

finance institution

Pro€Invest Consultation meeting

Bram SCHIM VAN DER LOEFF



Presentation Structure




EIB-background – capital & lending

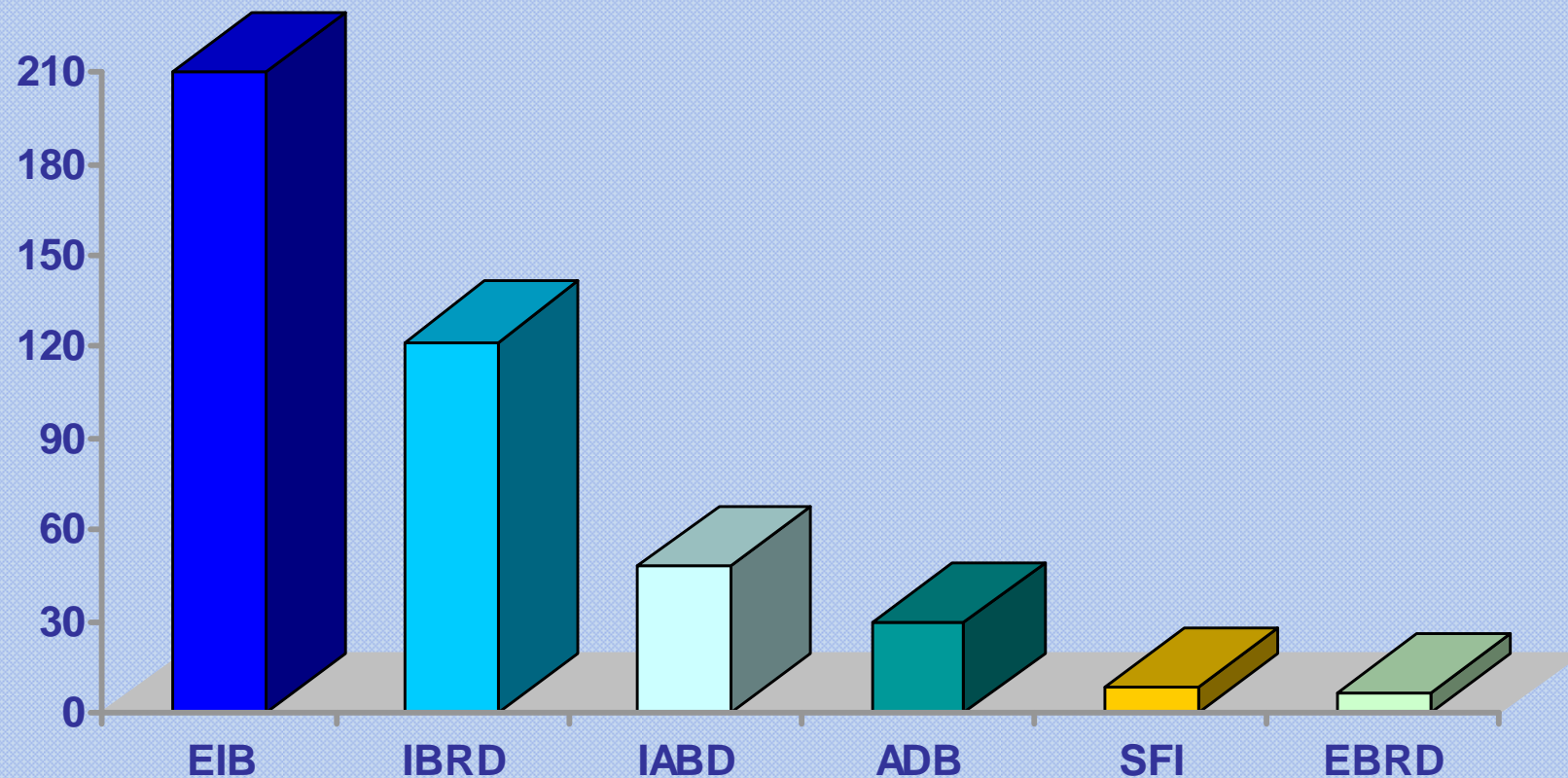


1. EIB - European Union's financing institution:

- Created by the Treaty of Rome in 1958, to provide long-term finance for projects promoting European integration;
- Subscribed capital EUR 150bn (*EUR 163.7bn from 01/05/2004*);
- EIB shareholders: 15 Member States of the European Union (*25 Member States from 01/05/2004*);
- EIB's lending IN 2003: EUR 42bn, EUR 34bn within the EU);
- EIB's borrowing: EUR 42bn IN 2003, EUR 31bn in EU currencies

Capital: EUR 164bn

| | | | | | | | | |
|-----------------------|---|--------|---------------------|---|-------|----------------------|---|-------|
| Germany AAA |  | 16.28% | Denmark AAA |  | 2.28% | Ireland AAA |  | 0.73% |
| France AAA |  | 16.28% | Austria AAA |  | 2.24% | Slovak Republic A |  | 0.73% |
| Italy AAA |  | 16.28% | Poland A |  | 2.08% | Slovenia AA |  | 0.73% |
| United Kingdom AAA |  | 16.28% | Finland AAA |  | 1.29% | Lithuania A |  | 0.73% |
| Spain A |  | 9.77% | Greece A |  | 1.22% | Cyprus A |  | 0.73% |
| Belgium AAA |  | 4.51% | Portugal AA |  | 0.79% | Luxembourg AAA |  | 0.73% |
| Netherlands A |  | 4.51% | Czech Republic A |  | 0.77% | Latvia A |  | 0.73% |
| Sweden A |  | 2.99% | Hungary A |  | 0.73% | Estonia A |  | 0.73% |



Loan portfolio (Disbursed amounts)

IFC : annual report d.d. 30 June 2002

EIB, IBRD, EBRD, IADB, ADB : annual report on 31 December 2002

BORROWINGS

Largest supranational borrower

Benchmark issuer, sovereign issuer alternative

Low borrowing costs

Wide range of EIB products

LOANS – CORE OBJECTIVES

- Regional development
- Implementation the innovation 2010 initiative
- Environmental protection and sustainable development
- Preparation of Accession Countries
- Support for EU development aid and cooperation

“presence” on the financial markets in support

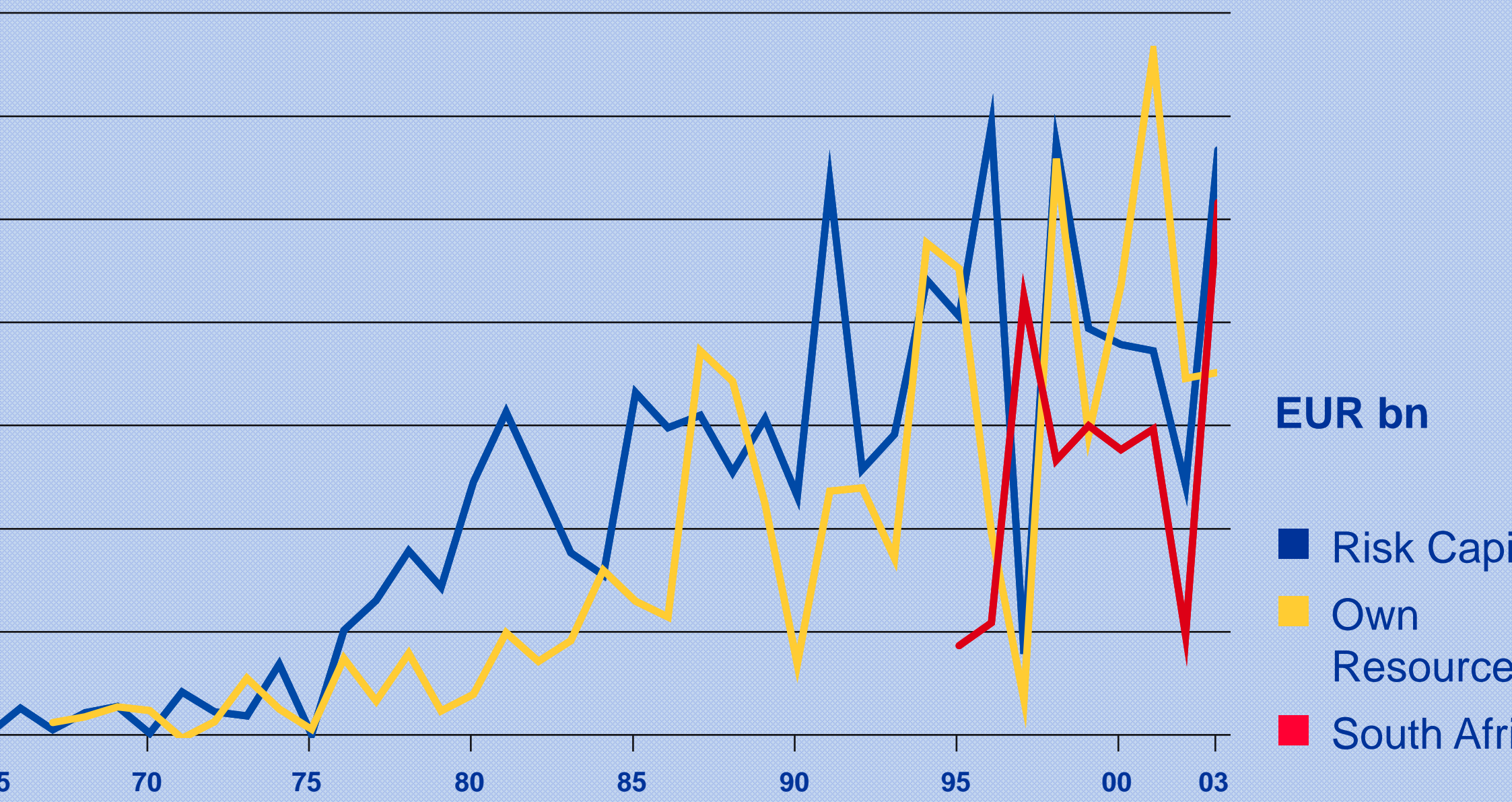
Presentation Structure

EIB - ACP



- ✓ Based on a series of mandates given by the Union (Accession countries, Euro-Med, ACP, ALA, Balkans, Russia);
- ✓ The oldest mandate was given for African, Pacific and Caribbean countries;
- ✓ Dates back to 1963 (first Yaoundé Convention);
- ✓ Successive Yaoundé and Lomé Conventions – up to Lomé IV, 2nd financial protocol.
- ✓ **From 2003:** the Cotonou Agreement with the Investment Facility, the **IF**, and lending from own resources

0 years experience in implementing



EUR bn

- Risk Capital
- Own Resources
- South Africa

| Sectors : (EUR millions) | ACP (1999- 2003) | ACP 2003 | OCT (1999- 2003) |
|-------------------------------------|---------------------------------|---------------------|---------------------------------|
| Energy | 478 | 60 | 4 |
| Transport and telecomm. | 297 | 56 | 5 |
| Environment | 213 | 88 | |
| Industry, services | 387 | 101 | |
| SME (global loans) | 634 | 158 | 20 |
| TOTAL | 2 009 | 463 | 29 |

Presentation Structure

Cotonou – Investment Facility



European Development Fund

European Commission

Grant aid for long-term development (national and regional programmes)

EUR 11 300 million

European Investment Bank

Investment Facility

Loans/equity/guarantees for investment projects


EUR 2 200 million

EIB's own resources

Loans for investment projects

EUR 1 700 million

Europe's



The European Commission supports governance, regulatory and judicial improvements through the NIP

The CDE supports entrepreneurs and private sector organisations

The EIB offers long-term resources for investment

(Not rigid – some overlaps in practice)

AGREEMENT (I)

The IF: a revolving fund

- managed along commercial principles to be financially sustainable
- assurance for the ACPs of future availability of resources (re-flows to be invested in new projects)

Terms and conditions more closely aligned with market practice

Risk-sharing instruments, local currency loans and guarantees

Play a catalytic role in mobilising local resources and encouraging foreign lending and investment


Support for the local financial sector

Complementarities sought with operations/instruments of EC, bilateral or multilateral institutions

Subsidies (limited) available for public sector projects, to support environmental or social components or for project-related technical assistance

Operations signed under the Investment Facility (on 30/06/2004)

| Country | Operation name | Description | Date of signature |
|----------------|--|---|-------------------|
| | EDFI EUROPEAN FINANCING PARTNERS (EFP) | Co-financing with European Development Finance Institutions (EDFIs) of operations in ACP countries under joint agency agreement | 13/05/2004 |
| | EUROPEAN FINANCING PARTNERS (EFP) | Co-financing with European Development Finance Institutions (EDFIs) of operations in ACP countries under joint agency agreement | 30/04/2004 |
| | SHORECAP INTERNATIONAL LTD (SCI) | Fund dedicated to microfinance institutions and small business banks | 17/06/2004 |
| CO | PG BURKINA FASO II | Financing for small and medium-scale ventures | 08/12/2003 |
| | DEV. DU SECTEUR PRIVE PG II (CAMEROUN) | Financing for small and medium-scale ventures | 16/12/2003 |
| | NOVOTEL DENARAU PROJECT (IF) | Construction of hotel on Denarau Island | 27/01/2004 |
| | MAGADI SODA PURE ASH PROJECT | Expansion of soda ash production capacity and product quality enhancement | 07/04/2004 |
| | EBTR MAURITANIE | Purchase of equipment for construction of roads and other infrastructure in Mauritania and sub-region | 02/06/2003 |
| | BEL OMBRE HOTEL | Construction and operation of hotel complex in Bel Ombre in south of island | 12/08/2003 |
| E | MOMA TITANIUM MINERALS | Mining, concentration and separation of heavy mineral sands | 18/06/2004 |
| AFRICA | AFRICAN BANKS HOLDINGS, LLC | Equity investment in regional fund for acquiring control of commercial banks in course of privatisation | 09/09/2003 |
| EAST AFRICA | AUREOS EAST AFRICA FUND | Participation in fund providing equity to private-sector SMEs in East Africa | 30/06/2003 |
| SOUTHERN AFRIC | AUREOS SOUTHERN AFRICA VENTURE CAPITAL | Participation in fund providing equity to private-sector SMEs in Southern Africa | 30/06/2003 |
| WEST AFRICA | AUREOS WEST AFRICA FUND | Participation in fund providing equity to private-sector SMEs in West Africa | 30/06/2003 |



For 25 years under Lomé, the EIB financed the private sector
in risk capital

Investment Facility builds on this experience and draws on
lessons learnt

But private sector approach is now at the heart of Cotonou, which
fosters complementarity and co-operation between the different
institutions

Private entrepreneurs and commercially viable public sector enterprises

ACP and international entrepreneurs

Large enterprises and SMEs

low cost of "AAA" rating funding benefit passed on to clients, for

- ✓ Large amounts;
- ✓ All major currencies, including those of the Candidate Countries and RSA;
- ✓ Long maturities;
- ✓ Catalytic effect on participation of other

EIB's own resources

Investment Facility

| | | | |
|-------------------------------------|---|---|---|
| or debt: | - | <p>Pricing: EIB reference rate.</p> <p>Security: 1st class or prime-quality security (with possibility of political risk carve-out).</p> <p>Currency: EUR, USD, GBP and ZAR.</p> | <p>Pricing: EIB reference rate + margin</p> <p>Security: guarantee (international) or project security.</p> <p>Currency: EUR (possibility of other local, currencies).</p> |
| or/subordinated debt: | - | | <p>Pricing: EIB reference rate + margin</p> <p>Security: project guarantee or covenants.</p> <p>Currency: EUR (possibility of other local, currencies).</p> |
| equity: | - | | <p>Pricing: variable remuneration function of performance.</p> <p>Security: usually unsecured or status with covenants.</p> <p>Currency: EUR (possibility of other local, currencies).</p> |
| participating or conditional loans: | - | | |
| equity participation: | - | | <p>Pricing: dividends / capital gain</p> <p>Security: none</p> |

LOANS

Market related terms

- **In foreign currency**
 - rate close to EIB EU rates for loans, **plus**
 - mark-up to cover perceived risks
- **In local currency** (whenever feasible)
 - at local market rate if adequate benchmark available, **plus**
 - mark-up to cover perceived risks

[In some cases, an interest rate subsidy can be granted, if its justification is clearly demonstrable]

QUASI-EQUITY

- *E.g.: convertible bonds, participating loans, conditional loans, etc.*
- Remuneration linked to the financial return of the project (often composed of a fixed interest rate of not more than 3% and a variable component related to the project performance).

EQUITY PARTICIPATION

- Normally for non-controlling minority only;
- Remunerated on the basis of the project performance;
- Policy: sell as soon as feasible, to make room for private investors.

The Investment Facility – how to contact us

Phone ++ 352 4379-3134 or –4932 or write a.schimvanderloeff@eib



www.eib.org/lending/acp

