.

IF equity portfolio[6]

"Mobilising funds for economic growth"

Regional – Africa: Africa Capitalisation Fund	
Investment fund	Africa Capitalisation Fund
Currency	EUR
Amount	30m
Source of funding	Investment Facility
Co-investors	African Development Bank, OPEC Fund for International Development

Equity funds provide beneficial financing to private enterprises, allowing them to grow, invest in fixed assets or support increased needs for debt. Alongside this provision of long-term ("patient") capital, fund managers add value to enterprises by providing advice, formulating business and marketing strategies and by introducing best practice in corporate governance and environmental/social standards, etc. Equity can be a particularly valuable source of financing for SMEs in their early lifecycle stages, when cash flow is not yet regular. In 2010, the IF portfolio of equity funds was further diversified through the provision of capital to meet the changing needs of financial institutions as a result of the global financial crisis.

The Africa Capitalisation Fund is a private equity fund with a USD 200m target set up as a joint IFI initiative to address the needs of private commercial banks in Africa dealing, in particular, with the aftermaths of the global financial crisis and to prevent future crises from developing. The Africa Fund will contribute to the strengthening and development of the financial sector, one of the core objectives of the Investment Facility.

The Fund is managed by IFC Asset Management Company, a wholly owned subsidiary of IFC, and is a parallel fund to the USD 3bn Global Bank Capitalisation Fund led by IFC in cooperation with other IFIs. As an investor in the Fund, the EIB is providing risk capital to African banks to strengthen their balance sheets and finance continued growth. The EIB's involvement is also expected to help mobilise funds from other investors, ideally including commercial investors. The Fund will help maintain the level of foreign investment in Africa and spur renewed asset growth by African banks that directly or indirectly have been forced by the crisis to scale back their lending activities, and therefore support private sector development on the continent.

[6] *The Bank's equity and quasi-equity operations are channelled exclusively through IF funding.*

Box 2: Operations in the Republic of South Africa (RSA)

In figures

2007-2013:	**the EIB can allocate up to EUR 900m to development in RSA**
2000-2010:	**- signed loans: EUR 1 355m (net amount)** **- disbursed loans: EUR 901m** **- a portfolio of 25 projects**

The EIB has been lending in the Republic of South Africa (RSA) since its transition to a democratic government in 1994. Following the conclusion of the EU-South Africa Trade, Cooperation and Development Agreement, the EIB has been entrusted with successive lending mandates specific to South Africa, for a total lending volume of EUR 2.4bn. In cooperation with the South African authorities, public agencies, private enterprises and the financial sector, the specific objectives pursued through this mandate encompass: the strengthening of infrastructure and basic services, support for the development of SMEs and the private sector, modernisation of industry and poverty reduction. The EIB also supports energy efficiency undertakings and contributes to ensuring reliable energy supplies.

In addition, the EIB is working with key partners across South Africa to support investment in the country's water infrastructure and is thereby contributing towards achieving the Millennium Development Goals (MDGs). In 2010, the EIB continued to support investment in South Africa's water sector by concluding a finance contract for a total of EUR 50m. This funding will support the water investment programme of eThekwini municipality.

eThekwini Water Project	
Borrower	FirstRand Bank Ltd (FRB)
Final beneficiary	eThekwini Municipality
Currency	EUR
Amount	50m
Source of funding	EIB own resources*

* Balance from an additional loan from FRB and other finance/development institutions, as well as from own funds and/or government grants.

This project is part of eThekwini Municipality's** 5-year investment to reduce water losses in its distribution network and to adapt to new water sources through the construction of new bulk water pipelines. It will provide previously un-served rural and peri-urban areas with access to piped drinking water and therefore contribute to the achievement of the MDG for water in the Republic of South Africa.

The EIB's long-term loan of EUR 50m (representing 15% of the total investment cost) to Rand Merchant Bank (RMB), the investment banking arm of FirstRand Bank Ltd, enables this project to be funded at attractive interest rates and will thus contribute to reducing the impact of the required tariff increases on end users.

**The Municipality provides water and sanitation services to nearly four million people in the greater Durban area.

The eThekwini Water Project is part of an integrated EIB approach to support the water supply chain in KwaZulu-Natal, including upstream bulk water infrastructure and the upgrade of water supply network and treatment facilities by Umgeni Water. The EIB is currently considering financing the Trans-Caledon Tunnel Authority Mooi-Mgeni Transfer Scheme Phase 2, a crucial upstream bulk water project that will provide additional resources to the region.

A number of projects in other sectors are also being successfully implemented in South Africa, such as the Affordable and Social Housing Project and the Risk Capital Facility (RCF). Encouraging results in terms of development outcome are already visible particularly from the first envelope under the RCF.

Affordable and Social Housing in South Africa

In May 2008, the EIB signed a loan of EUR 150m to finance the supply of affordable and social housing and associated urban infrastructure, including social amenities, throughout South Africa. This operation is the EIB's first loan for affordable and social housing outside the EU and it is the first time that the EIB is contributing to housing for sale – with the EIB financing the supply side of the housing.

The funds for this project are being made available to three of the main commercial banks in RSA, as well as to two public institutions, which identify and finance sub-projects throughout the country. In order to ensure consistent quality and standards, the local public and private stakeholders promoting the various housing sub-projects adhere to common regulations and procedures when identifying, planning and implementing urban settlement or renewal sub-projects, including the assessment of environmental and social impacts.

As at end-2010, around EUR 70m had been disbursed, resulting in the construction of approximately 21 000 housing units. The pipeline of potential sub-projects to be funded under the EIB loan consists of around 5 000 housing units.

The improvement of housing conditions for the low-income population has a unique and fundamental role in the national development strategy of South Africa and is a key ingredient to achieving the country's economic and social integration objectives and combating the legacy of apartheid.

Risk Capital Facility

Since 2002, the EIB has co-managed the Risk Capital Facility (RCF) in partnership with the Industrial Development Corporation (IDC), a leading South African development finance institution (DFI). This programme funded by the European Commission (EC) is aimed at providing high-risk equity and quasi-equity funding to SMEs owned and operated by historically disadvantaged persons (HDPs), i.e. persons disadvantaged under the previous apartheid regime. The RCF is thus a direct contribution to South Africa's central tool for social transformation: Black Economic Empowerment (BEE).

Given the focus on infrastructure projects of public interest and private sector support under the EIB's mandate in South Africa, the risk capital available under the RCF is complementary to the EIB's other operations in the country. It also illustrates well how the EIB can collaborate fruitfully with another DFI and the EC, while having a clear development focus through support for SMEs, job creation and social transformation.

The RCF is currently in its second EUR 50m envelope (RCF2) for investments until 2011, after having invested EUR 37m under a first envelope (RCF1). The RCF invests directly in SMEs as well as investment funds which in turn invest in the foundation, expansion or support of SMEs, with encouraging results to date (see box). The RCF2 portfolio is presently well diversified among a wide range of sectors and across the South African provinces.

A good example of the RCF's contribution to enhancing BEE SMEs is the Booysens Hotel and Conference Centre located on the outskirts of Johannesburg, in a former mining town close to Soweto. Built in 1887 and declared a cultural heritage, the hotel was damaged by a fire in 2003, which completely destroyed the interior, and operations were subsequently abandoned. Two HDP entrepreneurs seized the opportunity to restore and expand the landmark hotel. Based on their background in the labour movement and the hospitality industry in South Africa, they focused on unions and NGO clients by providing them with affordable conference facilities and hotel accommodation, thus filling a clear gap in the local market. The RCF subordinated loan of about ZAR 3m, together with an IDC senior loan, provided vital "patient" capital in the start-up phase of the project. The development and empowerment features of this project were therefore manifold thanks to HDP job creation (>30), the involvement of HDPs both as shareholders and managers, the location near a township, the training provided and the nature of targeted customers.

RCF1 and RCF2: Current Results and Impact

SMEs funded:	over 100
Financial leverage effect:	>200%
Expected job creation:	approx. 7 000 new direct jobs
Female HDP participation*:	exceeds 30% target (under RCF2)

* at all levels (job, management, shareholding)

Outlook for 2011

"Serving EU development objectives"

Supporting sustainable growth and private sector development

The Bank will step up its support for the EU priorities of sustainable growth and private sector development in developing countries, in keeping with the European Commission's 2010 Green Paper on Development and inclusive growth. These priorities are in line with the Bank's key areas of expertise and its mandate under the Cotonou agreement.

The Bank will therefore maintain its priorities of identifying and monitoring projects in the following two core areas:

- economic infrastructure, in particular challenging regional infrastructure corridors;
- financial sector, including equity and microfinance playing a key role. Initiatives targeting SMEs through local banking groups will continue to play a key role.

In support of these priorities, the Bank will continue to draw on both its expertise and the wide range of financial instruments at its disposal, including loans, equity, credit lines, infrastructure framework loans and technical assistance. Emphasis will also be put on more structured financial solutions, such as guarantee products and risk-sharing instruments.

Mainstreaming climate action

Climate action, through climate-change related lending, will remain a key priority of the EIB in 2011. The emphasis will be put on renewable energy and energy efficiency projects. The Bank will continue to address this global challenge in partnership with other EU and international stakeholders.

Strengthening the coherence and complementarity of EU external actions

Ensuring closer cooperation with the European Commission and the European External Action Service, in support of EU development objectives, will be a major theme in 2011. The Bank will endeavour to maximise synergies and efficiencies through the use and further development of 'blending' mechanisms, as well as to contribute to the overall visibility of the EU.

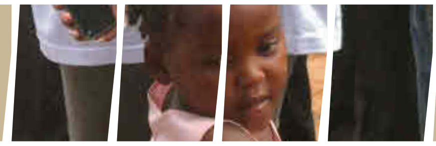
The EIB will also participate actively in discussions on the establishment of an EU Platform for Cooperation and Development, and follow-up on the mid-term evaluation of the Investment Facility, with the aim of taking EU coordination a step further.

The Bank will continue to pursue enhanced inter-institutional cooperation, notably through the Mutual Reliance Initiative and other forms of division of labour with other peer institutions, IFIs and EDFIs (e.g. EFP).

Improving communication

The Bank recognises the importance of communication activities to increase the visibility of EIB-funded projects as well as to encourage improved transparency and dialogue with key stakeholders and will strengthen its efforts in this area. The EIB aims to demonstrate the value added of its support to developing countries and to win over those who are not yet convinced.

Development outcomes



Portfolio overview

"Focus on development through the private sector"

The Bank's ACP portfolio represents an interesting and diverse mix of funding sources and instruments supporting inclusive growth and development through private sector investments as well as public sector infrastructure, without which economic development will not happen.

Advans microfinance

Overall figures[7]

		2003	2004	2005	2006	2007	2008	2009	2010	Total
IF (1st and 2nd Protocols) EUR 3 185.5m	Approvals	368.9	318.2	476.8	586.0	261.5	338.0	622.5	369.1	3 341.0
	Signatures	140.2	337.2	351.2	569.6	324.6	336.3	450.1	374.2	2 883.4
	Disbursements	4.0	93.1	113.7	185.2	329.2	218.0	198.0	256.8	1 398.1
EIB OR 1st Protocol EUR 1 720m	Approvals	43.1	47.3	170.0	207.3	550.3	133.0	0.0	0.0	1 151.0
	Signatures	6.1	62.2	150.9	167.3	431.8	148.8	0.0	0.0	967.1
	Disbursements	0.0	6.7	13.6	86.0	110.6	229.3	154.1	33.4	633.6
EIB OR 2nd Protocol EUR 2 030m	Approvals						76.0	663.2	730.0	1 469.2
	Signatures						76.0	413.2	597.8	1 086.9
	Disbursements						0.0	26.8	155.9	182.7

[7] The following sections present a global overview of the signed portfolio for the ACP and OCT Investment Facility and under the Bank's own resources since the inception of the Cotonou Agreement and OCT Decision in April 2003. Cumulative signatures: 01/04/2003 - 31/12/2010.

The levels of approvals, signatures and disbursements reflect a fairly standard pattern for project financing in the ACP and OCT environment. Discrepancies between the different levels are linked to the nature of operations financed by the EIB, i.e. large operations, often involving co-financiers and complex financial packages. Disbursements tend to lag behind signatures by two to three years, reflecting notably the due care exercised by the Bank throughout the project cycle, and in particular before funds are disbursed, and the necessity for project promoters to comply with the EIB's – and often other financiers' – contractual requirements with respect to security or environmental and social conditionalities.

Portfolio breakdown

Private versus public sector operations

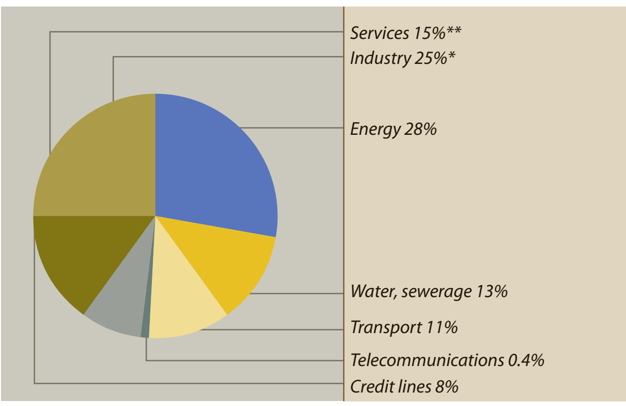
Over the years, a clearer demarcation has emerged between IF and own resources operations, with IF funding primarily targeting private sector initiatives and public sector projects being predominantly financed from the Bank's own resources, illustrating the complementarity of these two windows. The main difference lies in the higher level of risk that can be borne by IF financial instruments. Thus, IF operations focus on the riskier end (market segment) of private and public sector projects, i.e. those projects that do not meet the Bank's own resources prudential limits and require the use of risk-bearing financial instruments. Funding from the EIB's own resources, which has been facilitated by the introduction of new modalities for OR lending in the ACP in 2007, is focused more on public sector and large-scale private sector industrial undertakings.

ACPs and OCTs Amounts in EUR m[8]	IF		OR		IF + OR (%)	
Signatures	public 480	private 2 404	public 1 099	private 955	public 1 579	private 3 359
	17%	83%	54%	46%	32%	68%

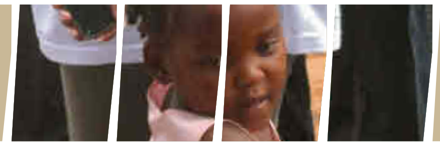
[8] These figures do not take into account cancellations

Breakdown by sector

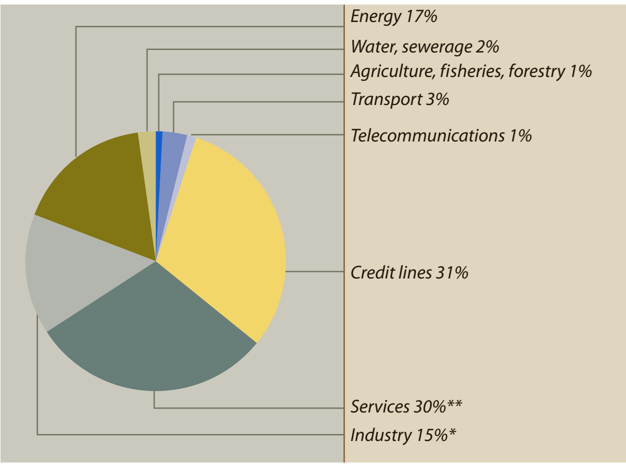
Cotonou OR cumulative signatures: breakdown by sector
(31/12/2010)



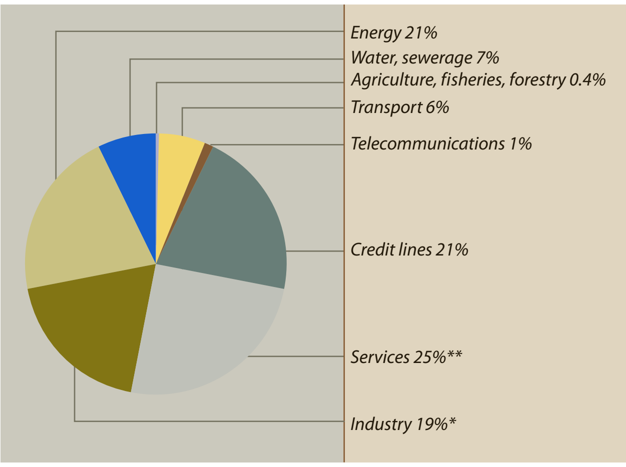
Infrastructure and financial sector development remain the focus of the Bank's lending and investments in the ACPs, in line with the orientations and objectives of the Cotonou Agreement and the OCT Decision. This is largely reflected in the sectoral breakdown of the portfolio, which also highlights the fact that IF operations are mainly directed at the financial sector (credit lines) and financial services (investment funds and assimilated vehicles, including microfinance) while OR funding focuses mainly on industrial undertakings and infrastructure, including energy and transport projects.



Cotonou IF cumulative signatures: breakdown by sector
(31/12/2010)



Cotonou OR and IF cumulative signatures: breakdown by sector (31/12/2010)



* *includes mining.*
** *includes financial services (equity investments in funds, agency agreements) and tourism (hotels).*

Lamp factory, South Africa

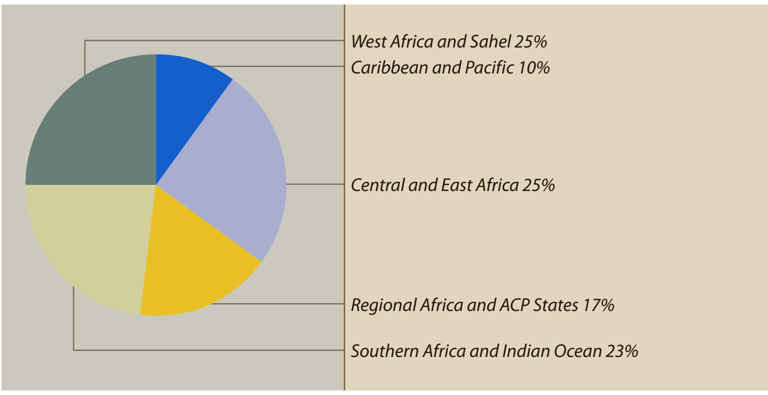
Geographical breakdown

The Bank has so far supported projects in 56 of the 78 ACP countries and OCTs signatory to the Cotonou Agreement either directly or through lines of credit. This is a remarkable achievement in view of the structure and organisation of the Bank, with limited representation in the field.

Regional projects, which account for just under a fifth of the portfolio, are a very effective means to reach out to a larger number of countries, including smaller ones which would otherwise find it difficult to access direct EIB funding.

Cotonou OR and IF cumulative signatures: breakdown by region

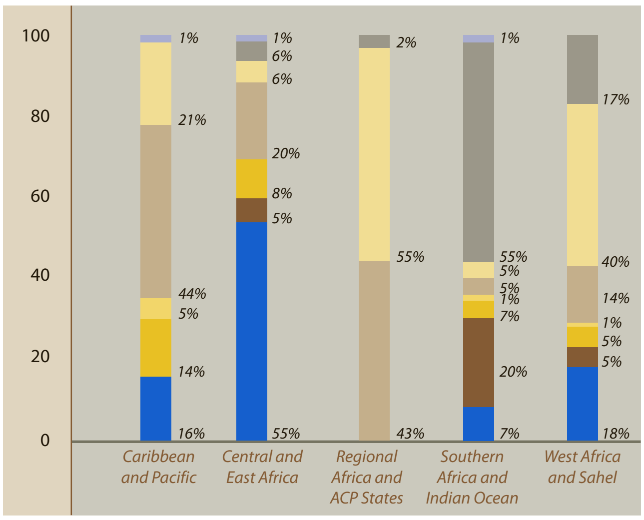
(31/12/2010)



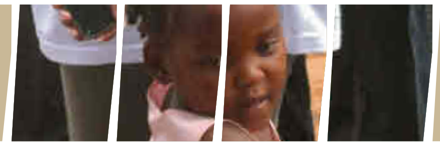
Cotonou OR and IF cumulative signatures breakdown by sector and by region

(31/12/2010)

Agriculture, fisheries, forestry
Energy
*Industry**
*Services***
Telecommunications
Transport
Water, sewerage
Credit lines



* Industry includes mining.
** Services includes financial services (equity investments in funds, agency agreements) and tourism (hotels).

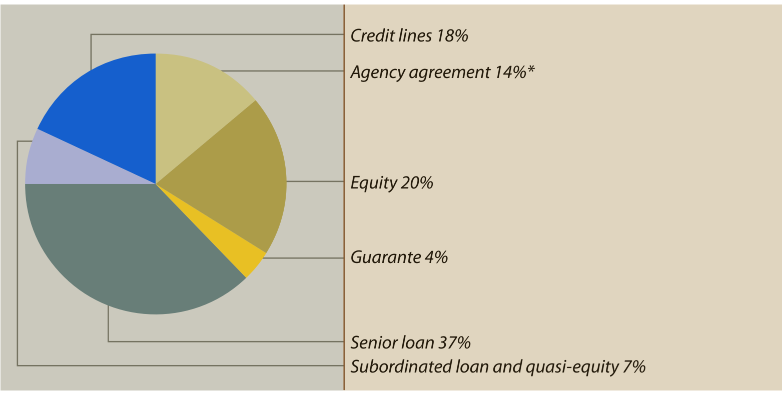


Financial instruments

The breakdown of financial instruments reflects the main orientations of the Bank's activities in the region, with credit lines supporting the development of local financial markets and reaching out to local SMEs while large infrastructure projects are still predominantly financed by senior loans. In the years to come, there will be greater focus on further developing the share of subordinated and conditional loans as well as quasi-equity and equity instruments (provided for by the IF) and guarantees. The establishment of a Project Finance and Guarantees Division in 2010 is expected to enable the Bank to promote greater private sector involvement in the development of ACP economies, through project finance operations as well as innovative products.

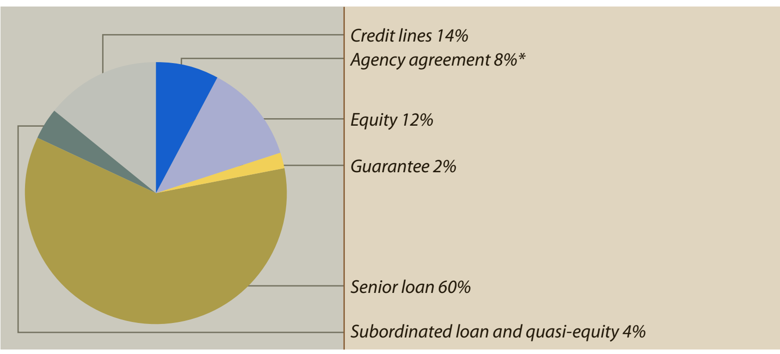
Cotonou IF cumulative signatures: breakdown by financial instrument

(31/12/2010)



Cotonou OR and IF cumulative signatures: breakdown by financial instrument

(31/12/2010)



* *EFP Framework Agreement.*

Economic and Social Impact Assessment Framework

"Measuring development outcomes"

The Economic and Social Impact Assessment Framework (ESIAF) is a framework for assessing the relevance, quality and value added of EIB projects outside the EU, currently at the appraisal and ex post evaluation stage.

When considering a project, the Bank carefully balances financial and economic considerations with the project's expected social and development outcome. ESIAF is in line with this objective, helping to identify – from the outset – the economic, financial and environmental sustainability of operations, as well as other qualitative elements such as the benefit to project promoters of the Bank's technical and economic know-how. The ESIAF framework consists of three pillars:

Impact		In practice
Pillar 1	Consistency with the objectives/priorities of the Bank's external mandate	Project's contribution to economic growth, development and, ultimately, poverty reduction, alignment with the country's or region's strategy
Pillar 2	Quality and soundness of the project/operation	
	* Financial sector	Assessment of the project's compliance with an expanded set of economic, financial, environmental and social criteria
	* Non-financial sector	Project design, including enhanced management, provision of technical support and financing of fairly risky and pioneering initiatives
Pillar 3	The Bank's contribution/additionality	Offer of long maturities, grace periods, risk capital instruments

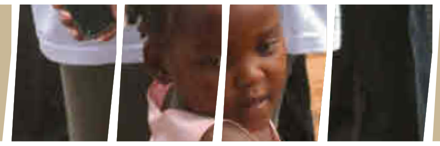
	2008	2009	2010
"High" on all pillars	14%	20%	38%
Two "highs" and a "medium"	57%	51%	59%
Two "mediums" and a "high"	10%	20%	0%
Three "mediums"	19%	9%	3%

All IF and OR projects approved[9] last year were assessed at the appraisal stage, the future objective[10] being to review the ratings presented below during the whole project cycle, up to the ex post evaluation phase. 38% of projects received a "high" rating on all three pillars, indicating a steady increase since 2008 of projects in this category. Only 3% received a "medium" rating on all pillars.

Projects which scored a "high" rating on all pillars include the Metolong Dam and Water Supply Programme (Lesotho), the Cape Verde Wind Power PPP project, Environmental Credit Line II (New Caledonia), Aidbank Line of Credit III (Dominica), Backbone Interconnector (Tanzania) and the Olkaria I and IV Geothermal Power Plant Extension.

[9] This refers to 29 projects approved in 2010. Projects signed in 2010 may have been appraised prior to 2010. Projects may also have been appraised in 2010 but are not yet signed.

[10] ESIAF is being revised and enhanced to become a development outcomes measurement and monitoring framework.



Box 3: Olkaria I and IV Geothermal Power Plant Extension

Borrower	Republic of Kenya
Currency	EUR
Amount	119m (11.8% of total project cost)
Source of funding	- EIB own resources - IF interest rate subsidy
Co-financiers	AfD, KfW, JICA, World Bank*

The Olkaria I and IV geothermal power plant extension reinforces Kenya's position as a leading example of geothermal power generation and supports the country's fight against climate change. It will reduce Kenya's dependence on imported fossil fuels for electricity generation and therefore lower CO_2 emissions. The project concerns the expansion of the existing Olkaria I station by two 70 MWe units and the installation of two 70 MWe units at the Olkaria IV station, including the required infrastructure, transmission lines and substations.

An Environmental and Social Impact Assessment (ESIA) was conducted for both power stations, which included public consultations and the development of environmental and social management plans. A Resettlement Action Plan (RAP) is in the process of being developed with the participation of the affected communities and in accordance with international standards.

An interest rate subsidy equivalent to approximately EUR 29m is specifically targeted at assisting the Government of Kenya's climate action plans. These funds will be channelled directly through the Geothermal Development Company, established specifically for the development of new geothermal resources. The three European financing institutions involved in the project cooperate closely under the Mutual Reliance Initiative.

** Balance from borrower's and final beneficiary's own resources.*
The project was jointly appraised with AfD, the leading European financier, and KfW.

Active follow-up and monitoring of the portfolio – project outcomes and monitoring

Follow-up and monitoring of projects, not only financially but also physically, are key to ensuring that the objectives set at the time of deciding to support any given project are met throughout the project cycle. This approach is fully integrated in the Bank's procedures and processes, through contractual periodic reporting obligations imposed on borrowers, regular field visits during implementation and full reviews of projects usually taking place after at least one year of operation. This is an area where the Bank is making – and will continue to make – significant efforts in order to reinforce the focus on achieving development outcomes and ensuring the sustainability of the projects that it supports.

Recently completed projects

During 2010, a total of seven recently completed ACP projects in the renewable energy, mining, railways, water, agriculture and tourism sectors were subjected to a full review. This illustrates the scope and breadth of the portfolio. Such reviews covered the technical and environmental aspects, compliance with Bank requirements and, in particular, the project results and outcomes assessed against the original lending objectives. The conclusions of these reviews indicate that projects were implemented in a satisfactory manner. Five of these projects actually concerned Lomé operations, reflecting the long lead and implementation times for infrastructure projects and the importance of monitoring the projects and ensuring the lessons learnt are integrated into subsequent operations. As the Cotonou portfolio matures more projects will enter into operation: the review of up to eight projects under the IF, completed in 2009-2010, is expected to take place during 2011.

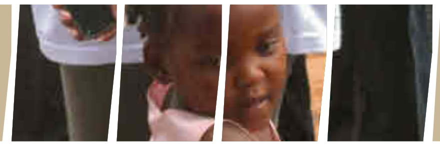
The two completed IF projects reviewed in 2010 were both in the private sector. One is a mining project in Zambia and the other a tourism development project in Mauritius. In both cases, the objective was the promotion of economic development by supporting businesses generating local employment and with direct and/or indirect stimulation of further economic activity. Both projects incorporated best practice standards with regard to environmental management.

The Mauritius project stimulated economic growth through increased tourist industry capacity and associated private sector supporting activities, creating an estimated 760 direct and indirect jobs. The project also incorporated an innovative and ecologically sound wastewater treatment technology which is now being applied more widely by the promoter in other investments.

Operations in progress

Snapshot of investments under the private equity portfolio

The Bank has developed a significant portfolio of private equity commitments in the ACP region over recent years, resulting in a diversified and mature portfolio. In 2010, private equity activities focused on the consolidation and monitoring of existing investments. Two examples of Funds to which the EIB has committed capital in recent years are the Aureos Africa Fund and the Agri-Vie Fund.



Box 4: Lumwana Copper Project, Zambia

The project involved the establishment of a new copper mine in the North-Western Province of Zambia (outside the traditional Copperbelt region). It comprised the staged development of two mining sites, one processing area and related infrastructure. The project was completed successfully.

The project started in 2001 with the feasibility study and, despite some delays, the budget was maintained and the mine reached full capacity in 2010. All international standards regarding the environment, social issues and health and safety were met. IFC Performance/Equator principles* were adhered to. It contributed to private sector-led economic development and poverty reduction by creating employment, exploiting local copper resources and generating export revenues, all in line with Cotonou policy objectives.

Strong public consultation and local authority involvement were notable features of the project, complemented by project-induced positive developments such as capacity building and a broad range of training and social activities, including malaria and HIV/AIDS campaigns.

* A financial industry benchmark for determining, assessing and managing social and environmental risk in project financing.

Facts and figures	
Annual capacity:	135 000 tonnes of copper concentrate
Total capital expenditure:	USD 750m
Indirect export revenues generated:	USD 850m per annum
EIB loan:	EUR 85m
Employment:	over 3 300 direct or indirect jobs created
Development outcomes:	stimulated development of a new town of 1 000 houses with related infrastructure and secondary employment opportunities

Regional – Africa: Aureos Africa Fund	
Investment fund	Aureos Africa Fund
Currency	USD
Amount	40m
Source of funding	Investment Facility
Co-investors	Eight DFIs*, three pension funds, four asset management companies, two foundations and endowments, one bank, one private trust fund
Signature year	2008

* CDC, FMO, NORFUND, IFC, AfDB, Finnfund, Proparco and IFU. Total capital commitments at end-2009 amounted to USD 381.1m.

The Aureos Africa Fund is a pan-African fund which provides risk capital to the private sector, focusing on expansion stage investments with the priority to support companies that operate or plan to operate on a regional or pan-African level. The EIB contributed USD 40m to the Fund in September 2008.

As at end-September 2010, the Fund had made twelve portfolio investments amounting to an investment cost of USD 139.19m. The investments are located in seven different countries: Ghana, Nigeria, Kenya, Uganda, Rwanda, Senegal and South Africa. The Fund also invests in a wide variety of sectors: real estate, financial services, technology, agribusiness, heavy industry, IT and diversified industrial activities. The involvement of the EIB and other DFIs acts as a catalyst, attracting foreign direct investment into sectors other than the traditional sectors of natural resources and tourism.

Regional – Africa: Agri-Vie Fund PCC	
Investment fund	Agri-Vie Fund PCC
Currency	USD
Amount	12m
Source of funding	Investment Facility
Co-investors	IFC, AfDB, three private investors
Signature year	2009

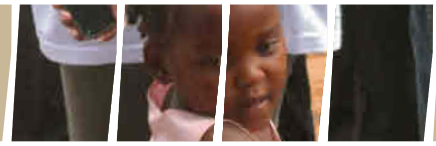
The Agri-Vie Fund invests mainly in Southern and East Africa*, targeting the food and agribusiness sector, with the option of investing in eco-tourism as a secondary part of the fund mandate. The EIB committed USD 12m to the Fund in December 2009, with total commitments to the Fund amounting to USD 62.8m. The Fund's portfolio consists of five investments representing an investment cost of USD 25.37m. Through these investments, the Fund is active in six African countries: Ethiopia, Uganda, Tanzania, Rwanda, Mozambique and South Africa.

Examples of individual investments under the funds:

Fruit Juice Company

A company producing tropical fruit juice has taken over three farms in Ethiopia that are being converted from primary vegetable farming to tropical fruit plantations over a period of four to five years. A fruit juice plant has been set up on the farm with the aim of exporting fruit juice concentrate to European and Middle Eastern markets. The business is still in a

* For operations in South Africa, the Agri-Vie Fund co-invests with its parallel fund, the South African Partnership.



developmental phase, but cash flow from its operations is expected to start in 2011, thus enhancing the value of the company.

Leading Industrial Group

An ongoing investment is supporting the growth of a leading diversified industrial group in South Africa, active in sectors including industrial painting, blast cleaning, company catering, heavy engineering and mining. The company is expanding into other African markets, such as Angola, Zambia, DRC, Kenya and Nigeria. This expansion is being assisted by the investment fund's broad geographical reach, enabling it to support the group's ambitions to become a strong regional entity.

Lumwana Copper project

Lines of Credit

At the end of 2010, the Bank had signed 65 financing agreements under the IF and via its own resources with ACP/OCT financial sector counterparties – of which 13 in 2010 – for a total of just over EUR 1.048m (see Annex 4 for the detailed list of signed agreements). Of the above, a total of ten agreements amounting to EUR 117.5m were cancelled after signature. This is a normal feature of the Bank's activity, cancellation usually being due to changing circumstances in the environment of the local financial intermediary or the fact that the intermediary is not in a position to fulfil contractual conditions prior to disbursement.

These agreements have to date funded 674 allocations*, covering 38 countries, as well as regional initiatives in Africa and West Africa. The average amount per allocation stands at EUR 638 000.

Lines of credit enable the Bank to:

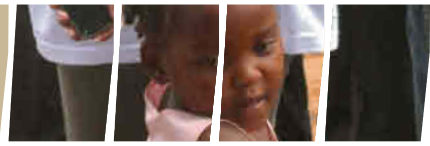
- **reach a greater number of sectors**, diversifying its operations away from its traditional sectors of activity, for example by supporting undertakings in the agriculture and forestry sector (5% of allocations), education (3%), and health and social work (2%);
- **reach out to small and micro local entrepreneurs**, notably in remote and rural areas, that support their country's economic growth and employment;
- **reach out to smaller countries and dispersed territories** (in particular through lines of credit in favour of regional banks such as Bank of St Lucia Ltd), where it is sometimes difficult for the Bank to operate directly, thereby supporting the regional diversification of its portfolio.

The second credit line to Pro-PME Financement in Cameroon is an example of a successfully implemented operation.

A second credit line was granted to the local financial institution PRO-PME Financement in Cameroon to fund its lending activities with SMEs active in the fields of industry, agro-industry, fishing, education, tourism, health and related services. The second credit line has been successfully implemented, financing a total of 30 individual projects and resulting in the creation

Makoma school, Uganda

* *Operations supporting the development of the microfinance sector in the Dominican Republic, via Banco de Ahorro y Crédito Ademi (ADEMI), Banco de Ahorro y Crédito Adopem (ADOPEM) and Fondo para el Desarrollo (FONDESA), are not taken into account in the following figures. These operations support local entrepreneurs via allocations of around EUR 1 200 on average. Such allocations cater for the specific needs of one of the poorest segments of the population but make a significant contribution to economic growth and poverty reduction.*



Cameroon: Prêt Global Pro-PME II	
Borrower	PRO-PME Financement SA
Currency	EUR
Amount	4m
Source of funding	IF loan and technical assistance*
Signature year	2007

* Balance from borrower's own resources.

of just under 200 jobs. The loan was fully disbursed in July 2010, in advance of the deadline. A technical assistance (TA) grant of EUR 145 000 was used for the acquisition of software to record and manage leasing transactions with SMEs, supporting the implementation of lease finance operations. The TA has borne fruit as leasing activities are now an important part of PRO-PME's operations.

Turning around challenging projects

Regional-ACP – Aménagement hydroélectrique de Félou (2006)
Source of funding IF – EUR 33m including a subsidy to comply with HIPC conditionality (35% grant element)

In 2006, an IF subsidised loan was extended to the three member states of OMVS (Organisation de Mise en Valeur du Fleuve Sénégal) – Mali, Mauritania and Senegal – for on-lending to SOGEM (Société de Gestion de l'Energie de Manantali[11]) to part-finance the construction of the Félou 60 MW power plant located near the city of Kayes in Mali. A long list of conditions prior to disbursement were included in the loan agreements in an attempt to correct a number of issues, mostly financial, that had arisen under the earlier Manantali project. Thanks to intensive teamwork with the project co-financier, the World Bank, and the promoter, SOGEM, these conditions were satisfied during the second half of 2010. One of the main achievements of this lengthy process has been to restore a steady and timely flow of revenue from the sale of energy by SOGEM, which is key not only to the sound operation of the existing Manantali hydropower plant, but also for the further development of OMV's hydropower potential. Accordingly, this component of the project will require continued close monitoring. Once completed, in 2013, if all goes well, the Félou plant will provide renewable and cheap (compared to thermal generation) energy to the Member States.

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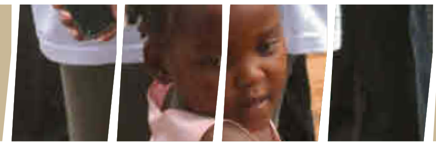
[11] *For background information on Manantali, please refer to the joint ex post evaluation by EIB, AFD and KfW of the Manantali dam project and related investments made in Senegal, Mauritania and Mali.*



Box 5: Supporting Haiti's health sector and post-earthquake reconstruction

A Médecins sans Frontières (MSF) modular surgical hospital will soon be operational in the municipality of Tabarre in Port-au-Prince, Haiti's capital, a project to which the EIB has contributed EUR 600 000 in grant financing.

The hospital, built in prefabricated containers, will help provide health services free of charge to the population of Port-au-Prince, i.e. around 3 500 000 people, and is expected to perform some 130 operations per month. The MSF hospital will be a reference centre for orthopaedic, visceral and paediatric surgery. It is also expected to fill a gap in the health needs of the Haitian population by specifically targeting traumatism, the first cause of mortality in the country. It will be equipped with three operating theatres, an intensive care unit, radiology and laboratory services, a pharmacy, consultation rooms, a rehabilitation unit and some 110 beds.

The project is already being carried out. The foundations are being laid and the electricity, water and sanitation works are currently being implemented in preparation for the arrival of the prefabricated containers expected in a few weeks. The project should be completed and fully operational in September.

The earthquake in January 2010 destroyed much of Haiti's capital, Port-au-Prince, and left around one million people homeless. As soon as it was possible, an EIB team visited the island and held meetings with NGOs and other parties to help identify how to contribute to post-earthquake reconstruction. A second EIB visit focused on identifying possible EIB support to the private sector. A few months later, EIB President Philippe Maystadt signed a grant agreement with Médecins Sans Frontières (MSF) to finance the construction of a modular surgical container hospital in Tabarre. The EIB institutional donation will be complemented by the voluntary EIB staff contribution of EUR 24 541 that will help buy an anaesthetic ventilator and an operating table for the hospital.

The on-site visits, coupled with support provided by the Bank's regional office in Fort-de-France, Martinique, were carried out in close coordination with the European Commission. In addition to the grant assistance, the Bank is likely to provide future support to strengthen the country's financial and private sector and may consider support to other sectors. Moreover, the Caribbean Joint Action Plan, the implementation of which has already commenced, also demonstrates the collective support for Haiti of the six signatory institutions. This includes technical assistance and a reinforced and coordinated financial commitment that focuses on rebuilding the private sector and strengthening its role in Haiti's economic development.

Partnerships

ACP ambassadors visit the EIB

"Working together for better development outcome"

The Bank is fully committed to developing further its collaboration with the European Commission, EU agencies and donors, in the spirit of the EU Consensus on Development, the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

Co-financing under various forms has been a regular feature of the EIB's activity and is key to supporting its catalytic role. In recent years, significant progress has been made in enhancing the division of labour with other institutions, notably under the Mutual Reliance Initiative pilot programme with AFD and KfW.

Strengthening EU cooperation

Coordination with the European Commission at head office and at field level was pursued in 2010, in an effort to ensure the coherence, consistency and complementarity of the Bank's activities with those of the EC and with EU policies more broadly.

The need to enhance the role of the private sector in promoting sustainable growth and development was clearly acknowledged in two major policy and public relation events in which the EIB participated: the 4th EU-Africa Business Forum, on the fringes of the 3rd EU-Africa Summit, and the annual European Development Days (EDD).

Beyond policy issues, the Bank remained actively involved in a number of joint initiatives with the European Commission and at EU level.

The EU-Africa Infrastructure Trust Fund[12] continued to support synergies between European development agencies to the benefit of Africa, leveraging additional funds by blending grants from the European Commission and EU Member States with long-term loan finance made available by eligible financiers. It encourages the financing of infrastructure programmes which facilitate interconnectivity and regional integration on the African continent. The Bank is closely associated with this initiative and houses its secretariat.

Further discussions took place with the EC on the establishment of a Caribbean Infrastructure Trust Fund to support regional integration and economic development in the Caribbean region. The Fund is being developed in close cooperation with local partners represented via CARIFORUM.

Following the positive experience of the EIB under the first EU-ACP Water Facility[13], the Bank participated in the design of the second EU-ACP Energy and Water Facilities (EUR 200m each under the 10th EDF), launched in November 2009 and February 2010 respectively. Each facility has a grant amount of EUR 40m available to support medium-sized water/energy investment projects, and the Bank has already identified several potential projects.

The EIB initiated discussions with a view to being closely involved in the second ACP Business Climate Facility (BizClim II) which commenced in August 2010. BizClim II provides assistance to ACP countries to improve their business environment and is endowed with a total budget of EUR 10m under the 10th EDF.

Within the framework of the Mutual Reliance Initiative, a tripartite agreement was signed between the

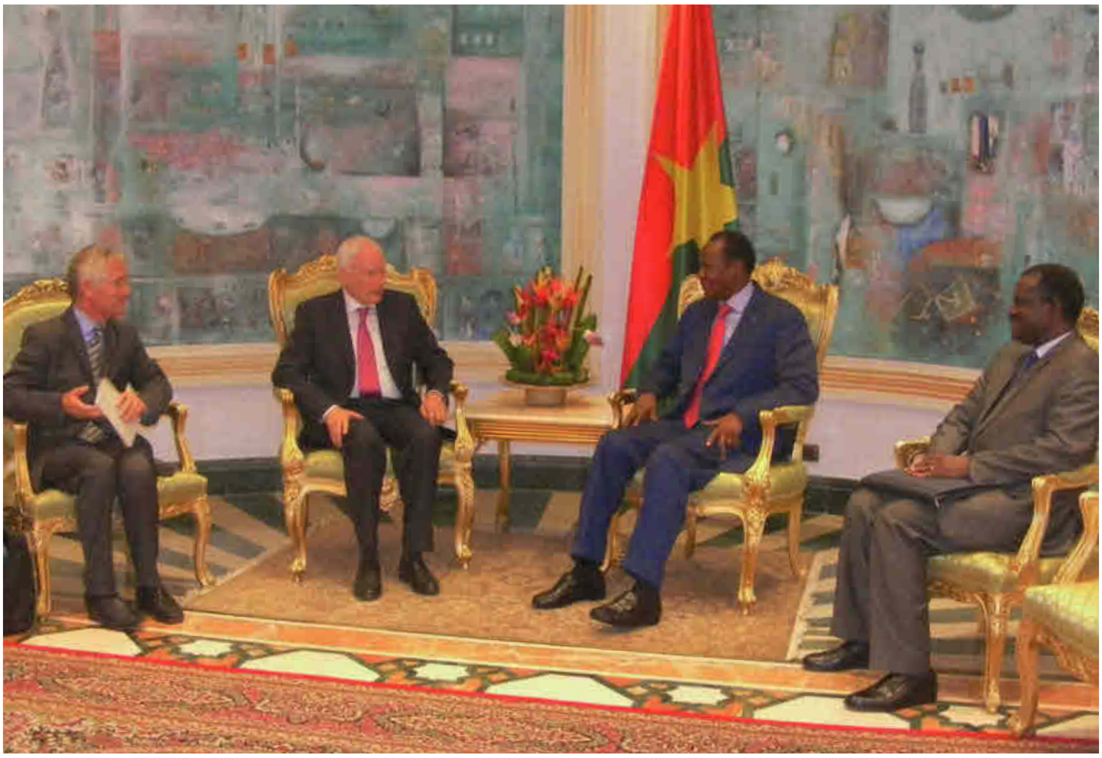
[12] *http://www.eu-africa-infrastructure-tf.net/.*
[13] *Co-funding of the EUR 3m Water Project Preparation Facility and co-financing of a number of water projects.*

Box 6: 3rd EU-Africa Summit

The 3rd EU-Africa Summit and related events took place in Tripoli from 26 to 30 November in the framework of the EU-Africa Partnership. Under the umbrella theme of "Investment, Economic Growth and Job Creation", leaders from both Africa and the EU discussed ways to stimulate growth, to create employment opportunities and to consolidate the recovery from the global financial and economic crisis.

The 4th EU-Africa Business Forum, the main theme of which was "Economic Growth: the private sector, a critical partner for shaping the future of Africa", included an active contribution by the EIB. The plenary panel on "Access to finance: a regional perspective", chaired by Vice-President Sakellaris, identified the lack of risk appetite as a major barrier for private sector development on the continent and acknowledged the important contribution that development finance institutions can make in helping to develop innovative instruments enhancing the overall risk absorption capacity. A CEOs' Roundtable especially stressed the importance of SMEs as the backbone of the economy for the development of the continent, the urgent need to improve the overall business environment through good governance and transparency and the task of IFIs/DFIs to fill the 'development gap' by providing risk sharing, first loss and/or political risk coverage to encourage stronger involvement of commercial banks.

Ouagadougou, Burkina Faso



Box 7: What is the AFD-KfW-EIB Mutual Reliance Initiative?

Purpose: full reliance, in the context of co-financed operations, through mutual recognition of procedures.

Objectives:
- establish a partnership to promote joint financing of projects;
- further strengthen coordination and complementarity between each other;
- pursue as much as possible the delegation of tasks;
- enhance efficiency and effectiveness.

Ambition:
- simplify project appraisal and monitoring, for the benefit of the co-financiers;
- reduce transaction costs, for the benefit of the project promoter;
- develop "best practice" for division of labour, which could be extended to other partners and donors.

Uganda: Lake Victoria Watsan – Kampala Water Project	
Borrower	Republic of Uganda
Currency	EUR
Amount	75m (35% of total project cost)
Source of funding	- EIB own resources
	- IF interest rate subsidy
Co-financiers	AFD, KfW, EU-Africa Infrastructure Trust Fund*

* Balance from borrower's own resources.

EIB, AFD and KfW in February 2010, which outlined the basic principles for the delegation of tasks to the lead financier while co-financing. Lessons learnt on a few selected pilot projects, five being in the ACP region (including South Africa), are being compiled by the three institutions to help the preparation of operational guidelines by mid-2011.

This is the first project** to be presented under the framework of the Lake Victoria Water and Sanitation (LVWATSAN) programme, a donor-supported regional initiative which aims to improve access to clean water and sanitation services in the Lake Victoria catchment area and to reduce the pollution of the lake. It consists of the upgrading and rehabilitation of Kampala's water supply and sanitation infrastructure. By reducing the risk of waterborne diseases, the project is also expected to contribute significantly to health improvements.

Technical assistance to the National Water and Sewerage Company to improve its overall planning as well as its financial and operational capacity should reinforce the sustainability of the investment.

Project due diligence was jointly undertaken by EIB, AFD and KfW, KfW being the lead financier. Due to its regional impacts, as several countries are strongly dependent on the lake as a source of water for both households and industry, the project is receiving grant financing from the EU-Africa Infrastructure Trust Fund, in line with the requirements of the IMF/Highly Indebted Poor Countries Initiative, requiring a minimum 35% grant element.

** The project was approved in 2010 and is due to be signed in 2011.

Following the successful implementation of its three predecessors, the EIB made a fourth contribution to the European Financing Partners (EFP) initiative, which was launched in 2004. The Investment Facility contribution covers EUR 100m of the EUR 230m replenishment. The EFP funding scheme vehicle provides loans and equity finance to support the development of private sector enterprises in the ACP region. It has proved to be an effective and efficient instrument in strengthening cooperation among financing partners, thanks in part to the harmonisation of procedures and processes. It acts as a catalyst for mobilising investment in private sector operations, ultimately benefiting entrepreneurs in emerging markets who seek long-term financing to support their business growth. The initiative has also contributed to increasing the visibility of European development cooperation.

EDFI European Financing Partners: Results (end-2010)	
Private enterprises supported:	28
Geographical coverage:	14 ACP countries
Sector coverage:	industry, power, financial intermediaries, communication, agribusiness, transport and health
Amount invested:	EUR 389m
Job creation:	> 20 000 direct and indirect jobs created or safeguarded

Collaboration with MDBs and IFIs

The EIB participated in forums such as the IMF/IBRD and AfDB annual meetings, as well as in thematic working groups (environment, procurement, managing for development results, evaluation, trust fund management and co-financing, risk management, internal audit etc.). Operational cooperation by regions focuses on upstream dialogue on project identification, joint appraisal, monitoring work and co-financing.

The EIB was closely associated with the following initiatives launched in 2010…

- the **African Financing Partnership MOU**, signed between eight development finance institutions with extensive experience in Africa with a view to enhancing cooperation and co-financing of private sector projects and thus ensuring more effective use of donor resources. The partnership also aims to attract greater private sector investment;

- the **Caribbean Joint Action Plan** signed between five[14] leading international financial institutions active in the Caribbean, reinforcing their commitment to ensuring long-term economic growth across the region, through increased coordination and support of sustainable solutions for the region's financial, tourism and infrastructure sectors;

- The **Interact Climate Change Facility**. In particular, the Bank played an active role in ongoing discussions aimed at finding a coherent European approach to financing climate action projects in developing countries, notably by leveraging part of the fast-start[15] grant resources pledged by the European Commission and participating Member States. These discussions are expected to continue in 2011.

… while pursuing coordination activities in its areas of expertise:

- the **Making Finance Work for Africa (MFW4A)** partnership[16], launched in 2007, to contribute to the development of local financial sectors and regional financial integration in Africa;

[14] *Deutsche Investitions- und Entwicklungsgesellschaft (DEG) subsequently acceded to the initiative in October 2010.*
[15] *Fast-start financing refers to the Copenhagen Accord commitment by developed countries to provide new and additional resources of almost USD 30bn to developing countries for the 2010-2012 period. The EU has pledged EUR 7.2bn.*
[16] *http://www.mfw4a.org/.*

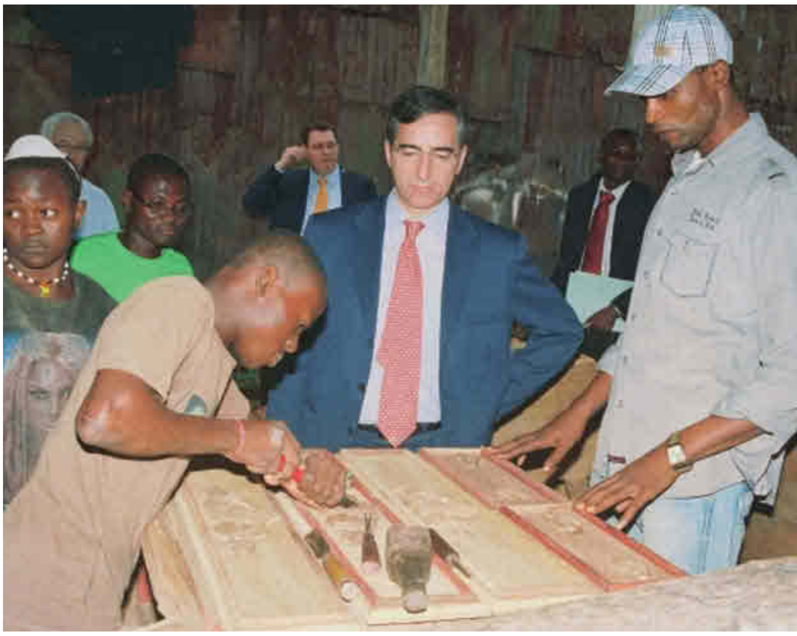
• the **Infrastructure Consortium for Africa (ICA)**[17], launched in 2005, to promote increased investment and coordination of sustainable African economic infrastructure by public and private sources. Recent ICA initiatives include the establishment of energy, water and transport sector platforms amongst interested members, and the Bank has been actively involved, both by participating in an ICA-IFC Ports and PPP conference in 2010 and by promoting and funding a study for enhancing private participation in the maritime and air transport sectors in Africa in order to establish the ingredients of past successes and failures and where more targeted approaches may bring better results.

S.E.M. Gilbert Fossoun Houngbo, Prime Minister of Togo at the EIB

Cooperation with ACP Partners

The annual visit of the ACP Committee of Ambassadors to the EIB's premises in Luxembourg in July 2010 provided an opportunity to present the IF Annual Report, which takes stock of the results of the previous year and presents the IF's future orientations for the year to come.

During 2010, high-level official visits took place in Nigeria, Kenya, South Africa, the Dominican Republic, Cameroon, Burkina Faso and New Caledonia and enabled the Bank to discuss its activities and possible projects with government ministers, the local financial community and business leaders. Vice-President Sakellaris's trip to Kenya in June 2010 included the signing of the Technical Assistance Agreement for the Jomo Kenyatta International Airport upgrade project, the inauguration of a new fibre optic communication line between Nairobi and Mombasa, visits to microfinance beneficiaries and the inauguration of the Olkaria II geothermal power plant. Discussions with the Kenyan President and Finance Minister, a bankers' roundtable, press conferences and a briefing for European Ambassadors allowed the Bank's activities in East Africa to be explained to a wider audience.



Visit to Cameroon

Cooperation with the Centre for the Development of Enterprise (CDE) was also strengthened during the year. The CDE is a joint ACP-EU institution created within the framework of the Cotonou Agreement and dedicated to support private sector development in ACP countries.

[17] *The Consortium was launched in October 2005, following the G8 Gleneagles Summit, as a major effort to help meet the urgent infrastructure needs of Africa.*

Burkina Faso

Madagascar: Ambatovy Nickel Project

This project concerns the development and operation of one of the biggest lateritic nickel mining operations in the world. Developed under Madagascar's Large Mining Investment Act, the Ambatovy project is the country's largest capital project to date. Total project cost amounts to USD 4.5bn, of which USD 305m is provided by an EIB loan signed in 2007. Construction has been progressing well and initial production is expected to start in 2011.

The mine site is located 80 km east of Antananarivo, the capital of Madagascar, near the city of Moramanga. The project is expected to make a significant contribution to sustainable social and economic development, thus helping to achieve the objectives of Madagascar's Poverty Reduction Strategy, which includes the safe and sound development of the mining sector.

Environmental aspects are at the forefront of the project, particularly as the mine is located in an area recognised for its high regional biodiversity. Constructive partnerships have been built up with a number of environmental non-governmental organisations (NGOs), such as Conservation International, to protect the integrity of this diverse ecosystem. The Ambatovy project is also a pilot project* of the Business and Biodiversity Offset Program (BBOP)**.

The health and well-being of the project's workforce and the communities living around the mine is also fundamental to the project. Partnerships and technical support have been and are being provided through several specialised NGOs, such as those working in the fields of children's rights and HIV/AIDS prevention.

* With regard to the proposed Ankerana offsite-offset area.
** A partnership between companies, governments and conservation experts to explore biodiversity offsets.

Facts and figures	
Annual design capacity:	60 000 t of nickel, 5 600 t of cobalt and 190 000 t of ammonium sulphate, an effluent that can be used as a fertiliser
Current reserves:	estimated at 125 mt
Reserve life:	27 years – with potential for more
Production costs:	anticipated to be among the lowest in the industry
Investment:	over USD 4.5bn
Total employment:	over 10 000 jobs created during construction and 2 000 during operation.

Box 8: Interacting with civil society

As part of the ongoing dialogue, the EIB organised its annual CSO briefing in Brussels in February 2010, during which the EIB's 2009 results were presented to Brussels-based CSOs. Additional meetings with local CSOs were held during the Bank's 2010 Regional Forums in Istanbul and Warsaw in October and November respectively.

The EIB also continues to nurture supportive partnerships such as those developed with Transparency International, the International Union for the Conservation of Nature, the Extractive Industry Transparency Initiative[1] and the Consultative Group to Assist the Poor[2].

Notable developments and events in 2010 included:

- the adoption of a new EIB Transparency Policy, which replaces the Public Disclosure Policy (2007) and the Transparency Policy (2004), together with an updated complaints mechanism. The new mechanism provides members of the public, including EIB stakeholders in ACP States, who are, or feel, affected by the Bank's decisions with a comprehensive tool for the resolution of disputes;

- the EIB facilitated the ongoing discussion on business and human rights by organising two tailor-made events. Following on from a seminar in London in June, the first meeting of its kind for the Bank, a roundtable on human rights took place in Johannesburg in July, with 40 stakeholders from South Africa and across the continent. The Johannesburg seminar was designed to provide a platform for viewpoints from the developing world as well as to increase the EIB's understanding of the Ruggie[3] framework and the wider business and human rights debate;

- a public consultation on the EIB's transport lending policy was launched in connection with the review of overall EU transport policy. This is the first sector policy which the Bank has subjected to public consultation;

- the Environmental and Social Practices Handbook was updated. The Handbook describes the internal processes and practices of the Bank, particularly the work carried out by its Projects Directorate to ensure that all financing activities are consistent with its environmental policy and social principles and standards, which are subject to periodic review, revision and approval by the Bank's Governing Bodies. Documents such as the Handbook are "live" documents that are continuously improved in line with the evolution of knowledge and experience, as well as changes in policy.

The EIB acknowledges that CSOs can have a valuable input – given their understanding of local issues – both in the development of its policies and activities and at project level. The interaction with civil society in the Ambatovy Nickel Project is an example of a successful partnership with NGOs, helping an EIB-financed project to achieve its development objectives in a sustainable way.

[1] *http://eitransparency.org/*
[2] *http://www.cgap.org/*
[3] *John Ruggie has served as UN Special Representative on the issue of business and human rights since 2005. In 2008 he presented a policy framework for the human rights responsibility of business.*

EIB expertise at the service of development

EIB head office in Luxembourg and external regional offices in the ACP countries

To carry out its mandate(s), the ACP-IF Department in Luxembourg, in close cooperation with the project promoter, relies on multidisciplinary teams and regional offices. At the end of 2010, a total of 127 full-time staff were assigned/dedicated to ACP/OCT/RSA-related operations throughout the Bank. Tasks carried out at the EIB head office in Luxembourg cover the whole project cycle, from identification to appraisal and actual project implementation and operation. The Bank's internal monitoring activity was strengthened and reorganised in 2010 with the creation of a dedicated Monitoring Task Force within the ACP Department.

The presence of staff locally in each region is instrumental in raising the profile of the Bank, notably by attending key events throughout the ACPs and OCTs.

Through its regional presence, the Bank can more readily visit projects regularly and facilitate communication and cooperation/coordination with project promoters, donors, national authorities, European Union delegations and civil society. A swift reaction to local needs as they arise contributes to improving the portfolio, often pre-empting problems and mitigating risks. As part of the review of the Bank's lending mandates outside the EU and taking advantage of the changes brought about by the Lisbon Treaty and the creation of the new External Action Services (EASS), discussions are taking place to reinforce the EIB's presence in the field, ideally through colocation with European Union delegations.

By channelling local and regional information to headquarters and promoting enduring close relations with operational divisions in Luxembourg, the regional offices are essential for identifying project opportunities and add value at the project development stage. The regional offices are also providing increasing support in the monitoring of operations, in line with the Bank's overall efforts to strengthen project monitoring.

Promoting Corporate Responsibility

The EIB promotes Corporate Responsibility through its mission and activities in the service of the European Union and through its internal management. In 2010, a specific training course was organised to raise awareness of responsible finance throughout the EIB, specifically in the area of microfinance.

Box 9: Training for developing awareness of responsible finance

Since the adoption of the Client Protection Principles in Microfinance by the EIB's Board of Directors in November 2009, the EIB has actively promoted this initiative. At the time when several scandals related to the future of microfinance arose in the press, the EIB was particularly keen to ensure that all of its intermediaries become part of and effectively endorse the campaign for client protection that started in 2008.

In 2010, the EIB pilot-tested contractual clauses relating to the implementation of the Client Protection Principles. These clauses have a special emphasis on avoiding the over-indebtedness of clients, fair debt collection practices and transparency of pricing. To ensure that each of the EIB's existing investments have complied with the set of responsible lending principles, the EIB has also developed its monitoring, requiring additional information on each affiliate or investee company's outreach in which the Bank invests directly or indirectly through microfinance investment funds.

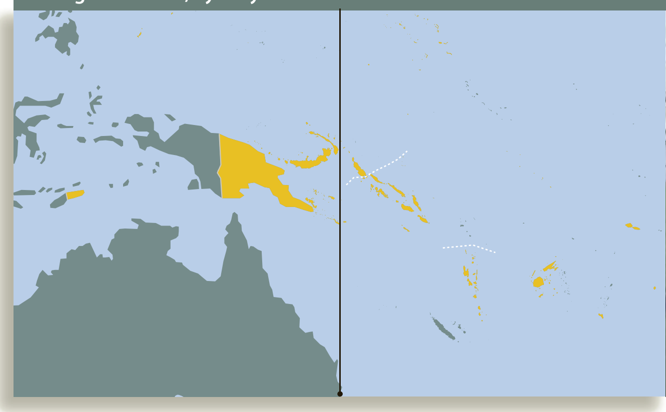
This year, particular attention was given to developing awareness of responsible finance throughout the EIB and its partners. The EIB continued to collaborate with a number of industry representatives, such as the knowledge centre specialised in social performance for microfinance, CERISE, to prepare training courses for its staff. The responsible finance training, provided to EIB staff, focused on practical ways of assessing the social performance of microfinance institutions (MFIs) and microfinance investment funds. It provided an overview of the various tools developed throughout the microfinance industry for social performance measurement. Various approaches to social performance measurement were considered in order to enhance expertise at all EIB levels and draw lessons for better implementation of responsible lending principles within the industry from a development financial institution's perspective.

The Role of Regional Offices		
Increased visibility and local ties	➥	Attending key regional events and investment conferences.
	➥	Liaising with EU delegations, local authorities and multilateral partners*.
	➥	Regular participation in official donor meetings for closer alignment of regional aid efforts and a higher level of development coordination.
	➥	Representing the Bank in various investment funds.
Business development		Identification and development of new projects.
Support/ad hoc operations		Project monitoring and follow-up missions.

* Key partners in the Caribbean include the Inter-American Development Bank, the IFC and other EDF-funded entities such as the CDE and the Caribbean Export Development Agency. In Africa, important partners are the World Bank, the African Development Bank, COMESA (Common Market for Eastern and Southern Africa), SADC (Southern African Development Community) and IOC (Indian Ocean Community).

Regional office, Fort-de-France

Regional office, Sydney




Regional office, Dakar
MAURITANIA
MALI
NIGER
CHAD
SUDAN
ERITREA
SENEGAL
GAMBIA
GUINEA BISSAU
GUINEA
BURKINA
FASO
SIERRA
LEONE
IVORY
COAST
GHANA
TOGO
BENIN
NIGERIA
ETHIOPIA
CENTRAL
AFRICAN REPUBLIC
LIBERIA
LOME
COTONOU
CAMEROON
SAO TOME
AND PRINCIPE
UGANDA
KENYA
GABON
CONGO
DEMOCRATIC
REPUBLIC
OF CONGO
RWANDA
BURUNDI
EQUATORIAL
GUINEA
TANZANIA
Regional office, Nairobi
European
Investment
Bank
ANGOLA
ZAMBIA
MALAWI
MOZAMBIQUE
ZIMBABWE
MADAGASCAR
NAMIBIA
BOTSWANA
SWAZILAND
LESOTHO
SOUTH
AFRICA
Regional office, Tshwane (Pretoria)
Regional
Representation for
Southern Africa
& Indian Ocean
West Africa and Sahel
Central and Eastern Africa
Southern Africa and Indian Ocean
Pacific
Caribbean

Combining Loans and Grants

“Leveraging financing for development”

> **“The area where we find huge potential to leverage financing for development is loan-grant blending mechanisms. Here we already have excellent experience of cooperation with the EIB and other multilateral and bilateral financial institutions.”**
>
> **Commissioner for Development,**
> **Andris Piebalgs ‘EIB lending outside the EU – a way forward’, EIB Conference,**
> **European Parliament, April 2010**

Textile industry SME, Dominican Republic

The EIB has a long history of combining loans and grants in the ACP region. Whereas the majority of EIB’s financing is essentially provided in the form of non-concessional loans, it has developed a well recognised expertise in the so-called ‘blending’ of loans and grants through the management of specific EU budgetary funds. In the ACP region, this began under the Lomé Convention with a specific endowment for risk capital, followed by the Investment Facility and subsidy endowment under Cotonou, which enabled loans to be combined with grants in the form of interest rate subsidies, risk capital and technical assistance. In recent years, this expertise was further enhanced by setting up and participating in a number of EU blending mechanisms, notably the EU-Africa Infrastructure Trust Fund (ITF) in the ACP region.

The ITF, which was set up in early 2007 at the joint initiative of the EIB and the European Commission (EC), was indeed the first blending mechanism involving enhanced cooperation and coordination with both the EC and the EU Member States’ development agencies. The EIB strongly supports the enhancement of such blending mechanisms, which play a key role in leveraging limited grant financing, as well as helping to ensure complementarity and coherence.

Textile mill SME, South Africa

Box 10: What is 'blending'?

It is well recognised that limited aid resources are not sufficient to finance the investments necessary in the developing world to stimulate economic growth.

Combining available grant resources with loans, so–called 'blending', enables additional funds to be raised to finance development, thus allowing more projects to be financed and more innovative financing instruments to be employed than might otherwise have been the case.

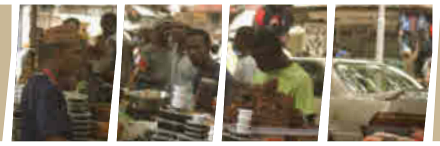
Leveraging grants funds with finance from bilateral and international financial institutions also acts as a catalyst to attract private sector financing, further increasing available resources to support development and poverty reduction.

The blending of grants and loans, as well as the leveraging of private sector financing, is widely regarded as the way forward in addressing the challenges of development financing. It increases effectiveness and enhances division of labour between development actors, for the benefit of partner countries.

Blending remains also an important means to ensure the respect of internationally-agreed debt sustainability requirements.

The blending of loans and grants is particularly relevant in ACP and OCT countries as it:

- bridges a financial gap when resources are scarce;
- contributes to enhancing the quality of operations, increasing their effectiveness and impact;
- supports the promoter by "perfecting" the financial package; and
- encourages synergies among IFIs, notably the pooling of resources.



Available grant resources for interest rate subsidies and technical assistance under the Cotonou Mandate[18]:

	1st Financial Protocol	2nd Financial Protocol
ACPs	EUR 187m	EUR 400m
OCTs	EUR 2m	EUR 1.5m

[18] *Up to 10% of the subsidies may be used for project-related technical assistance.*

Grant resources and leveraging

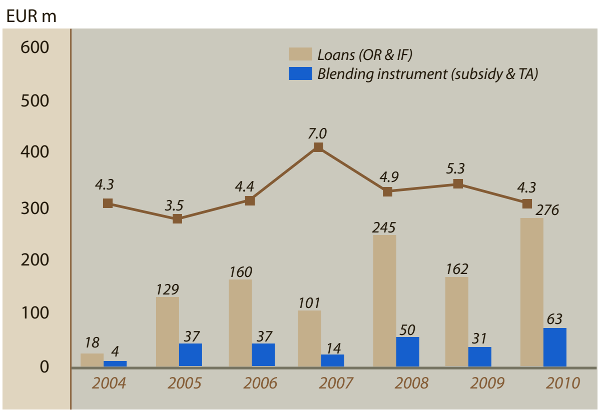
As at end of 2010,

- interest rate subsidies totalling EUR 63.7m had been allocated to 32 signed contracts for ACP projects, with a further EUR 112m in the pipeline to support 12 projects. Interest rate subsidies of EUR 2.1m had been allocated to three projects in the OCTs, with an additional EUR 0.25m in the pipeline for one project.

- EUR 30m had been allocated to 38 technical assistance operations in the ACP region and one TA operation in the OCTs.

Between 2004 and 2010, the blending of grants, in the form of interest rate subsidies and technical assistance, with EIB loans, had a leverage effect of between 3.5 to 7 times the grant amount and this does not account for funds provided by co-financiers.

Leverage effect under Cotonou: 2004-2010



(Detailed lists of operations that have received grant financing since the inception of the Cotonou mandate are presented in Annexes 5 and 6).

Box 11: Interest rate subsidies

Under the Cotonou Framework, IF operations and own resources loans are eligible for an interest rate subsidy allocation, 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 which 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(7)

Box 12: Technical assistance for microfinance: helping to improve access to finance for micro and small businesses

To address the limited availability of financial services to the poor and economically marginalised, the Bank is supporting an increasing number of microfinance investment vehicles that invest in and provide technical assistance to local microfinance institutions. Alongside the provision of debt and equity to selected microfinance institutions (MFIs), the EIB has made more TA funds available to these institutions to enable them to extend sustainable microfinance services and develop innovative products that, in turn, will generate positive social and economic impacts for small and micro-businesses. Since 2007, more than EUR 21m has been made available from the Cotonou TA envelope for capacity-building measures in MFIs for a total of around 24 MFIs and 16 SMEs to date. EUR 8m was approved by the Bank in 2010 alone.

AccessBank Liberia: improving access to financial services for SMEs and micro-enterprises

Teaming up with Access Microfinance Holding of Germany as well as the International Finance Corporation and the African Development Bank, the EIB has established AccessBank Liberia (ABL) as the country's first commercial bank specialising in micro and small business finance. After many years of devastating civil war, Liberia's economy has only very recently started to recover. Micro and small enterprises play a pivotal role in this process but have so far lacked any access to credit. Since opening its doors in 2009, ABL has extended more than 5 090 loans averaging some EUR 797 to micro-entrepreneurs. The outstanding portfolio amounts to around EUR 2.98m and shows an excellent quality – as of September 2010 the portfolio at risk by more than 30 days amounted to 0.43%. Operating from four branches across Monrovia, ABL has already trained more than 212 local staff and has quickly established itself as the bank of choice for Liberia's small entrepreneurs. This is underscored by the 28 327 savers who have opened accounts with ABL.

The EIB supports ABL with both equity and technical assistance funds. The TA funds are mainly used to finance a team of international experts and capacity-building measures in specific areas. In addition, the Bank is providing further support to the whole Access Microfinance Holding network through both TA funding of EUR 2m and an equity investment of more than EUR 5m. As at end-2010, the network includes six microfinance banks of which four are located in the sub-Saharan Africa (SSA) region, the latter all having received TA support from the EIB.

Microinsurance in sub-Saharan Africa: supporting the development of new products

In 2009, the Bank committed USD 20m to Leapfrog, the world's first commercial microinsurance fund, with the objective of promoting the development of microinsurance products and services in Africa. Lack of access to insurance products is considered a socioeconomic impediment to poverty reduction and economic growth. The LeapFrog Microinsurance Fund was established to make equity and equity-related investments in companies that deliver insurance products and services to low-income people in developing countries.

Alongside the investment fund, LeapFrog has created a grant-funded technical assistance facility to which the EIB committed a total of EUR 2m in 2010. The facility aims to sponsor the development and marketing of microinsurance products and services that are socially valuable but may not initially be sustainable or commercially feasible without initial grant capital. Grant funding will also be used for client education and institutional capacity building. To date, the Bank has disbursed 17% under the Leapfrog TA facility in support of microinsurance learning and innovation activities.

Concessional funding

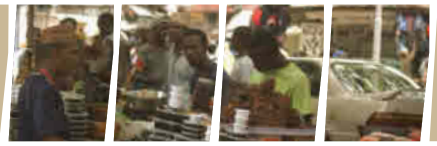
Target:
- projects with socioeconomic and/or environmental benefits; and
- infrastructure projects in Heavily Indebted Poor Countries.

Projects are eligible for subsidies under specific conditions (see box 11), notably for operations carried out in countries subject to restrictive borrowing conditions and for ACP sugar producers having to deal with changing world market conditions following the phasing-out of the EU-ACP Sugar Protocol. In cases of concessional funding, part of the interest rate subsidy can be channelled to leverage certain additional environmentally or socially advantageous components of the project.

The subsidy amount varies according to the specific conditions and benefits of each operation. However, the subsidy never exceeds the value of the incremental benefit so as to not generate an unwarranted transfer to the shareholder of the project.

Technical assistance

Technical assistance (TA) is a key instrument in enabling the EIB to become more proactive in its operations, especially outside the EU. In line with the Cotonou mandate, technical assistance support is largely project-focused, supporting the maturation and preparation phase of projects, as well as project implementation. Capacity building measures also aim to enhance project sustainability. In regions such as the ACP, TA is



essential, bringing significant value added to our lending operations.

Support for credit lines has become increasingly significant in the TA portfolio, focusing on project implementation, including at the level of the final beneficiaries, as well as capacity building measures targeted at intermediary banks. In the microfinance sector, EIB TA has facilitated cooperation with key stakeholders, such as the Consultative Group to Assist the Poor (CGAP), the European Microfinance Platform and the European Commission microfinance steering group.

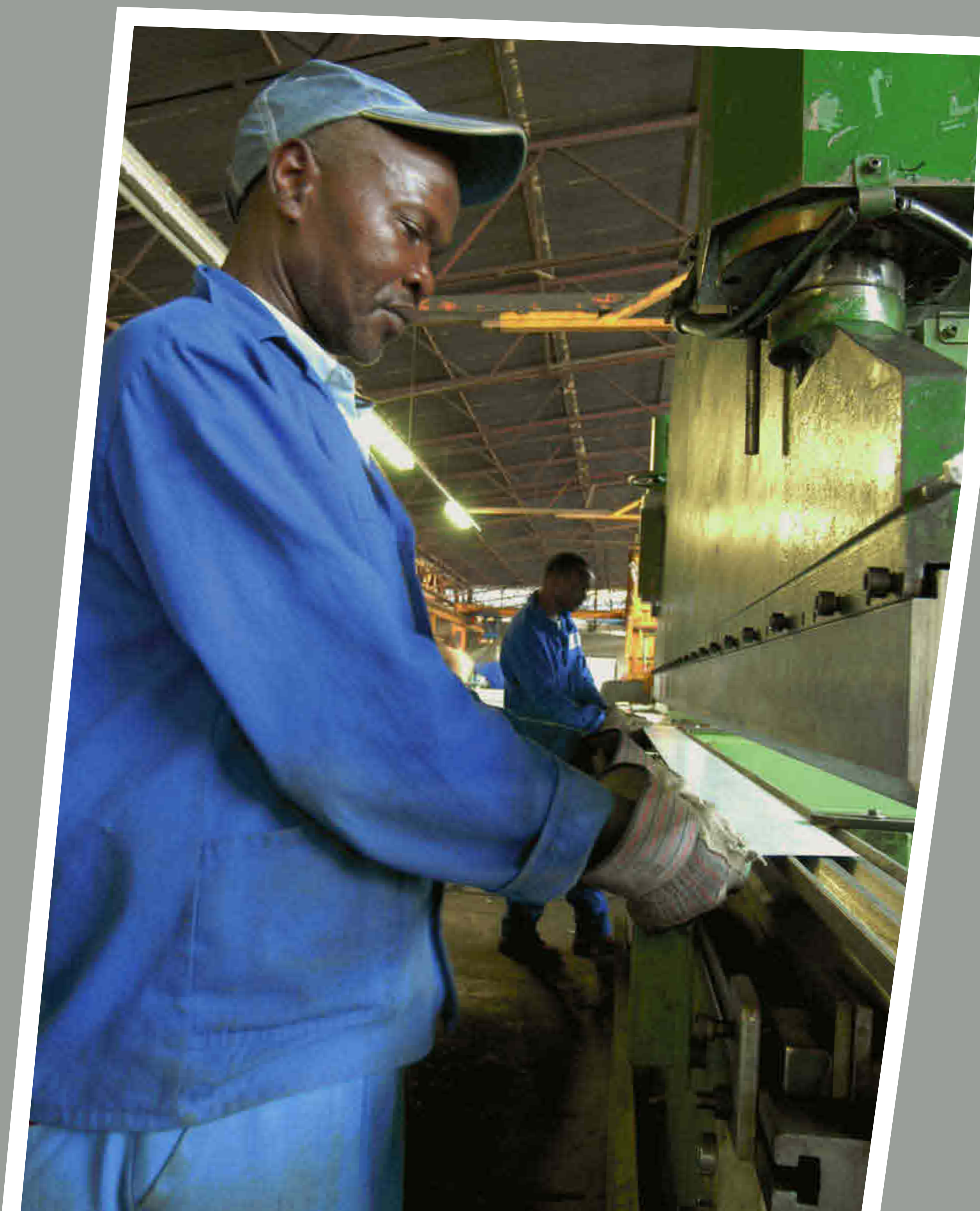
Projects in the infrastructure sector have mainly benefited from TA for project preparation, in areas ranging from electricity interconnectors to a master plan for hydropower projects. In addition, the implementation of a Project Development and Support Facility (the 'DBSA-EIB PDSF') commenced in 2010, focusing on infrastructure projects in the transport, energy, water, sanitation, urban development and telecommunications sectors in Eastern and Southern Africa. The Facility was developed in conjunction with the Development Bank of South Africa (DBSA) and a pipeline of projects is now being established. The purpose of the DBSA-EIB PDSF is to promote economic development and poverty reduction by supporting quality projects with high development impacts. It assists national and local infrastructure promoters to prepare and implement projects capable of obtaining financing from public and private sources, including the EIB and DBSA. The Facility supports the creation of an enabling environment to assist private participation in infrastructure, as well as public investment and partnerships.

Box 13: Water Project Preparation Facility (WPPF)

The EIB is proactively identifying and developing new projects, including in remote regions, that satisfy the two broad objectives of the EIB's water sector activities in the ACP region: to improve sustainable access to safe drinking water and sanitation and to support climate change adaptation. Expanding access to water and sanitation services requires increased funding from national and international sources. This calls for enhanced sector development and better upstream project preparation to develop financially and technically viable projects. To address this challenge, the EIB launched the ACP Water Project Preparation Facility (WPPF) in 2008, with the financial support of the European Commission, through the ACP-EU Water Facility.

The EUR 3m facility has funded technical assistance for the preparation of sound water and sanitation projects, with a specific focus on Africa and the Pacific. Liaison with local governments and civil society is a key operational feature of the facility, as well as prioritisation of projects in countries where project preparation capabilities are weakest. Of 25 funding opportunities initially identified, a set of eight projects in six African countries (Burundi, Ghana, Kenya, Rwanda, Tanzania and Zambia) and in two Pacific island groups (Samoa, Cook) have been selected for further development, in close cooperation with the EC. These include a rural water supply and sanitation project in Ghana, with possible inclusion of microfinance support for small-scale builders, and the further development of independent water schemes in Samoa for improved delivery and maintenance of water services for 20% of the population. The challenge for 2011 will be to develop the projects into bankable operations that are ready for appraisal by the EIB and others and to attract further funding from existing blending mechanisms and bilateral and multilateral donors.

Financial review



The EIB has an obligation to manage the IF in a responsible way. The Member States of the EU, the initial providers of the funds, expect the Facility to become a revolving fund. In that respect, the Bank is required to be risk conscious: this means properly assessing and mitigating risks and pricing them in a reasonable manner.

Financial statements (see Annex 7)

The 2010 recovery which took place notably in the mining sector, driven by the commodities and raw material market, resulted in the reversal of IF impairments to EUR 32.5m, whilst additional impairment on loans and receivables was recorded for an amount of EUR 7m, bringing the percentage of the impaired loans and receivables to 9% compared to 12.5% in 2009.

Net administrative expenses at EUR 34m remained in line with the previous years, albeit decreasing slightly by 5%.

The weakening of the USD between June and December had a negative impact on IF assets, generating a loss of some EUR 17.5m.

On the revenue side, treasury income decreased significantly by 35% although the cash available for the IF increased over the year. This was the consequence of the low interest rates offered by the market. The revenues on loans increased by 12%, standing at EUR 52.6m, which is in line with the increase in the nominal amount of loans and receivables. The recovery of the mining and raw material sectors also triggered the early repayment of several loans, generating an extra EUR 11.5m of commission income for the IF.

In total, the IF posted a profit of EUR 35m for the year 2010, compared to a loss of 21m in 2009. Retained earnings amounted to EUR 64m and the fair value reserve, representing the unrealised result on investment in direct and indirect equities, increased by EUR 5m to EUR 24.5m.

Total assets rose by 20% to EUR 1 555m. Loans and receivables still accounted for the largest portion of the IF's total assets at 54% (EUR 844m) while the investment portfolio represented 12.5% (EUR 195m).

Financial sustainability

The EIB has an obligation to manage the IF in a responsible way. The Member States of the EU, the initial providers of the funds, expect the Facility to become a revolving fund. In that respect, the Bank is required to be risk conscious: this means properly assessing and mitigating risks and pricing them in a reasonable manner.

Risk profile

The response to the financial crisis entailed taking – temporarily – more risks in 2009 and 2010 in areas where commercial funding was more limited. To counter the higher credit risk embedded in new operations, as well as the possible negative repercussions of the crisis on our existing counterparties, a watch list of potentially risky operations is regularly updated.

At the end of 2010, the overall quality of the portfolio remained unchanged and is deemed satisfactory in view of the challenging environment in which the IF operates. Prudential limits relating to foreign exchange and high-risk instruments were complied with. The level of provisions accumulated during the crisis seems to have reached a peak and appears to be sufficient, especially when considering the growing commodities market in 2010 and its positive effect on the mining sector.

The quality of the portfolio is assured by selective, early-stage project screening, regular and reinforced monitoring of the Bank's operations and ex post evaluations.

Reflows

Reflows are key to ensuring the long-term sustainability of the IF (excluding interest rate subsidies), as they will enable further commitments to be made, exceeding the EU Member States' capital contribution of EUR 3 185m. The revolving character of the IF has so far been well preserved. At the end of 2010, accumulated reflows stood at EUR 491m.

Principal repayments on loans, interest income, sales of shares and dividend income from ongoing projects account for the bulk of this figure.

As the portfolio matures and more commitments translate into actual disbursements, reflows are expected to increasingly accrue to a level which should support a yearly lending volume of EUR 450m, in line with current objectives. The Bank is monitoring this dimension very closely, bearing in mind the challenging environment in which the IF operates.

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1. List of ACP countries and OCTs

Africa

- Angola
- Benin
- Botswana
- Burkina Faso
- Burundi
- Cameroon
- Cape Verde
- Central African Republic
- Chad
- Comoros
- Congo
- Democratic Republic of the 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

* *ACP countries not signatory to the Cotonou Partnership Agreement.*

** *RSA: although part of the ACP regional grouping and signatory to the Cotonou Partnership Agreement, South Africa receives assistance from the EIB under a different mandate.*

2. Investment Facility portfolio of signed operations 2003-2010 (ACPs and OCTs)

ACP States					
Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
2003					
AFRICAN BANKS HOLDINGS, LLC	Regional – Africa	Services	Equity	Private	30.00
AUREOS EAST AFRICA FUND	Regional – East Africa	Services	Equity	Private	6.80
AUREOS SOUTHERN AFRICA VENTURE CAPITAL	Regional – Southern Africa	Services	Equity	Private	10.50
AUREOS WEST AFRICA FUND	Regional – West Africa	Services	Equity	Private	8.75
BEL OMBRE HOTEL B (SUBORDINATED LOAN)	Mauritius	Services	Subordinated loan and quasi-equity	Private	3.30
BEL OMBRE HOTEL C (INDIRECT EQUITY)	Mauritius	Services	Equity	Private	2.80
DEV. DU SECTEUR PRIVE PG II A CAMEROUN	Cameroon	Credit lines	Credit line*	Private	3.00
DEV. DU SECTEUR PRIVE PG II B CAMEROUN	Cameroon	Credit lines	Credit line*	Private	25.00
EBTR MAURITANIE	Mauritania	Urban infrastructure	Senior loan*	Private	4.00
KANSANSHI COPPER MINE	Zambia	Industry	Subordinated loan and quasi-equity	Private	34.00
PG BURKINA FASO CREDIT BAIL II	Burkina Faso	Credit lines	Credit line*	Private	2.00
PG BURKINA FASO II	Burkina Faso	Credit lines	Credit line*	Private	10.00
Sub-total for 2003					**140.15**
2004					
AFRICAN LION MINING FUND II	Regional – ACP	Services	Equity	Private	7.00
BOAD IV B FACILITE DE GARANTIE	Regional – West Africa	Services	Guarantee	Private	25.00
BOAD IV C PRISE DE PARTICIPATION	Regional – West Africa	Services	Equity	Private	4.60
DFCU LEASING GLOBAL LOAN	Uganda	Credit lines	Credit line*	Private	5.00
EDFI EUROPEAN FINANCING PARTNERS (EFP)	Regional – ACP	Services	Agency agreement	Private	90.00
EUROPEAN FINANCING PARTNERS (EFP)	Regional – ACP	Services	Agency agreement	Private	0.01
FABULOUS FLOWERS	Botswana	Agriculture, fisheries, forestry	Subordinated loan and quasi-equity	Private	2.00
MAGADI SODA PURE ASH PROJECT / B (IF)	Kenya	Industry	Senior loan	Private	11.37
MAGADI SODA PURE ASH PROJECT / C (IF)	Kenya	Industry	Subordinated loan and quasi-equity	Private	1.65
MOMA TITANIUM MINERALS	Mozambique	Industry	Senior loan	Private	15.00
MOMA TITANIUM MINERALS	Mozambique	Industry	Subordinated loan and quasi-equity	Private	40.00
MOZ/RSA NATURAL GAS-UPSTREAM COMPONENT	Mozambique	Energy	Senior loan	Public	10.00
NIGERIA GLOBAL LOAN	Nigeria	Credit lines	Credit line	Private	50.00
NOVOTEL DENARAU PROJECT (IF)	Fiji	Services	Equity	Private	5.00
PRET GLOBAL II (GABON)	Gabon	Credit lines	Credit line*	Private	6.50

** in local currency*

Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
PRET GLOBAL II (GABON) B	Gabon	Credit lines	Credit line*	Private	3.50
SAMOA VENTURE CAPITAL FUND	Samoa	Services	Equity	Private	0.35
SHORECAP INTERNATIONAL LTD (SCI)	Regional – ACP	Services	Equity	Private	2.50
SNIM VII	Mauritania	Energy	Senior loan	Private	22.50
SONABEL III	Burkina Faso	Energy	Senior loan	Public	15.25
WESTIN ROCO KI BEACH AND GOLF RESORT	Dominican Republic	Services	Subordinated loan and quasi-equity	Private	20.00
Sub-total for 2004					**337.23**
2005					
ALBION RESORT MAURITIUS B	Mauritius	Services	Equity	Private	5.00
AQUALMA III	Madagascar	Agriculture, fisheries, forestry	Senior loan	Private	5.00
BANQUE REGIONALE DES MARCHES B	Regional – West Africa	Services	Equity	Private	0.61
BIMAO	Regional – West Africa	Services	Guarantee*	Private	5.00
CAPE FUND II	Regional – West Africa	Services	Equity	Private	11.90
CAP VERT - SECTEUR FINANCIER PG II	Cape Verde	Credit lines	Credit line	Private	8.00
CLICO GLOBAL LOAN	Trinidad and Tobago	Credit lines	Credit line	Private	20.00
COMPAGNIE SUCRIERE DU TCHAD	Chad	Industry	Guarantee	Private	11.80
DANGOTE CEMENT - C	Nigeria	Industry	Senior loan	Private	33.06
DEVELOPMENT FINANCE LIMITED IX	Trinidad and Tobago	Credit lines	Credit line	Private	7.00
ETUDE EL AOUJ	Mauritania	Industry	Equity	Private	5.00
GILGEL GIBE II HYDROPOWER PLANT	Ethiopia	Energy	Senior loan	Public	50.00
GRENLEC III PROJECT	Grenada	Energy	Senior loan	Private	5.00
KPLC GRID DEVELOPMENT	Kenya	Energy	Senior loan	Public	43.00
LA FAYETTE INVESTISSEMENTS (LFI)	Regional – ACP	Services	Equity	Private	3.50
LIAISON MARITIME DAKAR-ZIGUINCHOR	Senegal	Transport	Senior loan	Public	10.00
MOMA TITANIUM C	Mozambique	Industry	Subordinated loan and quasi-equity	Private	2.75
MOPANI COPPER PROJECT	Zambia	Industry	Senior loan	Private	48.00
NIGER - PG SECTEUR FINANCIER II	Niger	Credit lines	Credit line*	Private	8.00
OLKARIA II EXTENSION	Kenya	Energy	Senior loan	Public	32.50
PACIFIC ISLANDS FINANCING FACILITY	Regional – Pacific	Credit lines	Credit line	Private	7.00
PACIFIC ISLANDS FINANCING FACILITY B	Regional – Pacific	Credit lines	Credit line	Private	6.00
SEPH-NOUADHIBOU	Mauritania	Agriculture, fisheries, forestry	Senior loan	Private	2.50
SEPH-NOUADHIBOU	Mauritania	Industry	Senior loan	Private	2.50
VRA VII	Ghana	Energy	Senior loan	Public	10.50
ZESCO KARIBA NORTH II	Zambia	Energy	Senior loan	Public	7.60
Sub-total for 2005					**351.22**

Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
2006					
ACCESS MICROFINANCE HOLDING	Regional – ACP	Services	Equity	Private	3.46
ADEMI V	Dominican Republic	Services	Equity	Private	0.23
ADEMI V B	Dominican Republic	Credit lines	Credit line*	Private	3.00
AES SONEL-ELECTRICITY SUPPLY	Cameroon	Energy	Senior loan	Private	55.00
AES SONEL-ELECTRICITY SUPPLY B	Cameroon	Energy	Senior loan	Private	10.00
ALBION RESORT MAURITIUS	Mauritius	Services	Senior loan	Private	14.00
AMENAGEMENT HYDROELECTRIQUE DE FELOU	Regional - West Africa	Energy	Senior loan	Public	11.00
AMENAGEMENT HYDROELECTRIQUE DE FELOU B	Regional – West Africa	Energy	Senior loan	Public	11.00
AMENAGEMENT HYDROELECTRIQUE DE FELOU C	Regional – West Africa	Energy	Senior loan	Public	11.00
ASTRUM TRAVEL HELICOPTER SERVICES	Belize	Transport	Senior loan	Private	3.74
BDEAC PRET GLOBAL III	Regional – Central Africa	Credit lines	Credit line	Private	15.00
BDEAC PRET GLOBAL III B	Regional – Central Africa	Services	Guarantee	Private	5.00
BPI KENYA SME FUND	Kenya	Services	Equity	Private	4.24
BPI MADAGASCAR SME FUND	Madagascar	Services	Equity	Private	2.00
CARIBBEAN DEV BANK IV B	Regional – Caribbean	Services	Guarantee	Private	20.00
DFCU LEASING GLOBAL LOAN II	Uganda	Credit lines	Credit line*	Private	10.00
EADB REGIONAL FINANCE FACILITY	Regional – East Africa	Credit lines	Credit line	Private	25.00
ECOCIMENTO FIBRE CEMENT	Mozambique	Industry	Senior loan	Private	1.30
EDFI EUROPEAN FINANCING PARTNERS II	Regional – ACP	Credit lines	Agency agreement	Private	90.00
EDFI EUROPEAN FINANCING PARTNERS II B	Regional – ACP	Services	Agency agreement	Private	5.00
EDFI EUROPEAN FINANCING PARTNERS II C	Regional – ACP	Services	Agency agreement	Private	5.00
EMP AFRICA FUND II	Regional – Africa	Services	Equity	Private	40.00
FIRST BANK OF NIGERIA	Nigeria	Services	Senior loan	Private	35.00
FIRST BANK OF NIGERIA B	Nigeria	Services	Senior loan	Private	15.00
GHANA FINANCIAL SECTOR GLOBAL LOAN II B	Ghana	Credit lines	Credit line	Private	15.00
I & P	Regional – Africa	Services	Equity	Private	3.25
KOLOMBANGARA FOREST PROJECT	Solomon Islands	Agriculture, fisheries, forestry	Senior loan	Private	3.50
KOUILOU MAGNESIUM PHASE I	Congo	Industry	Subordinated loan and quasi-equity	Private	13.00
KULA FUND II	Regional – Pacific	Services	Equity	Private	4.40
LUMWANA COPPER PROJECT A	Zambia	Industry	Subordinated loan and quasi-equity	Private	48.00
LUMWANA COPPER PROJECT B	Zambia	Industry	Senior loan	Private	19.00
MAPUTO WATER SUPPLY	Mozambique	Water, sewerage	Senior loan	Public	31.00
NAMIBIA - OLD MUTUAL MIDINA FUND	Namibia	Credit lines	Credit line	Public	4.00
PACIFIC ISLANDS FINANCING FACILITY II	Regional – Pacific	Credit lines	Credit line	Private	5.00
RW - GL II PRIVATE SECTOR SUPPORT A	Rwanda	Credit lines	Credit line*	Private	3.00

Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
SMALL ENTERPRISES GLOBAL LOAN	Dominican Republic	Credit lines	Credit line*	Private	4.00
SMALL TOWN WATER & SANITATION PROGRAMME	Ethiopia	Water, sewerage	Senior loan	Public	16.50
SOCIETE GENERALE MAURITANIE	Mauritania	Services	Equity	Private	5.00
Sub-total for 2006					**569.62**
2007					
ACCORD CADRE GARANTIE AFRIQUE CENTRALE	Regional – Central Africa	Services	Guarantee*	Private	50.00
ADEMI V C	Dominican Republic	Services	Equity*	Private	0.52
AFRICAP II	Regional – Africa	Services	Equity	Private	5.00
AIC CARIBBEAN FUND BARBADOS	Regional – Caribbean	Services	Equity	Private	45.00
BUJAGALI HYDROELECTRIC PROJECT	Uganda	Energy	Senior loan	Public	98.50
CAPITAL FINANCIAL HOLDING	Regional – Central Africa	Services	Equity	Private	5.00
CLICO GLOBAL LOAN B	Trinidad and Tobago	Credit lines	Credit line	Private	10.00
I&P CAPITAL II INVESTMENT FUND	Regional – Indian Ocean	Services	Equity	Private	4.61
MARTIN S DRIFT KIMBERLITE PROJECT	Botswana	Industry	Senior loan	Private	5.00
MICROCRED (PLANET BANK)	Regional – Africa	Services	Equity	Private	3.00
PACIFIC ISLANDS FINANCING FACILITY II B	Regional – Pacific	Credit lines	Credit line	Private	2.00
PEFF-UGANDA	Uganda	Credit lines	Credit line*	Private	30.00
PRET GLOBAL III (GABON)	Gabon	Credit lines	Credit line*	Private	7.00
PRET GLOBAL PRO-PME II	Cameroon	Credit lines	Credit line*	Private	4.00
PRIVATE ENTERPRISE FINANCE FACILITY	Kenya	Credit lines	Credit line*	Private	20.00
RURAL IMPULSE MICROFINANCE FUND (EQUITY)	Regional – ACP	Services	Equity	Private	1.30
RURAL IMPULSE MICROFINANCE FUND MEZZ	Regional _ ACP	Services	Equity	Private	1.70
RW - GL II PRIVATE SECTOR SUPPORT B	Rwanda	Credit lines	Credit line*	Private	7.00
TVCABO MULTIMEDIA	Angola	Telecommunications	Senior loan	Private	15.00
Sub-total for 2007					**314.63**
2008					
JIRAMA WATER II (MADAGASCAR)	Madagascar	Water, sewerage	Senior loan	Public	23.50
MALAWI GLOBAL LOAN III	Malawi	Credit lines	Credit line	Private	15.00
DERBA MIDROC CEMENT COMPANY	Ethiopia	Industry	Senior loan	Private	29.05
AFRICAN LION MINING FUND III	Regional – Africa	Services	Equity	Private	11.00
ATLANTIC COAST REGIONAL FUND	Regional – Africa	Services	Equity	Private	15.00
ACCESS BANK LIBERIA	Liberia	Services	Equity	Private	1.00
DR FINANCING FACILITY	Dominican Republic	Credit lines	Credit line*	Private	5.00
DR FINANCING FACILITY B	Dominican Republic	Credit lines	Credit line*	Private	10.00
DR FINANCING FACILITY C	Dominican Republic	Credit lines	Credit line*	Private	3.50
AUREOS AFRICA FUND	Regional – Africa	Services	Equity	Private	27.00
ADLEVO CAPITAL AFRICA	Regional – Africa	Services	Equity	Private	15.00

Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
PMND C (DIGICEL TONGA)	Regional – Pacific	Telecommunications	Senior loan	Private	3.90
PMND B (DIGICEL VANUATU)	Regional – Pacific	Telecommunications	Senior loan	Private	4.80
PMND (DIGICEL SAMOA)	Regional – Pacific	Telecommunications	Senior loan	Private	3.70
PMND D (DIGICEL FIJI)	Regional – Pacific	Telecommunications	Senior loan	Private	10.70
CAPITAL INVESTMENT LINE GL III	Zambia	Credit lines	Credit line	Private	20.00
INGA POWER REHABILITATION B	Congo (Democratic Republic)	Energy	Senior loan	Private	55.00
SMALL ENTERPRISES GLOBAL LOAN B	Dominican Republic	Services	Equity*	Private	1.00
NFC FORESTRY PROJECT	Uganda	Agriculture, fisheries, forestry	Senior loan	Private	5.00
NIGER - PG SECTEUR FINANCIER III	Niger	Credit lines	Credit line*	Private	8.00
AFRICINVEST FUND II LLC	Regional – Africa	Services	Equity	Private	20.00
NORMAN MANLEY INTERNATIONAL AIRPORT	Jamaica	Transport	Senior loan	Public	35.00
SOCIETE DES PLANTATIONS DE MBANGA	Cameroon	Agriculture, fisheries, forestry	Senior loan	Private	4.10
Sub-total for 2008					**326.25**
2009					
LEAPFROG MICROINSURANCE INVESTMENTS	Regional – ACP	Services	Equity	Private	20.00
EDFI EUROPEAN FINANCING PARTNERS III	Regional – ACP	Credit lines	Agency agreement	Private	90.00
EDFI EUROPEAN FINANCING PARTNERS III B	Regional – ACP	Services	Agency agreement	Private	5.00
EDFI EUROPEAN FINANCING PARTNERS III C	Regional – ACP	Services	Agency agreement	Private	5.00
CAPE III	Regional – West Africa	Services	Equity	Private	30.00
BANQUE DE DEPOT ET DE CREDIT DJIBOUTI	Djibouti	Services	Equity	Private	2.00
PAN-AFRICAN INVESTMENT PARTNERS II LTD	Regional – Africa	Services	Equity	Private	32.00
GROFIN AFRICA FUND	Regional – Africa	Services	Equity	Private	20.00
BDEAC PRET GLOBAL IV	Regional – Central Africa	Credit lines	Credit line	Private	25.00
MICROFINANCE ENHANCEMENT FACILITY	Regional – ACP	Services	Equity	Private	50.00
RWANDA GL III - PRIVATE SECTOR SUPPORT	Rwanda	Credit lines	Credit line*	Private	5.00
UNELCO WIND POWER	Vanuatu	Energy	Senior loan	Private	4.30
PACIFIC ISLANDS FINANCING FACILITY II C	Regional – Pacific	Credit lines	Credit line	Private	3.00
FIPA - ANGOLA PRIVATE EQUITY FUND	Angola	Services	Equity	Private	5.00
OLKARIA II EXTENSION B	Kenya	Energy	Senior loan	Public	4.30
SNIM GUELB II	Mauritania	Industry	Senior loan	Private	75.00
MICROCRED II	Regional – ACP	Services	Equity	Private	2.00
BTA TOLL ROAD	Dominican Republic	Transport	Senior loan	Private	32.00

Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
ADVANS SA SICAR II	Regional – ACP	Services	Equity	Private	6.00
BANK OF SAINT LUCIA GLOBAL LOAN II	Saint Lucia	Credit lines	Credit line	Private	10.50
SHORECAP II	Regional – Africa	Services	Equity	Private	15.00
AGRI-VIE FUND PCC	Regional – Africa	Services	Equity	Private	9.00
Sub-total for 2009					450.10
2010					
ACCESS BANK LIBERIA B	Liberia	Services	Senior loan	Private	1.50
ACCESS MICROFINANCE HOLDING II	Regional – ACP	Services	Equity	Private	1.73
ADEMI RURAL MICROFINANCE	Dominican Republic	Credit lines	Credit line	Private	7.00
AFRICA CAPITALISATION FUND	Regional – Africa	Services	Equity	Private	30.00
CAPE VERDE WIND POWER PPP	Cape Verde	Energy	Senior loan	Private	30.00
ECOBANK REGIONAL FACILITY II	Regional – West Africa	Services	Senior loan	Private	50.00
EDFI EUROPEAN FINANCING PARTNERS IV	Regional – ACP	Credit lines	Agency agreement	Private	90.00
EDFI EUROPEAN FINANCING PARTNERS IV B	Regional – ACP	Services	Agency agreement	Private	5.00
EDFI EUROPEAN FINANCING PARTNERS IV C	Regional – ACP	Services	Agency agreement	Private	5.00
INTERACT CLIMATE CHANGE FACILITY	Regional – ACP	Services	Senior loan	Private	45.00
INTERACT CLIMATE CHANGE FACILITY B	Regional – ACP	Services	Guarantee	Private	5.00
PACIFIC ISLANDS FINANCING FACILITY II D	Regional – Pacific	Credit lines	Credit line	Private	5.00
PACIFIC ISLANDS FINANCING FACILITY II E	Regional – Pacific	Credit lines	Credit line	Private	4.00
PHILIPS LIGHTING MASERU	Lesotho	Industry	Senior loan	Private	5.00
PRET GLOBAL PRO-PME III (CAMEROUN)	Cameroon	Credit lines	Credit line	Private	5.00
PRIVATE ENTERPRISE FINANCE FACILITY II	Uganda	Credit lines	Credit line	Private	40.00
RAWBANK LINE OF CREDIT (DRC)	Congo (Democratic Republic)	Credit lines	Credit line	Private	5.00
REGMIFA MSME INV FUND FOR AFRICA	Regional – Africa	Services	Equity	Private	15.00
RURAL IMPULSE MICROFINANCE FUND II	Regional – ACP	Services	Equity*	Private	10.00
Sub-total for 2010					359.23
TOTAL					2 848.43

OCT					
Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
2007					
BCI - LIGNE DE CREDIT ENVIRONNEMENTALE	New Caledonia	Credit lines	Credit line	Private	5.00
SOCREDO LIGNE DE CREDIT ENVIRONNEMENT	French Polynesia	Credit lines	Credit line	Private	5.00
Sub-total for 2007					10.00
2008					
OCT FINANCING FACILITY	Regional – OCT	Credit lines	Credit line	Private	10.00
Sub-total for 2008					10.00
2010					
NC-LIGNE DE CREDIT ENVIRONNEMENTALE II	New Caledonia	Credit line	Credit line	Private	10.00
SOCREDO LIGNE ENVIRONNEMENTALE II	French Polynesia	Credit line	Credit line	Private	5.00
Sub-total for 2010					15.00
TOTAL					35.00

3. List of signed own resources operations, 2003-2010

ACP States					
Contract name	**Region/Country**	**Sector**	**Nature of operation**	**Private or public sector**	**Signed amount in EUR m**
2003					
BEL OMBRE HOTEL A (SENIOR LOAN)	Mauritius	Services	Senior loan	Private	6.10
Sub-total for 2003					**6.10**
2004					
BOAD PG IV A	Regional – West Africa	Credit lines	Senior loan	Private	25.00
MAGADI SODA PURE ASH PROJECT / A	Kenya	Industry	Senior loan	Private	8.93
MAURITIUS CONTAINER TERMINAL II	Mauritius	Transport	Senior loan	Public	14.00
NOVOTEL DENARAU PROJECT	Fiji	Services	Senior loan	Private	6.00
VINLEC IV	Saint Vincent and Grenadines	Energy	Senior loan	Public	8.30
Sub-total for 2004					**62.23**
2005					
CARIBBEAN DEV BANK III FACILITY	Regional – Caribbean	Credit lines	Senior loan	Public	40.00
DANGOTE CEMENT - A	Nigeria	Industry	Senior loan	Private	57.85
DANGOTE CEMENT - B	Nigeria	Industry	Senior loan	Private	33.06
SBM GLOBAL LOAN	Mauritius	Credit lines	Senior loan	Private	20.00
Sub-total for 2005					**150.91**
2006					
BLPC IV WIND POWER	Barbados	Energy	Senior loan	Private	9.75
FIJI POWER	Fiji	Energy	Senior loan	Public	24.50
GHANA FINANCIAL SECTOR GLOBAL LOAN II C	Ghana	Credit lines	Senior loan	Private	40.00
LUMWANA COPPER PROJECT C	Zambia	Industry	Senior loan	Private	18.00
WEST AFRICAN GAS PIPELINE (WAGP)	Ghana	Energy	Senior loan	Public	75.00
Sub-total for 2006					**167.25**
2007					
AMBATOVY NICKEL PROJECT	Madagascar	Industry	Senior loan	Private	260.00
ECOBANK REGIONAL FACILITY	Regional – West Africa	Services	Senior loan	Private	50.00
INTERCONTINENTAL BANK	Nigeria	Services	Senior loan	Private	50.00
MASERU WASTEWATER PROJECT	Lesotho	Water, sewerage	Senior loan	Public	14.30
MUNALI NICKEL PROJECT	Zambia	Industry	Senior loan	Private	29.51
PROGRAMME EAU SENEGAL	Senegal	Water, sewerage	Senior loan	Public	15.00
SONEB-ALIMENTATION EN EAU URBAINE	Benin	Water, sewerage	Senior loan	Public	13.00
Sub-total for 2007					**431.81**
2008					
JIRAMA ANDEKALEKA HYDRO	Madagascar	Energy	Senior loan	Public	24.50
AEP OUAGADOUGOU II	Burkina Faso	Water, sewerage	Senior loan	Public	18.50
PORTS OF CAPE VERDE	Cape Verde	Transport	Senior loan	Public	47.00

Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
INGA POWER REHABILITATION A	Congo (Democratic Republic)	Energy	Senior loan	Public	55.00
MALAWI PERI-URBAN WATER & SANITATION	Malawi	Water, sewerage	Senior loan	Public	15.75
CAPRIVI INTERCONNECTOR PROJECT	Namibia	Energy	Senior loan	Public	35.00
DFL REGIONAL SME	Regional – Caribbean	Credit lines	Senior loan	Private	9.00
ASSAINISSEMENT DAKAR	Senegal	Water, sewerage		Public	20.00
Sub-total for 2008					**224.75**
2009					
BEIRA CORRIDOR (PORT COMPONENT)	Mozambique	Transport	Senior loan	Public	65.00
MAURITIUS SUGAR INDUSTRY REFORM	Mauritius	Industry	Senior loan	Private	13.00
MAURITIUS SUGAR INDUSTRY REFORM PROJECT B	Mauritius	Industry	Senior loan	Private	15.00
OHORONGO CEMENT NAMIBIA	Namibia	Industry	Senior loan	Private	82.30
JKIA UPGRADING AND REHABILITATION	Kenya	Transport	Senior loan	Public	63.87
MOMBASA-NAIROBI TRANSMISSION LINE	Kenya	Energy	Senior loan	Public	60.00
BENIN-TOGO POWER REHABILITATION (BENIN)	Benin	Energy	Senior loan	Public	32.00
BENIN-TOGO POWER REHABILITATION (TOGO)	Togo	Energy	Senior loan	Public	3.00
PORT AUTONOME DE POINTE NOIRE	Congo	Transport	Senior loan	Public	29.00
CAMWATER	Cameroon	Water, sewerage	Senior loan	Public	40.00
Sub-total for 2009					**403.17**
2010					
AIDBANK LINE OF CREDIT III A	Dominica	Credit lines	Senior loan	Private	7.00
AIDBANK LINE OF CREDIT III B	Dominica	Credit lines	Senior loan	Private	1.00
DBSKN LINE OF CREDIT IV - B	Saint Kitts and Nevis	Credit lines	Senior loan	Private	0.75
DBSKN LINE OF CREDIT IV A	Saint Kitts and Nevis	Credit lines	Senior loan	Private	5.24
ETED POWER TRANSMISSION	Dominican Republic	Energy	Senior loan	Public	26.80
MAURITANIA SUBMARINE CABLE CONNECTION	Mauritania	Telecommunica-tions	Senior loan	Private	7.32
METOLONG DAM AND WATER SUP-PLY PROGRAM	Lesotho	Water, sewerage	Senior loan	Public	140.00
NIGERIA FRAMEWORK LOAN A	Nigeria	Services	Senior loan	Private	80.00
NIGERIA FRAMEWORK LOAN C	Nigeria	Services	Senior loan	Private	55.00
NIGERIA FRAMEWORK LOAN D	Nigeria	Services	Senior loan	Private	55.00
OLKARIA I & IV GEOTHERMAL EXTENSION	Kenya	Energy	Senior loan	Public	119.00

Contract name	Region/Country	Sector	Nature of operation	Private or public sector	Signed amount in EUR m
TANZANIA BACKBONE INTERCON-NECTOR	Tanzania, United Republic of	Energy	Senior loan	Public	100.65
Sub-total for 2010					**597.76**
TOTAL					**2 043.98**

OCT					
Contract name	**Region/Country**	**Sector**	**Nature of operation**	**Private or public sector**	**Signed amount in EUR m**
2009					
SOCGEN – LIGNE DE CREDIT ENVIRONNEMENTALE	French Polynesia	Credit lines	Credit line	Private	10.00
Sub-total for 2009					**10.00**
TOTAL					**10.00**

4. Overview of Cotonou Investment Facility and own resources lines of credit

ACP STATES					
Country	**Name**	**Date of signature**	**Signed amount**	**Amount allocated**	**Number of allocations**
INVESTMENT FACILITY					
Burkina Faso	PG BURKINA FASO II	08/12/2003	10.00	6.85	19
Burkina Faso	PG BURKINA FASO CREDIT BAIL II	08/12/2003	2.00	2.00	11
Cameroon	DEV. DU SECTEUR PRIVE PG II A CAMEROUN	16/12/2003	3.00	3.00	44
Cameroon	DEV. DU SECTEUR PRIVE PG II B CAMEROUN*	16/12/2003	25.00	0.00	0
Regional – ACP	EDFI EUROPEAN FINANCING PARTNERS (EFP)	13/05/2004	90.00	100.27	20
Uganda	DFCU LEASING GLOBAL LOAN	09/08/2004	5.00	5.00	11
Gabon	PRET GLOBAL II (GABON) B	18/10/2004	3.50	3.50	4
Gabon	PRET GLOBAL II (GABON)	18/10/2004	6.50	0.00	0
Nigeria	NIGERIA GLOBAL LOAN	06/12/2004	50.00	49.63	25
Regional – Pacific	PACIFIC ISLANDS FINANCING FACILITY (Development Bank of Samoa)	15/10/2005	7.00	6.88	279

Country	Name	Date of signature	Signed amount	Amount allocated	Number of allocations
Niger	NIGER – PG SECTEUR FINANCIER II	26/10/2005	8.00	8.00	45
Trinidad and Tobago	CLICO GLOBAL LOAN	03/11/2005	20.00	10.71	5
Regional – Pacific	PACIFIC ISLANDS FINANCING FACILITY B (Tonga Development Bank)	15/12/2005	6.00	0.07	1
Cape Verde	CAP VERT - SECTEUR FINANCIER PG II*	20/12/2005	8.00	0.00	0
Trinidad and Tobago	DEVELOPMENT FINANCE LIMITED IX	20/12/2005	7.00	7.17	10
Namibia	NAMIBIA – OLD MUTUAL MIDINA FUND	10/03/2006	4.00	0.00	0
Regional – ACP	EDFI EUROPEAN FINANCING PARTNERS II	12/05/2006	90.00	68.29	11
Regional – Central Africa	BDEAC PRET GLOBAL III	24/05/2006	15.00	15.00	4
Uganda	DFCU LEASING GLOBAL LOAN II	28/06/2006	10.00	6.00	11
Regional – East Africa	EADB REGIONAL FINANCE FACILITY*	17/11/2006	25.00	0.00	0
Regional – Pacific	PACIFIC ISLANDS FINANCING FACILITY II (National Bank of Palau)	05/12/2006	5.00	2.95	41
Dominican Republic	SMALL ENTERPRISES GLOBAL LOAN	19/12/2006	3.20	4.00	7 800
Dominican Republic	ADEMI V B	19/12/2006	3.00	3.00	234
Rwanda	RW – GL II PRIVATE SECTOR SUPPORT A	21/12/2006	3.00	3.00	4
Ghana	GHANA FINANCIAL SECTOR GLOBAL LOAN II B	22/12/2006	15.00	12.07	6
Rwanda	RW – GL II PRIVATE SECTOR SUPPORT B	02/02/2007	7.00	7.02	17
Regional – Pacific	PACIFIC ISLANDS FINANCING FACILITY II B (Development Bank of Niue)	23/02/2007	2.00	0.00	0
Gabon	PRET GLOBAL III (GABON)*	07/05/2007	7.00	0.00	0
Cameroon	PRET GLOBAL PRO-PME II	28/06/2007	4.00	4.00	30
Uganda	PEFF-UGANDA	31/08/2007	30.00	17.42	27
Kenya	PRIVATE ENTERPRISE FINANCE FACILITY	07/12/2007	20.00	0.00	0
Trinidad and Tobago	CLICO GLOBAL LOAN B*	21/12/2007	10.00	0.00	0
Malawi	MALAWI GLOBAL LOAN III	04/06/2008	15.00	2.80	2
Dominican Republic	DR FINANCING FACILITY	12/08/2008	5.00	5.00	9 600
Dominican Republic	DR FINANCING FACILITY B	12/08/2008	10.00	10.00	888
Dominican Republic	DR FINANCING FACILITY C	12/08/2008	3.50	3.50	3 579
Zambia	CAPITAL INVESTMENT LINE GL III	26/11/2008	20.00	0.89	1
Niger	NIGER - PG SECTEUR FINANCIER III	19/12/2008	8.00	3.46	13
Regional - ACP	EDFI EUROPEAN FINANCING PARTNERS III	08/05/2009	90.00	16.83	2
Regional - Central Africa	BDEAC PRET GLOBAL IV	26/08/2009	25.00	5.00	1
Rwanda	RWANDA GL III - PRIVATE SECTOR SUPPORT	05/10/2009	5.00	0.00	0
Regional - Pacific	PACIFIC ISLANDS FINANCING FACILITY II C	20/10/2009	3.00	0.00	0
Saint Lucia	BANK OF SAINT LUCIA GLOBAL LOAN II	18/12/2009	10.50	0.00	0

** contract cancelled after signature*

Country	Name	Date of signature	Signed amount	Amount allocated	Number of allocations
Regional - Pacific	PACIFIC ISLANDS FINANCING FACILITY II D	15/02/2010	5.00	0.00	0
Cameroon	PRET GLOBAL PRO-PME III (CAMEROUN)	28/06/2010	5.00	0.00	0
Regional - Pacific	PACIFIC ISLANDS FINANCING FACILITY II E	30/08/2010	4.00	0.00	0
Dominican Republic	ADEMI RURAL MICROFINANCE	01/11/2010	7.00	0.00	0
Congo (Democratic Republic)	RAWBANK LINE OF CREDIT (DRC)	03/11/2010	5.00	0.00	0
Regional - ACP	EDFI EUROPEAN FINANCING PARTNERS IV	08/12/2010	90.00	0.00	0
Uganda	PRIVATE ENTERPRISE FINANCE FACILITY II	20/12/2010	40.00	0.00	0
OWN RESOURCES					
Regional - West Africa	BOAD PG IV A	10/12/2004	25.00	25.00	6
Mauritius	SBM GLOBAL LOAN	28/07/2005	20.00	20.00	4
Regional - Caribbean	CARIBBEAN DEV BANK III FACILITY	22/12/2005	40.00	39.98	9
Ghana	GHANA FINANCIAL SECTOR GLOBAL LOAN II C	22/12/2006	40.00	10.73	3
Regional - Caribbean	DFL REGIONAL SME	22/12/2008	9.00	4.54	5
Dominica	AIDBANK LINE OF CREDIT III A	14/07/2010	7.00	0.00	0
Dominica	AIDBANK LINE OF CREDIT III B	20/09/2010	1.00	0.00	0
Saint Kitts and Nevis	DBSKN LINE OF CREDIT IV A	17/12/2010	5.24	0.00	0
Saint Kitts and Nevis	DBSKN LINE OF CREDIT IV - B	17/12/2010	0.75	0.00	0
Total for the ACP States			**1 003.19**	**446.65**	**22 765**
OCT					

Country	Name	Date of signature	Signed amount	Amount allocated	Number of allocations
INVESTMENT FACILITY					
New Caledonia	BCI - LIGNE DE CREDIT ENVIRONNEMENTALE	29/11/2007	5.00	3.20	2
French Polynesia	SOCREDO LIGNE DE CREDIT ENVIRONNEMENT	10/12/2007	5.00	2.98	6
Regional - OCT	OCTS FINANCING FACILITY	09/05/2008	10.00	0.00	0
New Caledonia	NC-LIGNE DE CREDIT ENVIRONNEMENTALE II	08/07/2010	10.00	0.00	0
French Polynesia	SOCREDO LIGNE ENVIRONNEMENTALE II	09/07/2010	5.00	0.00	0
OWN RESOURCES					
French Polynesia	SOCGEN - LIGNE DE CREDIT ENVIRONNEMENTALE	19/10/2009	10.00	0.00	0
Total for the OCTs			**45.00**	**6.18**	**8**

5. Technical assistance operations under Cotonou, 2010

Project-related technical assistance operations

Operation title	Country/region	Sector name	Contract amount in EUR
Fifteen Towns Water Supply and Sanitation Construction Project in Ethiopia: Contract for Works Supervision	Ethiopia	Water supply	1 704 400
LeapFrog Financial Inclusion Fund Technical Assistance Facility	Regional – Africa	Financial sector	2 000 000
CAMWATER I-Rédaction des termes de référence et suivi des projets	Cameroon	Water supply	183 946
Development Bank of Southern Africa – Project Development and Support Facility (DBSA-EIB PDSF)	Regional – Africa	Infrastructure	3 000 000
Fifteen Towns Water Supply and Sanitation – Assistance for the Evaluation of the Works Tender	Ethiopia	Water supply	34 880
TOTAL			**6 923 226**

6. List of interest rate subsidy appropriations (2003-2010)

ACP contract name	Country/region	Sector	Justification	Estimated subsidy amount in EUR	Loan amount in EUR
First Financial Protocol: amount of interest rate subsidy appropriation: 187 000 000					
SONABEL III	Burkina Faso	Energy	Social	2 160 000	15 250 000
Liaison maritime Dakar-Ziguinchor	Senegal	Transport	HIPC	2 396 000	10 000 000
Compagnie Sucrière du Tchad – Garantie	Chad	Agro-industry	Environmental and social	1 800 000	11 800 000
Gilgel Gibe II – Hydropower Plant	Ethiopia	Energy	HIPC	18 410 000	50 000 000
KPLC Grid Development Project	Kenya	Energy	HIPC	10 290 000	43 000 000
VRA VII	Ghana	Energy	HIPC	2 580 000	10 500 000
Maputo Water Supply	Mozambique	Water	HIPC	9 152 000	31 000 000
Fiji Power	Fiji	Energy	Environment	4 251 000	24 500 000
Ecocimento Fibre Cement Project	Mozambique	Industry	Environment	157 070	1 300 000
West African Gas Pipeline	Regional – West Africa	Energy	HIPC	18 148 000	75 000 000
Small Town Water and Sanitation Project	Ethiopia	Water	HIPC	4 608 000	16 500 000
BLPC IV Wind Power Project	Barbados	Energy	Environment	1 960 000	9 750 000
Pacific Islands Financing Facility II-B	Regional – Pacific	Financial sector	Natural disaster recovery	327 000	2 000 000
Maseru Wastewater Project	Lesotho	Water	Social	3 176 000	14 300 000
Programme Eau Sénégal – SONES water programme	Senegal	Water	Social	1 408 000	15 000 000
SONEB - Alimentation en Eau Urbaine	Benin	Water	HIPC	4 011 000	13 000 000

ACP contract name	Country/region	Sector	Justification	Estimated subsidy amount in EUR	Loan amount in EUR
Jirama Andekaleka Hydro	Madagascar	Energy	HIPC	8 028 000	24 500 000
AEP Ouagadougou II	Burkina Faso	Water	HIPC	5 917 000	18 500 000
NFC Forestry Project	Uganda	Forestry	Environment	677 000	5 000 000
Malawi Peri-Urban Water and Sanitation	Malawi	Water	HIPC	3 895 000	15 750 000
INGA Power Rehabilitation	Congo (DR)	Energy	HIPC	18 786 000	110 000 000
Norman Manley International Airport	Jamaica	Infrastructure	Privatisation	3 500 000	35 000 000
TOTAL				**125 637 070**	**551 650 000**
Second Financial Protocol: amount of interest rate subsidy appropriation: 400 000 000					
Assainissement Dakar	Senegal	Sewerage	HIPC	5 644 000	20 000 000
Unelco Wind Power	Vanuatu	Energy	Environmental and social	648 000	4 300 000
Mauritius Sugar Industry Reform Project (+B)	Mauritius	Industry	Sugar sector – reform	1 398 000	28 000 000
Mombasa-Nairobi Transmission Line	Kenya	Energy	Social	15 597 000	60 000 000
Camwater	Cameroon	Water	HIPC	10 944 000	40 000 000
Pacific Islands Financing Facility II D	Regional – Pacific	Financial sector	Natural disaster recovery	833 000	9 000 000
Olkaria I & IV Geothermal Extension	Kenya	Energy	Environment	29 043 000	119 000 000
Metolong Dam & Water Supply Programme	Lesotho	Water	HIPC	32 406 000	140 000 000
Philips Lighting Maseru	Lesotho	Industry	HIPC	650 000	5 000 000
DBSKN Line of Credit IV	Saint Kitts and Nevis	Financial sector	Environment	106 000	5 990 000
AIDBANK GL III	Dominica	Financial sector	Environment	124 000	8 000 000
TOTAL				**97 393 000**	**439 290 000**

OCT contract name	Country/region	Sector	Justification	Estimated subsidy amount in EUR	Loan amount in EUR
First Financial Protocol: amount of interest rate subsidy appropriation: 2 000 000					
BCI credit line	New Caledonia	Financial sector	Environment	500 000	5 000 000
SOCREDO credit line	French Polynesia	Financial sector	Environment	500 000	5 000 000
TOTAL				**1 000 000**	**10 000 000**
Second Financial Protocol: amount of interest rate subsidy appropriation: 1 500 000					
SocGen FR Polynesia Env GL	French Polynesia	Financial sector	Environment	491 000	10 000 000
NC-Ligne de Crédit Environментale II	New Caledonia	Financial sector	Environment	358 000	10 000 000
SOCREDO-Ligne Environnementale II	French Polynesia	Financial sector	Environment	255 000	5 000 000
TOTAL				**1 104 000**	**25 000 000**

7. Financial statements of the Investment Facility as at 31 December 2010

Income Statement for the year ended 31 December 2010 (In EUR'000)

	Notes	2010	2009
Interest and similar income	5	54 601	49 923
Interest and similar expense	5	-2 591	-1 878
Net interest and similar income		**52 010**	**48 045**
Fee and commission income	6	11 775	1 985
Fee and commission expenses	6	-372	—
Net fee and commission income		**11 403**	**1 985**
Net result on financial operations	7	-15 823	9 124
Change in impairment on loans and receivables, net of reversal	11	25 428	-44 350
Impairment on available-for-sale financial assets	12	-3 714	- 2
General administrative expenses	8	-34 086	-36 410
Profit/Loss for the year		**35 218**	**-21 608**

Balance Sheet as at 31 december 2010 (In EUR'000)

	Notes	31.12.2010	31.12.2009
ASSETS			
Cash and cash equivalents	9	411 587	330 057
Derivative financial instruments	10	1 376	12 870
Loans and receivables	11	844 428	693 441
Available-for-sale financial assets	12	194 828	164 606
Amounts receivable from contributors	13/18	100 000	87 310
Other assets	14	3 172	925
Total assets		**1 555 391**	**1 289 209**
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Derivative financial instruments	10	6 110	5 522
Deferred income	15	29 579	24 317
Amounts owed to third parties	16	298 415	213 850
Other liabilities	17	940	1 560
Total Liabilities		**335 044**	**245 249**
CONTRIBUTORS' RESOURCES			
Member States Contribution called	18	1 131 309	995 000
Retained earnings		64 468	29 250
Fair value reserve		24 570	19 710
Total Contributors' resources		**1 220 347**	**1 043 960**
Total Liabilities and Contributors' resources		**1 555 391**	**1 289 209**

The accompanying notes form an integral part of these financial statements.

Statement of changes in contributors' resources

as at 31 december 2010 (In EUR'000)

	Contribution called	Retained earnings	Fair Value Reserve	Total
At 1 January 2010	**995 000**	**29 250**	**19 710**	**1 043 960**
Net unrealised gains and losses on available-for-sale financial assets	—	—	4 860	4 860
Member States contribution called during the year	130 000	—	—	130 000
Unused interest subsidies	6 309	—	—	6 309
Profit for the year 2010	—	35 218	—	35 218
Changes in contributors' resources	**136 309**	**35 218**	**4 860**	**176 387**
At 31 December 2010	**1 131 309**	**64 468**	**24 570**	**1 220 347**

	Contribution called	Retained earnings	Fair Value Reserve	Total
At 1 January 2009	**845 000**	**50 858**	**15 122**	**910 980**
Net unrealised gains and losses on available-for-sale financial assets	—	—	4 588	4 588
Member States contribution called during the year	150 000	—	—	150 000
Loss for the year 2009	—	-21 608	—	-21 608
Changes in contributors' resources	**150 000**	**-21 608**	**4 588**	**132 980**
At 31 December 2009	**995 000**	**29 250**	**19 710**	**1 043 960**

The accompanying notes form an integral part of these financial statements.

Cash flow statement

as at 31 december 2010 (In EUR'000)

	2010	2009
OPERATING ACTIVITIES		
Profit / Loss for the financial year	35 218	-21 608
Adjustments		
Impairment on available-for-sale financial assets	3 714	2
Net change in impairment on loans and receivables	-25 428	44 350
Interest capitalised on loans and receivables	-13 239	-4 889
Change in accrued interest and amortised cost on loans and receivables	-466	890
Increase in deferred income	5 262	4 131
Effect of exchange rate changes on loans	-24 626	10 963
Effect of exchange rate changes on available-for-sale financial assets	-538	1 935
Profit on operating activities before changes in operating assets and liabilities	-20 103	35 774
Loan disbursement	-212 180	-158 400
Repayments of loans	119 724	61 094
Fair value changes on derivatives	12 082	-14 599
Increase in available-for-sale financial assets	-50 952	-40 306
Sale of available-for-sale financial assets	22 414	7 497
Increase in other assets	-2 247	- 400
Decrease in other liabilities	-620	-2 717
Decrease / Increase in other amounts payable to the European Investment Bank	-2 324	669
Net cash flows from operating activities	**-128 978**	**-111 388**
FINANCING ACTIVITIES		
Contribution received from Member States	187 310	128 581
Amounts received from Member States with regard to interest subsidies	40 000	40 000
Amounts paid on behalf of Member States with regard to interest subsidies	-16 802	-20 552
Net cash flows from financing activities	**210 508**	**148 029**
Net increase in cash and cash equivalents	**81 530**	**36 641**
Cash and cash equivalents at beginning of financial year	330 057	293 416
Cash and cash equivalents at end of financial year	**411 587**	**330 057**

The accompanying notes form an integral part of these financial statements.

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, revised on 25 June 2005 and 23 June 2010.

Financing under the Agreement is provided from EU Member States' budgets and is disbursed according to financial protocols defined for successive five- to six-year periods. Within the framework of the Agreement and following the entry into force of a second financial protocol on 1st July 2008 (covering the period 2008-2013), referred to as the 10th European Development Fund ("EDF"), the European Investment Bank ("EIB") is entrusted with the management of:

- the Facility, a EUR 3 137 million risk-bearing revolving fund geared to fostering private sector investment in ACP countries;
- grants for the financing of interest rate subsidies worth EUR 400 million, of which up to EUR 40 million can be used to fund project-related technical assistance.

The Board of Directors of EIB adopted the financial statements, on 10 March 2011, and authorised their submission to the Board of Governors for approval at their meeting on 17 May 2011.

2. Significant accounting policies

2.1. Basis of preparation

In line with the Investment Facility Management Agreement, the preparation of the financial statements of the Facility is guided by International Financial Reporting Standards, as adopted by the European Union. The Facility's financial statements have been prepared on the basis of the following significant accounting principles:

2.2. Significant accounting judgments and estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the European Investment Bank's Management to exercise its judgment in the process of applying the Investment 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 hereafter.

The most significant use of judgments 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 judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

Impairment losses on loans and receivables

The Facility reviews its problem loans and receivables at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by the European Investment Bank's 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 receivables, the Facility may also book 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.

In principle, a loan is considered as non performing when payment of interest and principal are past due by 90 days or more and, at the same time, the European Investment Bank's Management considers that there is an objective indication of impairment.

Valuation of unquoted available-for-sale equity investments

Valuation of unquoted available-for-sale 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 available-for-sale equity investments requires significant estimation. The Facility calibrates the valuation techniques periodically and tests them for validity using either price from observable current market transactions in the same instrument or from other available observable market data.

Impairment of available-for-sale financial assets

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

what is "significant" or "prolonged" requires judgment. The Facility treats "significant" generally as 30% or more and "prolonged" greater than 12 months. In addition, the Facility evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

2.3. Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial years.

2.4. Summary of significant accounting policies

2.4.1. Foreign currency translation

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

Foreign currency transactions are translated, at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than 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 unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognised 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 and cash equivalents as current accounts, short-term deposits or commercial papers 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 recognised 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 amortised cost, using the effective yield method, less any provision for impairment or uncollectability.

Available-for-sale financial assets

Available-for-sale financial assets are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and receivables. They include equity instruments, investments in venture capital funds and other debt instruments.

After initial measurement, available-for-sale financial assets are subsequently carried at fair value. Note the following details for the fair value measurement of equity investments, which cannot be derived from active markets:

a. Venture capital funds

The fair value of each venture capital fund is based on the latest available Net Asset Value (NAV), reported by the fund, if calculated based on international valuation guidelines recognised to be in line with IFRS (for example: the International Private Equity and Venture Capital Valuation guidelines, IPEV Guidelines, as published by the European Venture Capital Association). The Facility may however decide to adjust the NAV reported by the fund if there are issues that may affect the valuation.

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.

Unrealised gains or losses on venture capital funds and direct equity investments are reported in contributors' resources until such investments are sold, collected or disposed of, or until such investments are determined to be impaired. If an available-for-sale investment is determined to be impaired, the cumulative unrealised gain or loss previously recognised in equity is included in the income statement.

For unquoted investment, the fair value is determined by applying recognised valuation techniques (for example discounted cash flows or multiple). These investments are accounted for at cost when the fair value cannot be reliably measured.

Guarantees

At initial recognition, the financial guarantees are recognised at fair value corresponding to the Net Present Value (NPV) of expected premium inflows. This calculation is performed at the starting date of each transaction and is recognised on balance sheet as "Financial guarantees" under "other assets" and "other liabilities".

Subsequent to initial recognition, the Facility's liabilities under such guarantees are measured at the higher of:

- The best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, which is estimated based on all relevant factors and information existing at the balance sheet date.
- The amount initially recognised less cumulative amortisation. The amortisation of the amount initially recognised is done using the actuarial method.

Any increase or decrease in the liability relating to financial guarantees is taken to the income statement under "fee and commission income".

The Facility's assets under such guarantee are subsequently amortized using the actuarial method and tested for impairment.

In addition, when a guarantee agreement is signed, it is presented as a contingent liability for the Facility and when the guarantee is engaged, as a commitment for the Facility.

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 reorganisation 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 amortised 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 assets 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 recognised 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 recognised, the previously recognised 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 financial assets, 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 recognised in the income statement) is removed from contributors' resources and recognised in the income statement. Impairment losses on available-for-sale financial assets are not reversed through the income statement; increases in their fair value after impairment are recognised directly in contributors' resources.

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, cross currency interest rate swaps, currency forwards and warrants.

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

The Facility has not entered into any hedge accounting transactions as at December 31, 2009 and 2010. 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 derivative financial instruments are included in "Net result on financial operations".

2.4.6. Contributions

Contributions from Member States are recognised as receivables 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.

The Member States contributions meet the following conditions and are consequently classified as equity:

- As defined in the contribution agreement, they entitle the Member States to decide on the utilisation of the Facility's net assets in the events of the Facility's liquidation;
- They are in the class of instruments that is subordinate to all other classes of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- The instrument does not include any features that would require classification as a liability; and
- The total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Facility over the life of the instrument.

2.4.7. Interest income on loans

Interest on loans originated by the Facility is recorded in the income statement ('Interest and similar income') and on the balance sheet ('Loans and receivables') 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 impairment, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

2.4.8. Interest subsidies and technical assistance

As part of its activity, the Facility manages interest subsidies and technical assistance 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 contributors' resources but is classified as amounts owed to third parties. The Facility operates the disbursement to the final beneficiaries and then decreases the amounts owed to third parties.

When amounts contributed with regard to interest subsidies and technical assistance are not fully granted, they are reclassified as contribution to the Facility.

2.4.9. Interest income on treasury

Interest income on treasury is recognised in the income statement of the Facility on an accrual basis.

2.4.10. Fees, commissions and dividends

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

Dividends relating to available-for-sale financial assets are recognised 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.

3. Risk management

3.1. Credit risk

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

3.1.1. Exposure on loans and receivables and available-for-sale financial assets disbursed, by nature of borrower/issuer (in EUR'000)

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

	2010	2009
Banks/ Financial Institutions.	272 217	267 986
Project Finance / Structured Operation	421 318	330 654
Sovereign / Public Authorities	154 371	100 042
Venture Capital Fund	155 764	136 179
Corporates	35 586	23 186
Total	**1 039 256**	**858 047**

3.1.2. Exposure on loans and receivables and available-for-sale financial assets disbursed, by nature of instrument (in EUR'000)

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

	2010	2009
Senior Loans	761 882	604 354
of which Global Loans and Agency Agreement	233 437	224 859
Subordinated Loans	82 546	89 087
Equity	194 828	164 606
Total	**1 039 256**	**858 047**

3.1.3. Risk concentrations of the exposure on loans and receivables and available-for-sale financial assets disbursed (in EUR'000)

The table below analyses the Facility exposure disbursed by sector. The operations which are first disbursed to a financial intermediary before being disbursed to the final beneficiary are reported under global loans.

	2010	2009
Global loans and agency agreements	233 437	224 858
Airlines and aircraft manufacture	729	695
Airports and air traffic management systems	30 062	—
Basic material and mining	154 258	145 566
Drinking water, water treatment	17 074	2 998
Electricity, coal and others	320 491	236 198
Food chain	1 491	734
Investment goods/consumer durables	3 751	—
Marine transport and other	6 779	7 243
Materials processing, construction	64	—
Paper chain	2 603	2 422
Roads and motorways	23 125	—
Telecommunications	26 621	26 911
Tertiary and other	218 771	210 422
Total	**1 039 256**	**858 047**

3.2. Liquidity risk and funding management

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 (in EUR'000).

At 31 December 2010	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undefined	Total
ASSETS						
Cash and cash equivalents	411 587	—	—	—	—	411 587
Derivative financial instruments	-	3	572	801	—	1 376
Loans and receivables	7 431	7 146	131 222	698 629	—	844 428
Available for sale financial assets	—	—	—	171 637	23 191	194 828
Amounts receivable from contributors	100 000	—	—	—	—	100 000
Other assets	2 822	—	—	—	350	3 172
Total assets	**521 840**	**7 149**	**131 794**	**871 067**	**23 541**	**1 555 391**
LIABILITIES AND CONTRIBUTORS' RESOURCES						
LIABILITIES						
Derivative financial instruments	—	10	1 300	4 800	—	6 110
Deferred income	—	—	—	92	29 487	29 579
Amounts owed to third parties	298 415	—	—	—	—	298 415
Other liabilities	169	419	—	352	—	940
Total liabilities	**298 584**	**429**	**1 300**	**5 244**	**29 487**	**335 044**
Contributors' resources						
Member States Contribution called	—	—	—	—	1 131 309	1 131 309
Retained earnings	—	—	—	—	64 468	64 468
Fair value reserve	—	—	—	10 113	14 457	24 570
Total Contributors' resources				**10 113**	**1 210 234**	**1 220 347**
Total liabilities and Contributors' resources	**298 584**	**429**	**1 300**	**15 358**	**1 239 721**	**1 555 391**

At 31 December 2009	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undefined	Total
ASSETS						
Cash and cash equivalents	330 057	—	—	—	—	330 057
Derivative financial instruments	2 454	736	5 885	3 795	—	12 870
Loans and receivables	8 164	5 100	86 565	593 612	—	693 441
Available for sale financial assets	—	—	—	151 049	13 557	164 606
Amounts receivable from contributors	87 310	—	—	—	—	87 310
Other assets	490	—	—	435	—	925
Total assets	**428 475**	**5 836**	**92 450**	**748 891**	**13 557**	**1 289 209**
LIABILITIES AND CONTRIBUTORS' RESOURCES						
LIABILITIES						
Derivative financial instruments	379	155	320	4 668	—	5 522
Deferred income	—	—	—	24 317	—	24 317
Amounts owed to third parties	36 410	—	—	—	177 440	213 850
Other liabilities	707	418	—	435	—	1 560
Total liabilities	**37 496**	**573**	**320**	**29 420**	**177 440**	**245 249**
CONTRIBUTORS' RESOURCES						
Member States Contribution called	—	—	—	—	995 000	995 000
Retained earnings	—	—	—	—	29 250	29 250
Fair value reserve	—	—	—	14 887	4 823	19 710
Total Contributors' resources	**—**	**—**	**—**	**14 887**	**1 029 073**	**1 043 960**
Total liabilities and Contributors' resources	**37 496**	**573**	**320**	**44 307**	**1 206 513**	**1 289 209**

3.3. Market risk

3.3.1. Interest rate (in EUR'000)

The table below summarises the Facility's exposure to interest rate through its loans and receivables.

	2010	2009
Fixed rate interest	412 428	354 638
Floating rate interest	432 000	338 803
Total	**844 428**	**693 441**

3.3.2. Currency risk (or Foreign exchange risk) (in EUR'000)

At 31 December 2010	EUR	USD	CAD	ACP/OCT Currencies	Total
ASSETS					
Cash and cash equivalents	378 570	33 017	—	—	411 587
Derivative financial instruments	332 399	- 331 023	—	—	1 376
Loans and receivables	385 187	403 417	—	55 824	844 428
Available-for-sale financial assets	40 184	137 505	12 444	4 695	194 828
Amounts receivable from contributors	100 000	—	—	—	100 000
Other assets	2 742	—	—	430	3 172
Total assets	**1 239 082**	**242 916**	**12 444**	**60 949**	**1 555 391**
LIABILITIES AND CONTRIBUTORS' RESOURCES					
LIABILITIES					
Derivative financial instruments	- 69 815	75 925	—	—	6 110
Deferred income	29 235	344	—	—	29 579
Amounts owed to third parties	298 415	—	—	—	298 415
Other liabilities	577	1	—	362	940
Total liabilities	**258 412**	**76 270**	**—**	**362**	**335 044**

At 31 December 2010	EUR	USD	CAD	ACP/OCT Currencies	Total
CONTRIBUTORS' RESOURCES					
Member States Contribution called	1 131 309	—	—	—	1 131 309
Retained earnings	64 468	—	—	—	64 468
Fair value reserve	24 570	—	—	—	24 570
Total contributors' resources	**1 220 347**	**—**	**—**	**—**	**1 220 347**
Total liabilities and contributors' resources	**1 478 759**	**76 270**	**—**	**362**	**1 555 391**
Currency position as at 31 December 2010	**- 239 677**	**166 646**	**12 444**	**60 587**	**—**
Currency position as at 31 December 2009	**- 21 415**	**- 56 616**	**7 782**	**70 249**	**—**
As at 31 December 2010 :					
COMMITMENTS					
Un-disbursed loans and equity investments	858 279	236 035	—	—	1 094 314
Guarantees drawn	—	—	—	9 484	9 484
CONTINGENT LIABILITIES					
Guarantees undrawn	45 000	—	—	—	45 000

4. Segment information

The primary segment of the Facility is business operation and the secondary segment is geographical.

4.1. By business segment (in EUR '000)

The activity of the Facility is divided into two main business segments on a worldwide basis:

- Banking operations – incorporating 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, available-for-sale equity investments and financial guarantees.
- Treasury activities – including investing surplus liquidity and managing the Facility foreign exchange risk.

At 31 December 2010	Treasury	Banking	Total
Revenue from segments	16 553	63 629	80 182
Expenses and charges from segments	-3 883	-6 995	-10 878
Unallocated expenses			-34 086
Profit for the year			**35 218**
Segment assets	421 043	1 034 348	1 455 391
Unallocated assets			100 000
Total assets			**1 555 391**
Segment liabilities	6 689	29 940	36 629
Unallocated liabilities			298 415
Total liabilities			**335 044**
Other segment information			
Commitments and contingent liabilities	—	1 148 798	**1 148 798**

At 31 December 2009	Treasury	Banking	Total
Revenue from segments	10 904	51 225	62 129
Expenses and charges from segments	- 2 975	- 44 352	- 47 327
Unallocated expenses			- 36 410
Loss for the year			**-21 608**
Segment assets	343 417	858 483	1 201 900
Unallocated assets			87 309
Total assets			**1 289 209**

At 31 December 2009	Treasury	Banking	Total	ACP/OCT Currencies	Total
Segment liabilities			39 325	25 336	64 661
Unallocated liabilities					180 588
Total liabilities					**245 249**
Other segment information					
Commitments and contingent liabilities			—	1 153 366	**1 153 366**

4.2. By geographical segment (in EUR '000)

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

At 31 December 2010	Revenues (*)	Total assets	Total liabilities	Commitments and contingent liabilities
Caribbean and Pacific	-2 306	164 771	793	62 554
Central and Eastern Africa	15 848	330 557	20 692	234 512
Regional Africa and ACP states	5 975	179 827	-	526 596
Southern Africa and Indian ocean	32 157	204 279	4 005	86 662
West Africa and Sahel	4 960	154 914	4 450	238 474
Others (**)	—	521 043	305 104	-
Total	**56 634**	**1 555 391**	**335 044**	**1 148 798**

At 31 December 2009	Revenues (*)	Total assets	Total liabilities	Commitments and contingent liabilities
Caribbean and Pacific	-22 796	102 363	1 173	143 297
Central and Eastern Africa	9 410	249 261	21 425	371 286
Regional Africa and ACP states	3 260	153 006	—	340 437
Southern Africa and Indian ocean	13 195	202 809	524	104 654
West Africa and Sahel	3 804	151 043	2 214	193 692
Others (**)	—	430 727	219 913	—
Total	**6 873**	**1 289 209**	**245 249**	**1 153 366**

(*) Revenues represent the net profit on the Facility's banking activity (i.e. interest and similar income, interest subsidies, net fee and commission income, impairment on loans and receivables and impairment on available-for-sale financial assets).

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

5. Net interest income (in EUR '000)

The main components of interest and similar income are as follows:

	2010	2009
Cash and cash equivalent	1 878	2 978
Loans and receivables	50 299	45 359
Interest subsidies	2 424	1 586
Total interest and similar income	**54 601**	**49 923**

The main components of interest and similar expense are as follows:

	2010	2009
Derivative financial instruments	-2 591	-1 878
Total interest and similar expense	**-2 591**	**-1 878**

6. Net Fee and commission income (in EUR '000)

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

	2010	2009
Fee and commission on loans and receivables	11 510	1 709
Fee and commission of financial guarantees	265	276
Total fee and commission income	**11 775**	**1 985**

The main component of fee and commission expenses is as follows:

	2010	2009
Commission paid to third parties with regard to available-for-sale portfolio	-372	-
Total fee and commission expenses	**-372**	**-**

7. Net result on financial operations (in EUR '000)

The main components of net result on financial operations are as follows:

	2010	2009
Fair value change on derivatives	-12 082	14 599
Foreign exchange	-5 556	-6 673
Dividend income and realised gain from available-for-sale financial asset	1 815	1 198
Net result on financial operations	**-15 823**	**9 124**

8. General administrative expenses (in EUR '000)

General administrative expenses represent the actual costs incurred by the EIB for managing the Facility less income generated from standard appraisal fees directly charged by the EIB to clients of the Facility.

	2010	2009
Actual cost incurred by the EIB	-36 028	-37 653
Income from appraisal fees directly charged to clients of the Facility	1 942	1 243
Net general administrative expenses	**-34 086**	**-36 410**

Following the entry in force of the revised Cotonou Partnership Agreement on the 1st of July 2008, general administrative expenses are not covered anymore by the Member States.

9. 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.

	2010	2009
Member states contributions received and not yet disbursed	33 128	120 807
Funds from the Facility's financial and operational activities	378 459	209 250
Cash and cash equivalents	**411 587**	**330 057**

10. Derivative financial instruments (in EUR '000)

The main components of derivative financial instruments are as follows:

At 31 December 2010	Fair Values		Notional amount
	Assets	Liabilities	
Cross currency swaps	1 235	-945	47 526
Cross currency interest rate swaps	141	-5 165	57 681
FX Forwards	—	—	458 000
Derivative financial instruments	**1 376**	**-6 110**	

At 31 December 2009	Fair Values		Notional amount
	Assets	Liabilities	
Cross currency swaps	8 542	-237	87 720
Cross currency interest rate swaps	2 041	-5 285	95 713
FX Forwards	2 287	—	290 000
Derivative financial instruments	**12 870**	**-5 522**	

11. Loans and receivables (in EUR '000)

The main components of loans and receivable are as follows:

	Global loans (*)	Senior loans	Subordinated loans	Total
Nominal as at 1 January 2010	**230 989**	**406 799**	**145 482**	**783 270**
Disbursement	39 596	171 009	1 575	212 180
Repayments	-33 573	-46 053	-40 098	-119 724
Interest capitalised	—	—	13 239	13 239
FX Difference	9 488	10 567	3 712	23 767
Nominal as at 31 December 2010	**246 500**	**542 322**	**123 910**	**912 732**
Impairment as at 1 January 2010	**-8 371**	**-30 217**	**-59 556**	**-98 144**
Impairment recorded in income statement during the year	-6 522	—	-582	-7 104
Reversal of impairment	266	13 843	18 423	32 532
FX Difference	-379	-1 682	-2 308	-4 369
Impairment as at 31 December 2010	**-15 006**	**-18 056**	**-44 023**	**-77 085**
Amortised Cost	-1 727	-2 047	- 118	-3 892
Accrued interest	3 670	6 226	2 777	12 673
Loans and receivables as at 31 December 2010	**233 437**	**528 445**	**82 546**	**844 428**
Nominal as at 1 January 2009	**205 430**	**334 397**	**153 109**	**692 936**
Disbursement	67 275	91 125	—	158 400
Repayments	-37 035	-14 361	-9 698	-61 094
Interest capitalised	—	553	4 336	4 889
FX Difference	-4 681	-4 915	-2 265	-11 861
Nominal as at 31 December 2009	**230 989**	**406 799**	**145 482**	**783 270**
Impairment as at 1 January 2009	**-2 996**	**-19 749**	**-31 947**	**-54 692**
Impairment recorded in income statement during the year	-5 375	-11 018	-27 957	-44 350
FX Difference	—	550	348	898
Impairment as at 31 December 2009	**-8 371**	**-30 217**	**-59 556**	**-98 144**
Amortised Cost	-1 355	-1 801	-1 628	-4 784
Accrued interest	3 596	4 714	4 789	13 099
Loans and receivables as at 31 December 2009	**224 859**	**379 495**	**89 087**	**693 441**

(*) including agency agreements

12. Available-for-sale financial assets

The main components of available-for-sale equity financial assets are as follows:

	Venture Capital Fund	Direct Equity Investment	Total
Cost as at 1 January 2010	**116 652**	**30 462**	**147 114**
Disbursement	48 040	2 912	50 952
Repayments	-22 414	—	-22 414
FX Difference	654	-24	630
Cost as at 31 December 2010	**142 932**	**33 350**	**176 282**
Unrealised gain and losses as at 1 January 2010	**18 138**	**-644**	**17 494**
Net change in unrealised gains and losses	-6 803	11 663	4 860
Realised FX Difference	—	-92	-92
Unrealised gain and losses as at 31 December 2010	**11 335**	**10 927**	**22 262**
Impairment as at 1 January 2010	**-2**	**—**	**-2**
Impairment recorded in income statement during the year	—	-3 714	-3 714
Impairment as at 31 December 2010	**-2**	**-3 714**	**-3 716**
Available-for-sale financial assets as at 31 December 2010	**154 265**	**40 563**	**194 828**

	Venture Capital Fund	Direct Equity Investment	Total
Cost as at 1 January 2009	**89 920**	**26 195**	**116 115**
Disbursement	36 624	3 682	40 306
Repayments	-7 497	—	-7 497
FX Difference	-2 395	585	-1 810
Cost as at 31 December 2009	**116 652**	**30 462**	**147 114**
Unrealised gain and losses as at 1 January 2009	**20 190**	**-7159**	**13 031**
Net change in unrealised gains and losses	-2 052	6 640	4 588
Realised FX Difference	—	-125	-125
Unrealised gain and losses as at 31 December 2009	**18 138**	**-644**	**17 494**
Impairment as at 1 January 2009	**—**	**—**	**—**
Impairement recorded in income statement during the year	-2	—	-2
Impairment as at 31 December 2009	**-2**	**—**	**-2**
Available-for-sale financial assets as at 31 December 2009	**134 788**	**29 818**	**164 606**

The split of the available-for-sale financial assets between quoted and unquoted instruments was as follows:

	Fair Value as at 31.12.2010	Fair Value as at 31.12.2009
Quoted instrument	23 190	13 557
Unquoted instrument	171 638	151 049
Total	**194 828**	**164 606**

13. Amounts receivable from contributors (in EUR '000)

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

	2010	2009
Contribution called but not paid	100 000	87 310
Total amount receivable from contributors	**100 000**	**87 310**

14. Other assets (in EUR '000)

The main components of other assets are as follows:

	2010	2009
Amount receivable from EIB	2 743	490
Financial guarantees	429	435
Total other assets	**3 172**	**925**

15. Deferred income (in EUR '000)

The main components of deferred income are as follows:

	2010	2009
Deferred interest subsidies	29 073	23 888
Deferred commissions on loans and receivables	506	429
Total deferred income	**29 579**	**24 317**

16. Amounts owed to third parties (in EUR '000)

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

	2010	2009
Net general administrative expenses payable to EIB	34 086	36 410
Interest subsidies not yet disbursed owed to Member States	264 329	177 440
Total amounts owed to third parties	**298 415**	**213 850**

17. Other liabilities (in EUR '000)

The main components of other liabilities are as follows:

	2010	2009
Financial guarantees	351	435
Other	589	1 125
Total amount of other liabilities	**940**	**1 560**

18. Member States Contribution called (in EUR '000)

Member States	Contribution to the Facility	Contribution to interest subsidies	Total contributed	Called and not paid (*)
Austria	29 979	8 843	38 822	2 650
Belgium	44 347	13 081	57 428	3 920
Denmark	24 210	7 141	31 351	2 140
Finland	16 743	4 939	21 682	1 480
France	274 909	81 086	355 995	24 300
Germany	264 275	77 949	342 224	23 360
Greece	14 142	4 171	18 313	1 250
Ireland	7 014	2 069	9 083	620
Italy	141 866	41 845	183 711	12 540
Luxembourg	3 281	968	4 249	290
Netherlands	59 054	17 419	76 473	5 220
Portugal	10 974	3 237	14 211	970
Spain	66 068	19 488	85 556	5 840
Sweden	30 884	9 110	39 994	2 730
United Kingdom	143 563	42 345	185 908	12 690
Total as at 31 December 2010	**1 131 309**	**333 691**	**1 465 000**	**100 000**
Total as at 31 December 2009	**995 000**	**230 000**	**1 225 000**	**87 310**

(*) On 17.11.2010, the Council fixed the amount of financial contributions to be paid by each Member State by 21.01.2011.

During the year 2010, an amount of EUR'000 6 309 of unused subsidies has been allocated to contribution to the Facility.

19. Contingent liabilities and commitments (in EUR '000)

	2010	2009
COMMITMENTS		
Undisbursed loans	808 865	784 612
Undisbursed commitment in respect of available-for-sale financial assets	285 449	251 954
Guarantees drawn	9 484	11 800
CONTINGENT LIABILITIES		
Guarantees undrawn	45 000	105 000
Total	**1 148 798**	**1 153 366**

20. Subsequent events

There have been no material post balance sheet events which could require disclosure or adjustment to the 31 December 2010 financial statements.

Report of the Réviseur d'Entreprises Agrée

To the Chairman of the Audit Committee of EUROPEAN INVESTMENT BANK
98-100, Boulevard Konrad Adenauer
L-2950 LUXEMBOURG

We have audited the accompanying financial statements of the Investment Facility, which comprise the balance sheet as at 31 December 2010 and the income statement, statement of changes in contributors' resources and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

EUROPEAN INVESTMENT BANK Management's responsibility for the financial statements

The EUROPEAN INVESTMENT BANK's Management is responsible for the preparation and presentation of these financial statements in accordance with the accounting rules set out in note 2 to the financial statements, and for such internal control as the EUROPEAN INVESTMENT BANK's Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseur d'Entreprises agréé

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 agréé, 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 agréé considers internal control relevant to the entity's preparation and 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 EUROPEAN INVESTMENT BANK's Management, 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 of the Investment Facility for the year ended 31 December 2010 are prepared, in all material respects, in accordance with the accounting rules set out in note 2 to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to enable EUROPEAN INVESTMENT BANK to meet the requirements of Article 7 paragraph 3 of the Investment Facility Management Agreement in implementation of the Cotonou Partnership Agreement between the European Commission and EUROPEAN INVESTMENT BANK. As a result, the financial statements may not be suitable for another purpose.

Luxembourg, 10 March 2011
KPMG Audit S.à r.l.
Cabinet de révision agréé
9, Allée Scheffer
L-2520 Luxembourg
Société à responsabilité limitée
R.C.S. Luxembourg B 103590
Capital 25.000 €

Emmanuel Dollé

The Audit Committee

The Financial Regulation applicable to the 10th European Development Fund in Article 134 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 this statement.

Statement by the Audit Committee on the Investment Facility's financial statements prepared in accordance with the accounting rules as set out in Note 2 to the financial statements

The Committee, instituted in pursuance of Article 12 of the Statute and Chapter V 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 KPMG as external auditors, reviewed their audit planning process, examined and discussed their reports,
- noted that, in accordance with Article 7, paragraph 3 of the "Investment Facility Management Agreement", the Bank shall prepare financial statements guided by International Public Sector Accounting or International Accounting Standards as appropriate,
- reviewed the accounting framework used in the preparation of the financial statements,
- noted the opinion of KPMG on the financial statements of the Investment Facility for the year ended 31 December 2010,
- 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 2010 as drawn up by the Board of Directors at its meeting on 10 March 2011,
- that the foregoing provides a reasonable basis for its statement and,
- Articles 24, 25 and 26 of the Rules of Procedure,

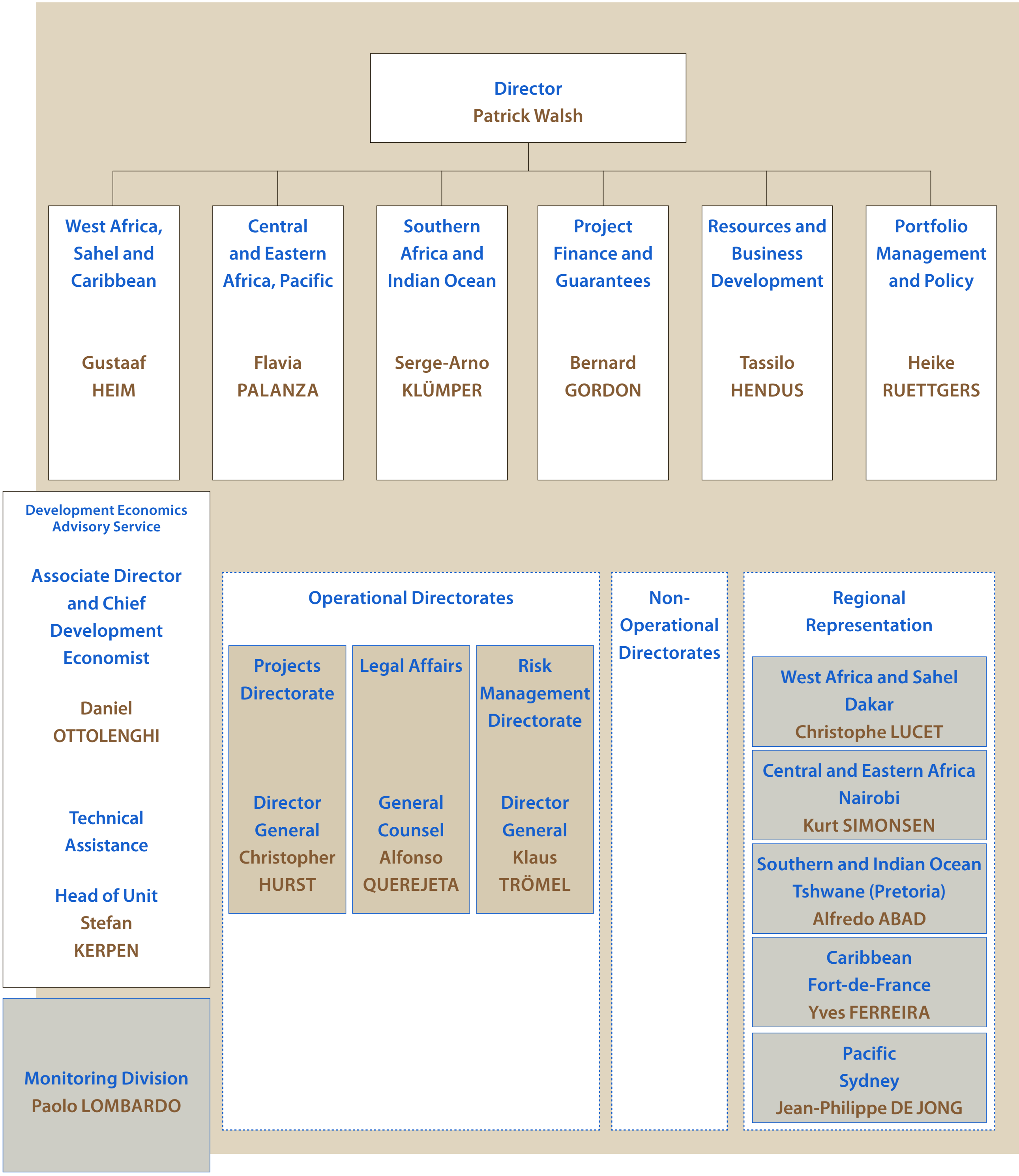
to the best of its knowledge and judgement:

- 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 contributors' resources, the cash flow statement and a summary of significant accounting policies and other explanatory information give a true and fair view of the financial position of the Investment Facility as at 31 December 2010 in respect of its assets and liabilities, and of the results of its operations for the year then ended, ihe year then ended, in accordance with the accounting rules required by Article 7, paragraph 3 of the "Investment Facility Management Agreement".

Luxembourg, 10 March 2011
The Audit Committee

G. SMYTH	E. MATHAY	J. RODRIGUES DE JESUS
D. NOUY	J. GALEA	M. ÜÜRIKE

8. Organisation chart



9. Glossary

A

ACE — Africa Coast to Europe
ACP — Africa, Caribbean and Pacific
ACPs — Africa, Caribbean and Pacific countries
ADEMI — Banco de Ahorro y Crédito Ademi
AFD — Agence Française de Développement
AfDB — African Development Bank
AIDBANK — Dominica Agricultural, Industrial and Development Bank
ADOPEM — Banco de Ahorro y Crédito Adopem
Approvals — Projects approved for financing by the EIB's decision-making bodies

B

BBOP — Business and Biodiversity Offset Programme
BEE — Black Economic Empowerment (South Africa)
BizClim — ACP Business Climate Facility
BMZ — German Ministry for Development

C

CARIFORUM — Caribbean Forum
CBL — Crane Bank Ltd.
CDC — Capital for Development Group Plc
CDE — Centre for the Development of Enterprise
CDM — Clean Development Mechanism (Kyoto Protocol)
CFL — Compact fluorescent lamp
CGAP — Consultative Group to Assist the Poor
CO_2 — Carbon dioxide
COMESA — Common Market for Eastern and Southern Africa
Commitments — Signed loans, equity, quasi-equity investment, agency and guarantee agreements
CSOs — Civil society organisations

D

DBSA — Development Bank of Southern Africa
DEG — Deutsche Investitions- und Entwicklungsgesellschaft mbH
DFCU — DFCU Bank Ltd. (Uganda)
DFIs — Development finance institutions
Disbursements — Loans and investments paid out
DRC — Democratic Republic of the Congo

E

EC — European Commission
EDD — European Development Days
EDF — European Development Fund
EDFIs — European development finance institutions
EFP — European Financing Partners SA
EIB — European Investment Bank
EIF — European Investment Fund
ESIAF — Economic and Social Impact Assessment Framework
ESF — Energy Sustainability and Security of Supply Facility
ETED — Empresa de Transmisión Eléctrica Dominicana
EU — European Union
EUR — Euro

F

FDI — Foreign direct investment
FinnFund — Finnish Fund for Industrial Cooperation Ltd
FMO — Netherlands Development Finance Company
FONDESA — Fondo para el Desarrollo
FRB — First Rand Bank (South Africa)

G

GDP — Gross domestic product
GEEREF — Global Energy Efficiency and Renewable Energy Fund
GWh — Gigawatt hour

H

HDP — Historically disadvantaged persons
HIPC — Heavily Indebted Poor Country
HIV/AIDS — Human immunodeficiency virus/acquired immunodeficiency syndrome

I

IBRD — International Bank for Reconstruction and Development
ICA — Infrastructure Consortium for Africa
ICCF — Interact Climate Change Facility
IDC — International Development Corporation
IF — Investment Facility
IFC — International Finance Corporation
IFIs — International financial institutions
IFU — Industrialiseringsfonden for Udviklingslandene
IMF — International Monetary Fund
IOC — Indian Ocean Community
ITF — EU-Africa Infrastructure Trust Fund

K

KfW — Kreditanstalt für Wiederaufbau

L

LNDC — Lesotho National Development Corporation
LVWATSAN — Lake Victoria Water and Sanitation programme

M

MDBs — Multilateral development banks
MDGs — Millennium Development Goals
MFIs — Microfinance institutions
MFW4A — Making Finance Work for Africa Partnership
MoU — Memorandum of Understanding
MRI — Mutual reliance initiative
MSF — Médecins sans Frontières
MSMEs — Micro, small and medium-sized enterprises
MWe — Megawatt electrical

N

NGOs — Non-governmental organisations
Norfund — Norwegian Investment Fund for Developing Countries (Norwegian EDFI)

O

OCTs — Overseas Countries and Territories
OFID — OPEC Fund for International Development
OMVS — Organisation de Mise en Valeur du Fleuve Sénégal
OPEC — Organisation of the Petroleum Exporting Countries
OR — Own resources

P

PCC — Protected cell company
PDSF — Project Development Support Facility
PEFF — Private Enterprise Finance Facility
PROPARCO — Société de Promotion et de Participation pour la Coopération Économique
PPP — Public-private partnership

Q

Quasi-equity — Instruments incorporating both loans and equity features

R

RCF — Risk Capital Facility (South Africa)
REGMIFA — Regional Micro, Small and Medium Enterprises Investment Fund for sub-Saharan Africa
RMB — Rand Merchant Bank (South Africa)
RSA — Republic of South Africa

S

SADC — Southern African Development Community
SMEs — Small and medium-sized enterprises
SOGEM — Société de Gestion de l'Energie de Manantali
SSA — Sub-Saharan Africa

T

TA — Technical assistance
TANESCO — Tanzania Electricity Supply Company

U

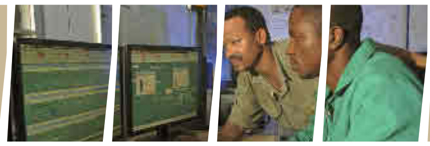
UN — United Nations
USD — US dollar

W

WB — World Bank
WF — Water Facility
WPPF — ACP Water Project Preparation Facility

Z

ZAR — South African rand



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