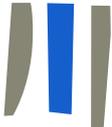




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EU-Africa Infrastructure Trust Fund

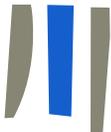




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EU-Africa Infrastructure Trust Fund





Contents

Joint Foreword by EC Commissioner Piebalgs and EIB President Maystadt	4
Joint Statement by the Co-Chairmen of the Steering Committee	6
Statement by the Chairman of the Executive Committee	8
Functioning and Governance	10
Purpose and Mechanism of the Fund	11
Governance Structure	12
↳ The Steering Committee	12
↳ The Executive Committee	13
↳ The Project Financiers Group	14
↳ The Trust Fund Manager	14
↳ The Trust Fund Secretariat	14
↳ Request Procedure for Eligible Grant Operations	14
Grant Operation Requests and Investment Project Processing	16
Operational Results	18
Overview 2007-2010	19
↳ Map Indicating Location of Approved Grant Operations	19
↳ Summary of Operational Results 2007-2010	20
↳ List of Approved Grant Operations 2007-2010	21
↳ Grant Operations Cleared in Principle	24
↳ Approved Grant Operations by Type of Grant	24
↳ Multiplier or Leverage Effect	25
↳ Approved Grant Operations by Region	26
↳ ITF Grant Operations by Regional Economic Community	26
↳ Total Disbursements 2007-2010	27
The ITF in 2010	28
↳ Grant Operations Approved in 2010	28
↳ Grant Operations Cleared in Principle in 2010	44
Grant Operations Completed	47
Outlook for 2011	51
Update on ITF Grant Operations Approved before 2010 and being implemented	52
Annexes	60
↳ Audited Financial Statements	61
↳ List of Donors, Representatives and Aggregate Contributions	71
↳ List of Steering Committee Members	72
↳ Members of the Project Financiers Group	74
↳ List of Eligible African Countries	75
↳ African Regional Economic Communities	76
↳ List of Acronyms	78
↳ Acknowledgement of Contributions to the Annual Report	79



Joint Foreword by EC Commissioner Piebalgs and EIB President Maystadt

2010 was a very good year for the EU-Africa Infrastructure Trust Fund. Last year the Trust Fund, created in 2007, moved up a gear thanks to a significant number of achievements in several key areas. These are highlighted and detailed in this Annual Report and relate above all to the volume of operations, the innovative nature of projects and the participation of additional financial institutions in their financing.

The Trust Fund forms part of an innovative financial mechanism designed to leverage aid finance from donors by blending it with long-term financing from financial institutions, thereby increasing the impact of both and making certain projects bankable as well as environmentally and socially sustainable. The European Union's development policy is increasingly looking at innovative ways of financing as depleted national budgets are not enough to fund aid.

The EU-Africa Infrastructure Trust Fund came into being as one of the EU's responses to the challenge of the Millennium Development Goals (MDGs), to the adoption of the EU Strategy for Africa by the European Council in 2005 and to the subsequent creation of several specific EU-Africa partnerships. One such partnership is the Partnership on Infrastructure, aimed at providing improved and sustained African infrastructure with the objective of promoting regional integration, which is key to Africa's development. The Trust Fund was thus conceived in 2007 as the EU's main financial instrument for funding and implementing infrastructure projects in Africa with a regional dimension.

The EU reaffirmed its commitment to the MDGs and to its partnerships with Africa in 2010 at the UN Summit in New York in September. In doing so it underlined the central role that infrastructure plays in improving com-



petitiveness, facilitating domestic and international trade and enhancing the continent's integration into the global economy.

The global food, fuel and financial crises of 2009 significantly slowed down growth in Sub-Saharan Africa, from an average of about 6.5% over the period 2004-2008 to 2.8% in 2009. Fortunately the region is now recovering, with 4.9% growth in 2010, expected to reach 5.5% in 2011. However, to regain momentum in its efforts to achieve the MDGs, Sub-Saharan Africa needs higher growth and renewed investment in infrastructure. To date, EUR 2.2bn is envisaged for investment in regional infrastructure as a result of direct

blending with EUR 175m in grants from the Trust Fund (leverage of 13:1), which has also provided an additional EUR 34m for the preparatory phases of other infrastructure projects.

The Trust Fund, jointly run through a Steering Committee of EU and African members and managed by the European Investment Bank, is a successful example of an integrated EU instrument combining grants from the European Development Fund and EU Member States with loans from eligible financing institutions. We are determined to see it contribute further to regional integration in Africa.



*Lluís Riera
Director, Development Policy
Directorate-General
Development and Relations with ACP
European Commission*

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Director
Infrastructure and Energy
African Union Commission*

Joint Statement by the Co-Chairmen of the Steering Committee

The Steering Committee of the EU-Africa Partnership on Infrastructure provides strategic guidance and oversight for the instruments of the Partnership, including the EU-Africa Infrastructure Trust Fund. Members of the Partnership Steering Committee (PSC) include an equal number of representatives from the European Union and the African Union.

We are very pleased with the operational results in 2010, which show an impressive increase on 2009, and with the implementation of several priorities that we recommended for the Trust Fund at our last PSC meeting, which took place in Tunis in April 2010.

We welcome the African Development Bank (AfDB) as a full member of the Trust Fund's Project Financiers Group. After resolving legal issues related to the bank's status as an international organisation, we are now in a position where the AfDB can contribute actively to the identification of priority regional infrastructure projects for Africa and participate in their co-financing.

We also note with satisfaction the approval of two grant operations in the ICT sector (the AXIS African Internet Exchange System – and the Satellite-Enhanced Telemedicine and e-Health Project, which were among the priority projects of the EU-Africa Partnership on Science, the Information Society and Space. These projects for regional terrestrial backbones and broadband satellite-based networks are fully in line with the outcome and theme of the 14th African Union (AU) Summit of Heads of States, "Information and Communication Technologies in Africa: Challenges and Prospects for Development".

The approval of five grants totalling over EUR 43m for transport operations demonstrates that the Trust Fund is making a significant contribution to this priority sector. In this context, we would like to highlight the Great East Road rehabilitation project, not only as an important transport sector project, but also as an example of the catalytic power of the Trust Fund in regional infrastructure business in Africa. Building on the coor-



dination and preparatory work of the EU Delegation in Zambia, the EIB and Agence Française de Développement (AFD), by deploying interest rate subsidies and technical assistance from the Trust Fund, were able to join the EDF and AfDB in co-financing this important section of the regional Nacala Corridor, which links Zambia and Malawi to Nacala port in Mozambique. This project would not have been possible without interest rate subsidies totalling more than EUR 25m from the Trust Fund. Overall, the Great East Road rehabilitation project in Zambia, with ITF support, has attracted a total of EUR 250m of financing.

Furthermore, we note that collaboration with African banks was enhanced by the provision of EUR 3m of technical assistance funding for clean and renewable energy projects to the Banque Ouest Africaine de Développement (BOAD) as well as to local banks in East Africa.

With a view to reinforcing the dialogue with African partners, we encourage the Trust Fund Secretariat to

continue building synergies with regional organisations and specialised institutions and with the Infrastructure Consortium for Africa, including the sharing of information and coordination of project pipelines between the Trust Fund and the NEPAD-Infrastructure Project Preparation Facility.

Finally, we feel that the Trust Fund should further pursue the active involvement of the private sector in regional infrastructure projects. We commend the Trust Fund for taking an active part in the EU-Africa Business Forum in Tripoli in November 2010 and we would like to see it explore the potential for collaboration and complementarities between private sector companies and the Trust Fund, as was underlined in Tripoli.

The Steering Committee welcomes the results achieved in 2010 in line with its recommendations and looks forward to further progress in 2011.



Gary Quince
Chairman of the Executive Committee

Statement by the Chairman of the Executive Committee

First, I would like to express our gratitude to the Trust Fund donors which provided additional financial contributions in 2010, i.e. Austria, France, Germany, the United Kingdom and the European Commission (funds from the European Development Fund). I would also like to welcome the three new financial institutions which joined our Project Financiers Group, i.e. the African Development Bank (AfDB – nominated by the UK), Finnfund (nominated by Finland) and the Private Infrastructure Development Group (PIDG) Trust (nominated by the Netherlands). All three financiers bring additional experience in project structuring and implementation and specific expertise in the private sector.

In the Outlook for 2010 that we provided in the Annual Report of last year, we indicated three broad expectations for 2010: an increase in grant approvals to EUR 100m; the identification of grant operations in infrastructure sectors not yet supported by the Trust Fund, i.e. the ICT and water sectors; and diversification in the forms

of support provided by the grants beyond those already used, i.e. interest rate subsidies and technical assistance.

The Trust Fund exceeded expectations in the above areas, as well as in others.

At the operational level, the Trust Fund achieved a record year in 2010. Seventeen grants for EUR 111m were approved in 2010, up from four projects and EUR 15.5m in its first year of operation in 2007, bringing the overall total of approved grant operations to nearly 36 projects and EUR 209m. Almost half of those 36 projects were approved during 2010 alone. In addition, in 2010, three grant operations for EUR 86m received a “Clearance in Principle”, i.e. a positive initial decision on their eligibility. All grant operations are described on the following pages of this report.

Several grant operations in 2010 that are particularly noteworthy are highlighted in special text boxes.



Three grant operations were approved in the ICT sector for the first time. Two of them will be implemented by Lux-Development as the Lead Financier, thereby illustrating the ITF's potential for providing financial support to smaller institutions and for smaller infrastructure proposals.

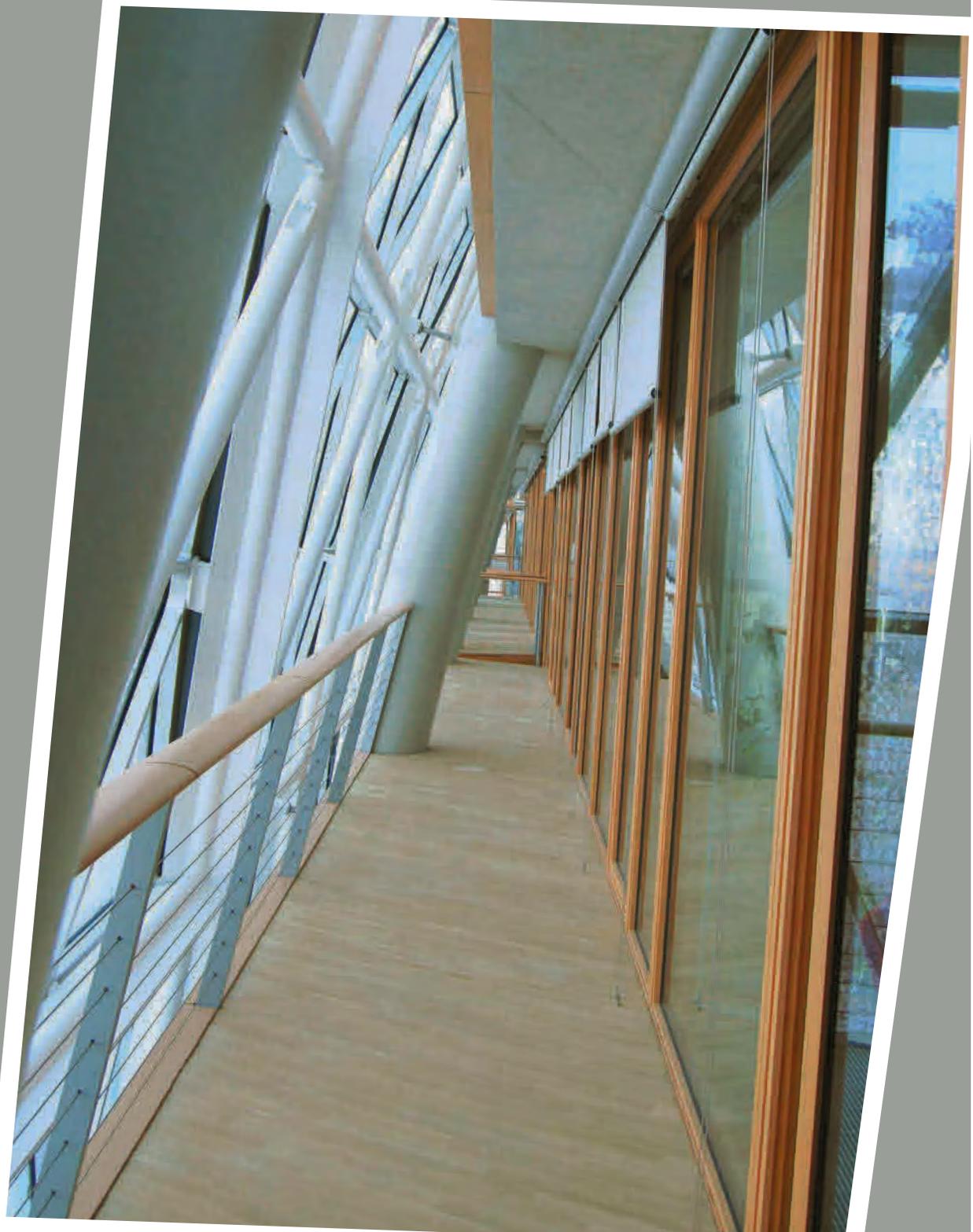
Another highlight was the co-financing operation of AFD, KfW and the EIB aimed at upgrading and rehabilitating the water supply and sanitation system of Kampala in Uganda. The project is the first to be presented to the ITF under the framework of the Lake Victoria Water and Sanitation (LVWatSan) programme, a multi-donor initiative, including the European Commission, which will benefit all the countries around Lake Victoria.

Yet another achievement for the ITF in 2010 was the approval of a direct grant for the Seychelles Submarine

Cable Project, which is to be co-financed by two members of the ITF Project Financiers Group, i.e. the EIB and the African Development Bank. The direct grant from the ITF will fund the shareholding of the Seychelles Government in the company in question. The statutory dividend for this equity stake will be used to provide free internet access for schools and hospitals and other social services.

The EU-Africa Infrastructure Trust Fund was quoted by the President of the European Commission in his opening speech to the European Development Days in Brussels on 6 December 2010 as a successful example of the new European Union Development Policy, based notably on innovative ways of financing. We will strive to keep progressing along this path of innovation as a catalyst for growth.

Functioning and Governance



Functioning and Governance

Purpose and Mechanism of the Fund

The Trust Fund is a financial instrument, a component of a “blending mechanism”, which mixes non-refundable grants from donors with long-term investment finance from financiers.



This “blending” acts as a catalyst for investment, mitigating the risks taken by the promoters and financiers and giving them an incentive to consider investing in projects which may have a low financial return but which could have a high development impact. Without the “blending”, such projects could not otherwise be envisaged.

The Fund fosters co-financing and technical collaboration between numerous stakeholders in line with the principles of the Paris Declaration on Aid Effectiveness and the European Consensus for Development. Its main stakeholders are the European Commission and EU Member States, the African Union and African

nations, the European Investment Bank and participating European development finance institutions, the African Development Bank and other potential donors/private investors involved in the projects.

The Fund shares the same broad objectives as the Infrastructure Consortium for Africa (ICA), a network of bilateral donors, multilateral agencies and African institutions, which supports infrastructure initiatives in Africa, encouraging information-sharing, good practice and project development. The Fund nevertheless has its own unique target, i.e. the financing of infrastructure projects with a regional or continental dimension.

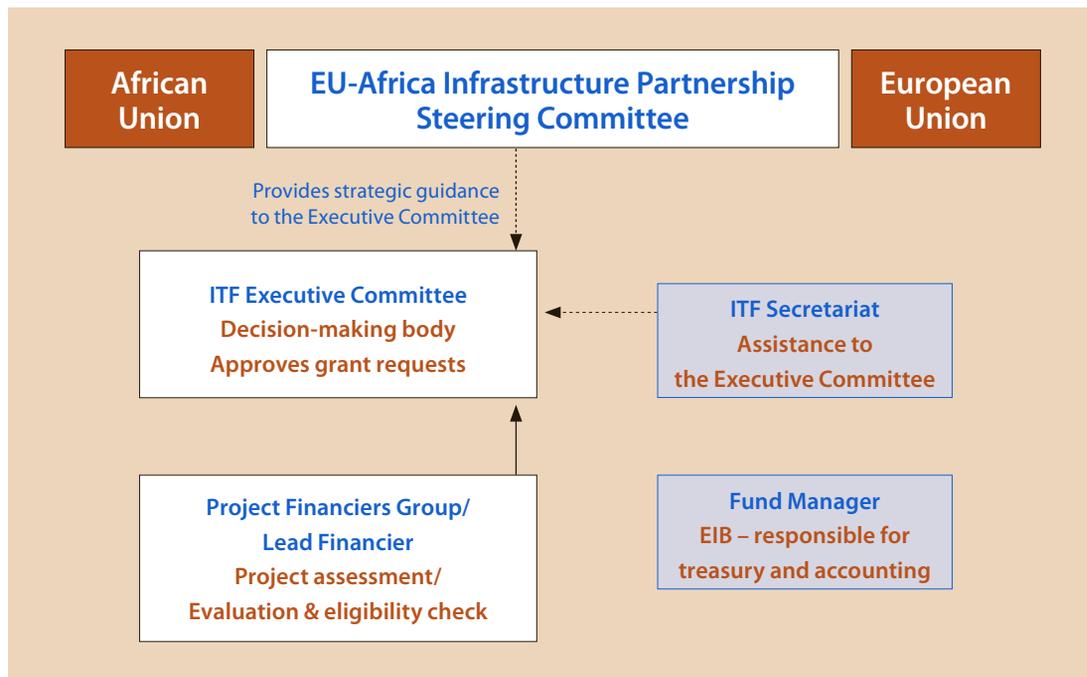
Governance Structure

The governance structure of the Fund reflects these complementary objectives and multi-dimensional partnerships.

Each level of governance was given clearly defined roles and operating tools and procedures, so that the overall structure is lean and efficient. The procedures

can be applied quickly and flexibly. For example, decision-making meetings can be called at short notice and “as needed”, based on the requirements of the projects and their smooth progression towards approval.

The flow chart below shows the different levels of the governance and operating structure of the ITF, which are explained in greater detail on the following pages.



The Steering Committee

The Steering Committee of the EU-Africa Partnership on Infrastructure consists of 58 members, with 29 representatives each from the African Union and the European Union. A list of these members is attached

in Annex 3 to this Annual Report. The Steering Committee’s role is to inform and guide the Trust Fund and to provide advice to the Executive Committee. The Steering Committee does not intervene in the choice of grant operations or the day-to-day running of the Trust Fund, which is the responsibility of the Executive Committee.



The Executive Committee

As the governing body of the Trust Fund, the Executive Committee includes three categories of members: (i) the voting participants, i.e. the donors (European Commission and EU Member States) which have contributed a minimum of EUR 1m; (ii) the non-voting participants, i.e. the EU Member States which are not yet donors; (iii) the European Investment Bank (EIB) as Manager of the Trust Fund, and the Secretariat of the Trust Fund, both of which have non-voting status.

The list of the members of the Executive Committee is in Annex 2.

The Executive Committee meets four or five times a year and seeks to work on the basis of consensus. However, when a vote is required, and in order to maintain some balance in the decision-making process, it is subject to a double majority rule, i.e. (i) two thirds of the

donors in attendance, (ii) representing two thirds of the total voting rights (each million euro contributed representing one voting right).

The Executive Committee is responsible for all key decisions relating to the Trust Fund, such as examining and approving grant operations and ensuring that all Trust Fund activities comply with terms and conditions of its agreed rules and procedures.

Since the inception of the Trust Fund in 2007, the Chair of the Executive Committee has been occupied by its founding donor, i.e. the European Commission. The Chair however can be rotated among Executive Committee members representing donors that have made a contribution commitment of at least EUR 5m.



The Project Financiers Group



The Financiers of the Trust Fund are institutions with international development project expertise, nominated by the donors¹. They examine and assess grant operation requests, with a view to submitting them for approval by the Executive Committee with an opinion on their eligibility and suitability for funding by the Trust Fund. For each grant operation, a Lead Financier is designated by common agreement among the co-financiers.

The Lead Financier henceforth becomes the key counterpart of the Executive Committee and the Trust Fund Manager with respect to the implementation and supervision of the grant operation. The financiers constitute and meet as an informal group, the Project Financiers Group, several times per year in order to discuss and review regional infrastructure projects which might need funding support from the Trust Fund. The Project Financiers Group provides a unique forum for the exchange of technical and operational expertise and for collaboration and co-financing of infrastructure investments in Africa.

The Trust Fund Manager



The European Investment Bank is the Manager of the Trust Fund. In that role, it is responsible for the Fund's treasury management and for maintaining the finan-

cial records and accounts of the Trust Fund and of the grant operations financed from Trust Fund resources. Its tasks include the preparation and approval of the Trust Fund's financial statements, which are attached to this report, and the setting-up and administration of the Trust Fund's Secretariat.

The Trust Fund Secretariat



The Secretariat of the Trust Fund was established to assist the Executive Committee in carrying out its responsibilities. The Secretariat is hosted by the Manager, but is accountable and reports to the Executive Committee. Among the main tasks of the Secretariat are: organising the meetings of the Executive Committee, reporting on the progress and development of the Trust Fund itself and the projects supported by the Fund, preparing statistical analyses on grant operations, preparing and issuing the Trust Fund's Annual Reports and ensuring proper visibility for the Fund.

Request Procedure for Eligible Grant Operations

The eligibility criteria for grant support from the Trust Fund focus on the regional dimension of a project – i.e. the operation must concern either a trans-border project or a national project with an impact on two or more eligible African countries² – on the African ownership

¹ The list of all Financiers can be found in Annex 4 of this report.

² Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Central African Republic, Chad, Congo Brazzaville, Democratic Republic of the Congo, Eritrea, Ethiopia, Djibouti, Gabon, Equatorial Guinea, São Tomé & Príncipe, Ghana, Togo, Guinea-Bissau, Republic of Guinea, Côte d'Ivoire, Liberia, Kenya, Somalia, Lesotho, Swaziland, Madagascar, Malawi, Mali, Mauritania, Mauritius, Comoros, Seychelles, Mozambique, Namibia, Niger, Nigeria, Rwanda, Senegal, Cape Verde, Gambia, Sierra Leone, Sudan, Tanzania, Uganda, Zambia, Zimbabwe.



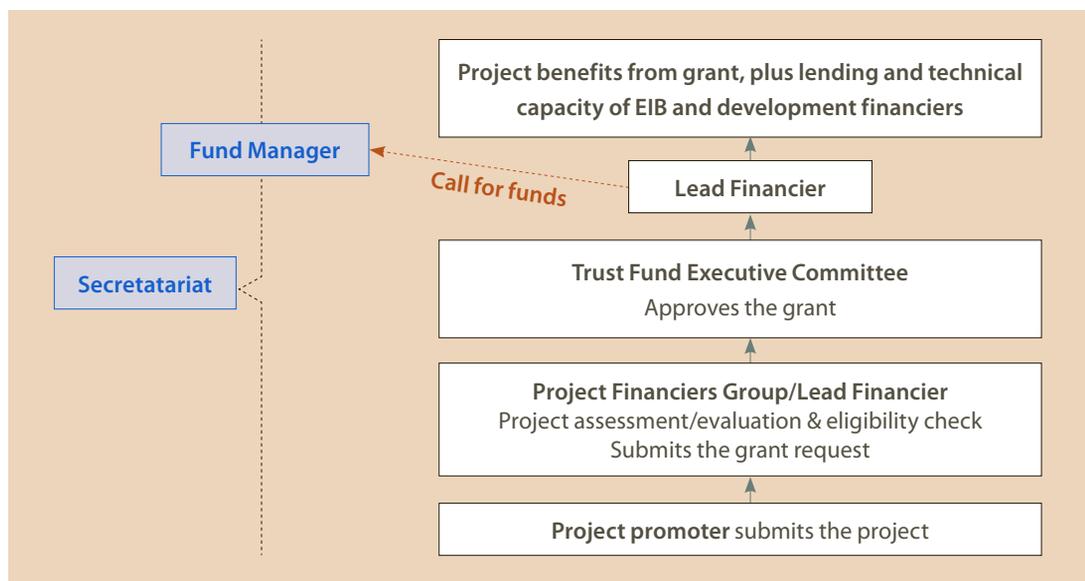
of the project and on sound sustainable development principles such as poverty reduction, contribution to economic development, trade and environmental and social best practice. Eligible projects must belong to one of the four traditional infrastructure sectors: energy, transport, water, and information technology. The Trust Fund can provide grant support in four different forms: (i) interest rate subsidies aimed at reducing the total amount of debt service to be paid by the borrower; (ii) technical assistance, which can include the funding of preparatory work as well as project supervision and targeted capacity building; (iii) direct grants for project components which have substantial demonstrable social or environmental benefits; and (iv) insurance premia mitigating certain risks taken by a promoter or a financier in launching a project.

Projects may be implemented by public or private entities, or entities with mixed public-private capital. The mandatory channel for formally requesting grant support from the Trust Fund is a financier from the Project Financiers Group. Project promoters with regional infrastructure investment proposals must approach a PFG member, which in turn will assess whether the project fulfils the eligibility criteria of the Trust Fund. If this is the case, the financier will prepare a grant operation

request, which is then discussed at two separate, successive levels:

- 1) Presentation and discussion within the **Project Financiers Group (PFG)**, the group of all nominated financiers: the financiers examine and review the proposal and issue an opinion on each grant operation request. If the PFG concludes that the proposal is considered suitable for ITF grant support, it will submit a recommendation to the ITF Executive Committee.
- 2) Submission of a grant operation request to the **Executive Committee** for its approval and/or clearance in principle: the Executive Committee, which is the group of all donors, will examine the requested grant element of a project in the light of the eligibility criteria and take a final decision. While the Executive Committee focuses only on the grant element, the decision to extend the underlying project loan remains the responsibility of the project financiers.

Once the relevant agreement or contract has been signed with a borrower, the Lead Financier may request the ITF Manager to transfer a lump sum equal to the entire amount of the approved grant operation or a part of the approved grant operation.



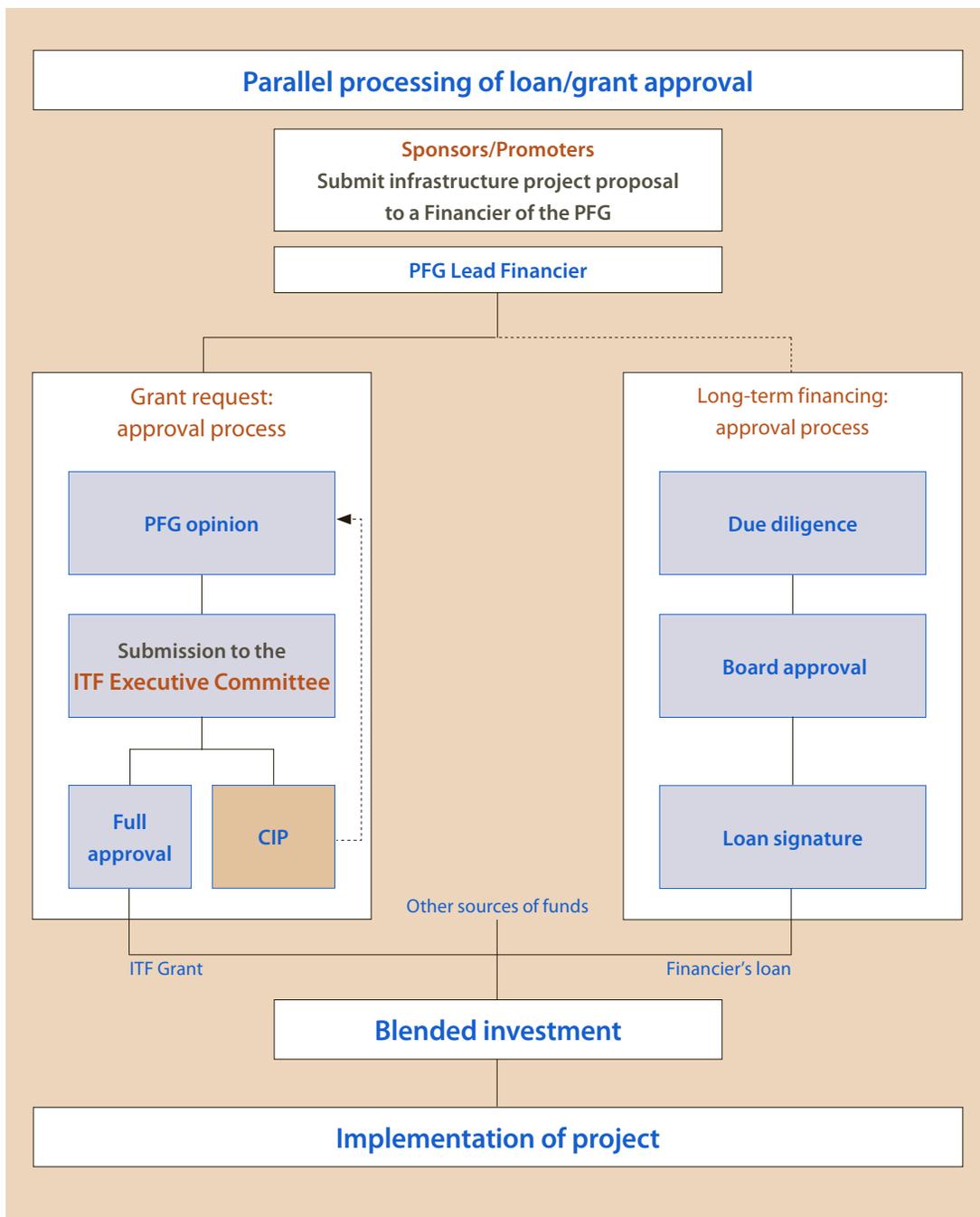
Grant Operation Requests and Investment Project Processing

The processing of a grant approval request for a project in the investment phase is done in parallel with the financier's own internal loan approval steps, avoiding a loss of time or a delay in project implementation.

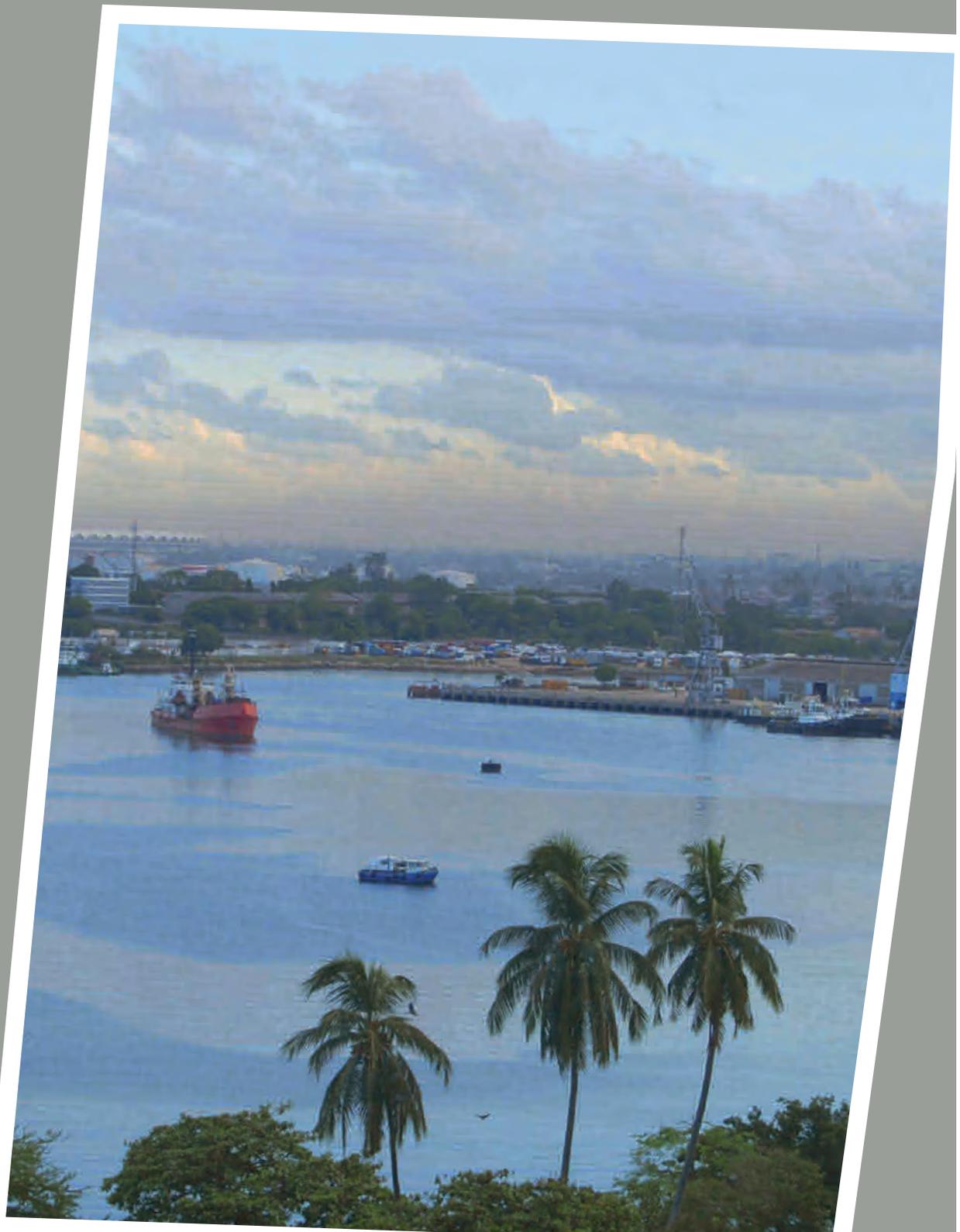
This innovative blending mechanism allows the financiers to achieve developmental objectives by providing greater concessionality and value added and is fully consistent with the current trend of enhancing the blending of loans and grants to achieve better leverage.

The following diagram shows the parallel processing of the financier's internal loan approval steps on the one hand and of the approval steps for an ITF grant operation on the other hand.





Operational Results



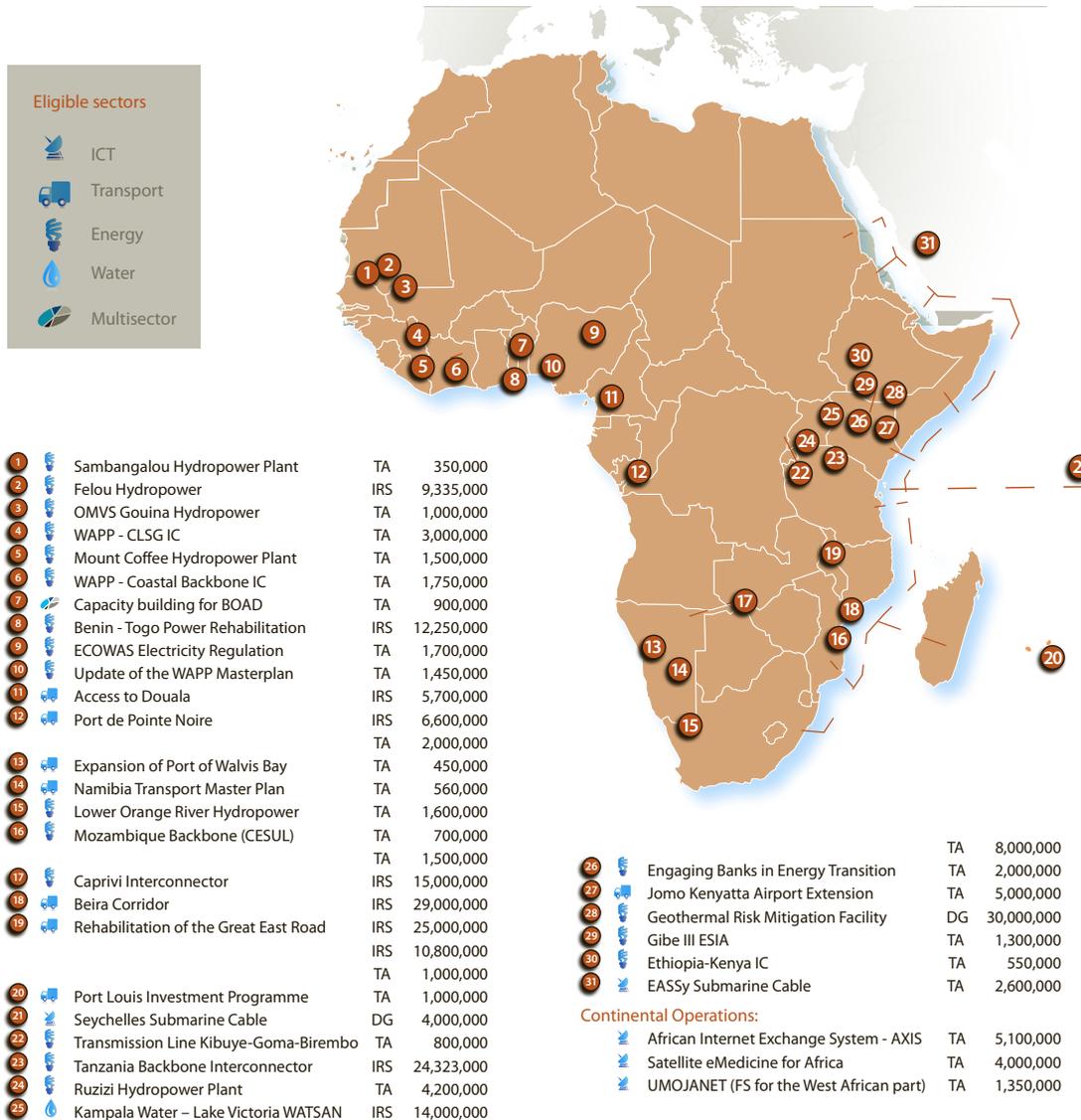


Overview 2007-2010

Map Indicating Location of Approved Grant Operations

The map below shows the locations of the 39³ grant operations approved or cleared in principle by the end of 2010. All projects approved or cleared in principle in 2010 are described in detail on pages 28 to 46 of this report, while updates on projects approved between 2007 and 2009 are provided on pages 52 to 59.

Total, Direct Grant (DG)	4 000 000
Total, Interest Rate Subsidy (IRS)	152 008 000
Total, Technical Assistance (TA)	52 860 000
Grand Total	208 868 000



³ The map indicates only 31 locations, as three projects received more than one Grant Operation and another three projects are continental projects and cannot be allocated to a particular region.

Summary of Operational Results 2007-2010

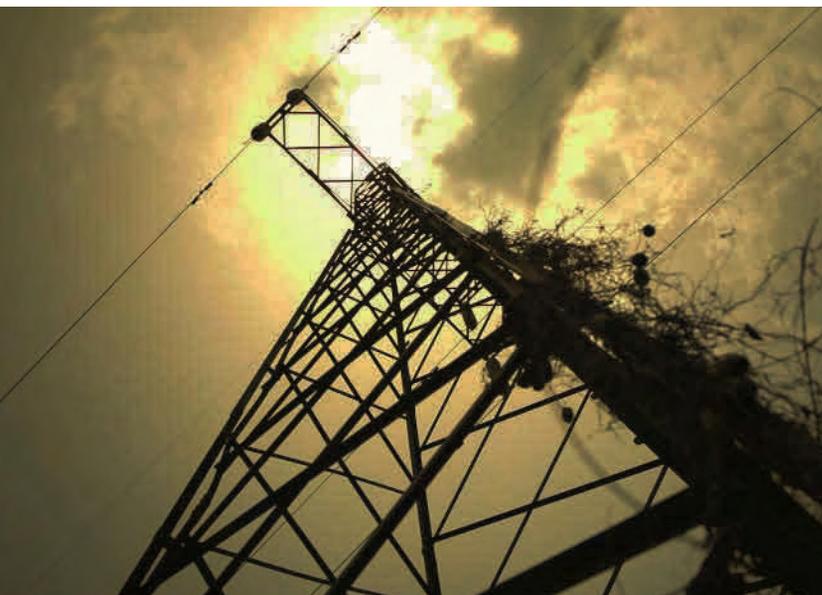
The graph below shows that 2010 was a record year by any measure. 17 grant operations for EUR 110.6m were approved, with a further two operations for EUR 31.5m

“cleared in principle”. The cumulative total commitments and number of approved operations almost doubled over the year.

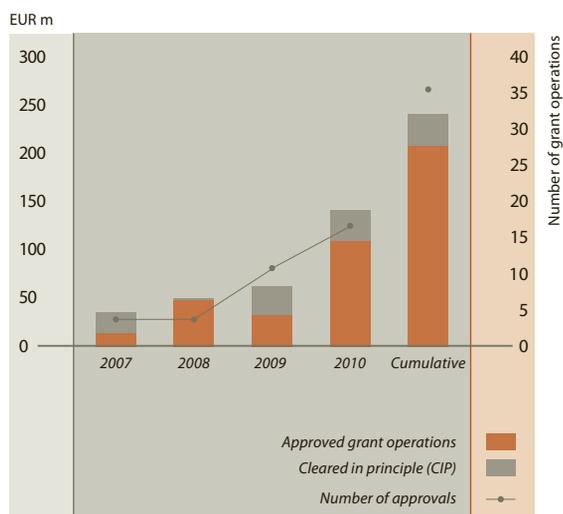
EUR '000

	2007	2008	2009	2010	Cumulative**
Approved grant operations	15 485	49 200	33 550	110 633	208 868
Cleared in principle (CIP)	21 600	1 700	30 700	31 500	32 500
Number of grant approvals + CIP	4 + 2	4 + 1	11 + 2	17 + 2	36 + 3

** only grant operations cleared in principle which are not yet approved are counted here



Operational results by amount (EUR m)





List of Approved Grant Operations 2007-2010

The following three tables list all approved grant operations according to project investment status.

Grant operations supporting blended projects in their investment phase

EUR '000

Grant Operation	Region	Sector	Type	PFG Lead Financier	Grant Amount	Estimated Total Project Cost	Date of Approval
EASSy Submarine Cable	Central & East Africa	ICT	TA	EIB	2 600	201 000	05/07/07
Seychelles Submarine Cable	Southern Africa	ICT	DG	EIB	4 000	27 200	14/12/10
Felou Hydropower Plant	West Africa & Sahel	Energy	IRS	EIB	9 335	211 500	10/07/07
Caprivi Interconnector	Southern Africa	Energy	IRS	EIB	15 000	302 000	22/01/08
Benin - Togo Power Rehabilitation	West Africa & Sahel	Energy	IRS	EIB	12 250	73 200	10/11/09
Tanzania Backbone Interconnector	Central & East Africa	Energy	IRS	EIB	24 323	382 900	14/12/10
Beira Corridor	Southern Africa	Transport	IRS	EIB	29 000	189 000	18/12/08
Port de Pointe Noire	Central & East Africa	Transport	IRS	AFD	6 600	128 400	10/11/09
			TA	AFD	2 000		14/12/09
Jomo Kenyatta International Airport Extension	Central & East Africa	Transport	TA	EIB	5 000	184 270	14/12/09
Rehabilitation of the Great East Road	Southern Africa	Transport	IRS	EIB	25 000	250 000	29/06/10
			IRS	AFD	10 800		09/11/10
			TA	EIB	1 000		29/06/10
Kampala Water - Lake Victoria Water and Sanitation	Central & East Africa	Water	IRS	KfW	14 000	212 000	29/06/10
			TA	KfW	8 000		29/06/10
Access to Douala - Road Rehabilitation	Central & East Africa	Transport	IRS	AFD	5 700	60 000	16/09/10
Total grant operations supporting projects in investment phase					174 608	2 221 470	

Grant operations financing advisory services for projects with identified investment

EUR'000

Grant Operation	Region	Sector	Type	PFG Lead Financier	Grant Amount	Estimated Total Project Cost	Date of Approval
Ethiopia-Kenya Interconnector	Central & East Africa	Energy	TA	KfW	550	660 000	10/07/07
WAPP - CLSG Interconnector	West Africa & Sahel	Energy	TA	EIB	3 000	260 000	16/10/07
Ruzizi Hydropower	Central & East Africa	Energy	TA	EIB	4 200	300 000	29/05/08
OMVS Gouina Hydropower	West Africa & Sahel	Energy	TA	AFD	1 000	250 000	18/12/08
WAPP - Coastal Backbone Transmission Lines	West Africa & Sahel	Energy	TA	EIB	1 750	60 000	27/03/09
ESIA for the Gibe III Hydropower Plant	Central & East Africa	Energy	TA	EIB	1 300	1 450 000	14/12/09
Transmission Line Kibuye-Goma-Birembo	Central & East Africa	Energy	TA	KfW	800	69 000	15/04/10
Mount Coffee Hydropower	West Africa & Sahel	Energy	TA	EIB	1 500	116 000	15/04/10
Lower Orange River Hydropower Scheme	Southern Africa	Energy	TA	EIB	1 600	250 000	29/06/10
Engaging Banks in Financing Energy Transition Projects	Central & East Africa	Energy	TA	AFD	2 000	60 000	29/06/10
Expansion of Port of Walvis Bay	Southern Africa	Transport	TA	KfW	450	200 000	14/12/09
Total advisory grant operations for projects with identified investments					18 150	3 675 000	

Grant operations financing advisory services for projects with investment yet to be identified

EUR'000

Grant Operation	Region	Sector	Type	PFG Lead Financier	Grant Amount	Date of Approval
Update of the WAPP Master Plan	West Africa & Sahel	Energy	TA	EIB	1 450	22/10/09
ECOWAS Electricity Regulation	West Africa & Sahel	Energy	TA	AFD	1 700	10/11/09
Mozambique Backbone (CESUL)	Southern Africa	Energy	TA	EIB	700	14/12/09
Sambangalou Hydropower Plant	West Africa & Sahel	Energy	TA	AFD	350	14/12/09
AXIS - The African Internet Exchange System	African Continent	ICT	TA	Lux-Dev.	5 100	19/08/10
Satellite eMedicine for Africa	African Continent	ICT	TA	Lux-Dev.	4 000	23/08/10
Feasibility Study for the Western Part of Umojanet	African Continent	ICT	TA	AFD	1 350	14/12/10
Integrated Transport Master Plan for Namibia	Southern Africa	Transport	TA	EIB	560	09/11/10
Capacity Building for BOAD	West Africa & Sahel	Multi-sector	TA	EIB	900	23/08/10
Total advisory financing for projects with investment yet to be identified					16 110	

Total of approved ITF grant operations

208 868



Again the energy sector attracted the most grant operations approved in 2010 (six operations for EUR 31.1m). Five grant operations are designed to facilitate projects in the transport sector, including three grant operations for the rehabilitation of the Great East Road in Zambia (more information on this project can be found on page 31).

As a positive trend, it is worth noting that three grant operations approved in 2010 will help to prepare projects in the ICT sector on a trans-regional basis, two of these under the lead of Lux-Development. The first

direct grant operation also supports an ICT project: the Seychelles Submarine Cable project.

A highlight of the ITF's activity in 2010 is its support for improvements in the water and sanitation systems in Kampala and around Lake Victoria. Within the framework of the Mutual Reliance Initiative and under the lead of KfW, an AFD/KfW/EIB co-financing plan was established, with further support from the European Commission, for the upgrading and rehabilitation of Kampala's water supply infrastructure and the associated transmission mains and distribution system.



Grant Operations Cleared in Principle

In addition to the clearance in principle previously granted (2009) for technical assistance for the Port Louis Investment Programme (Mauritius), two new grant operations were cleared in principle in 2010, bringing the total of operations cleared in principle to EUR 32.5m.

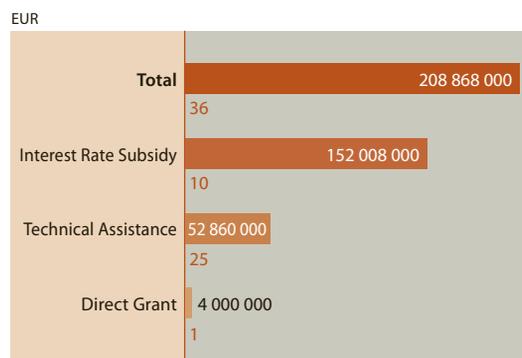
EUR '000

Grant Operation	Region	Sector	Type	PFG Lead Financier	Grant Amount	eTPC	Date of CIP
Port de Port Louis	Southern Africa	Transport	TA	AFD	1 000	136 000	27/03/09
Geothermal Risk Mitigation Facility	Central & East Africa	Energy	DG	KfW	30 000	1 000 000	09/11/10
Mozambique Backbone (CESUL)	Southern Africa	Energy	TA	AFD	1 500	1 000 000	14/12/10
					32 500		

Approved Grant Operations by Type of Grant

The first direct grant was approved in December 2010 for the funding of the Seychelles Government's equity stake in Seychelles Cable Systems (read more on this grant operation on page 42). A second direct grant for an East African Geothermal Risk Mitigation Facility was cleared in principle and is expected to be approved in 2011. Eleven of the 25 technical assistance grants and half of all interest rate subsidy grant operations were approved in 2010. The average cost of ITF funding of technical assistance grant operations is EUR 2.1m, while that of interest rate subsidy grant operations is EUR 15.2m.

The graph on the right reflects only approved grant operations.



EUR '000

	Grant Amount	Number of Grants
Direct Grant	4 000	1
Technical Assistance	52 860	25
Interest Rate Subsidy	152 008	10
Total	208 868	36



Multiplier or Leverage Effect

The financial leverage is the catalytic effect of a grant amount in mobilising non-grant investment in a project. The following table compares the yearly total of ITF grant operations approved for projects in their investment phase (see also Table on p. 21) with the respective PFG financing and estimated total project cost:



Leverage effect of ITF grants supporting project investment phases

EUR '000

	2007	2008	2009	2010	Cumulative
Total grant per year	11 935	44 000	25 850	92 823	174 608
PFG financing (incl. AfDB)	177 861	170 000	235 400	675 100	1 258 361
Other financing	234 639	321 000	150 470	257 000	963 109
Estimated TPC (excl. grant element)	412 500	491 000	385 870	932 100	2 221 470

Leverage effect 12.7

Leverage of PFG financing 7.2

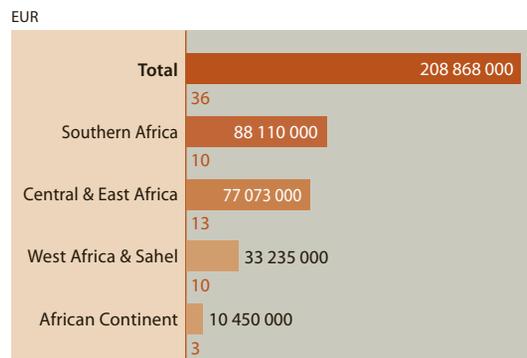
These grant operations facilitate the blending of 12 infrastructure projects, resulting in a leverage effect of 12.7 to 1. The leverage ratio in terms of PFG financing is 7.2 to 1, meaning that one EUR of ITF funding has leveraged 7.2 EUR of PFG financing.



Approved Grant Operations by Region

The number of projects supported by the ITF is spread almost equally throughout the eligible Sub-Saharan regions. In addition, three of the ICT technical assistance grants approved in 2010 are not supporting projects in a particular region, but will fund the preparation cost of projects which will benefit the entire African continent. In total cost terms, the Southern African region receives most support from the ITF, followed by Central and East Africa, reflecting the type and size of approved grant operations to date.

Cumulative ITF approvals by region

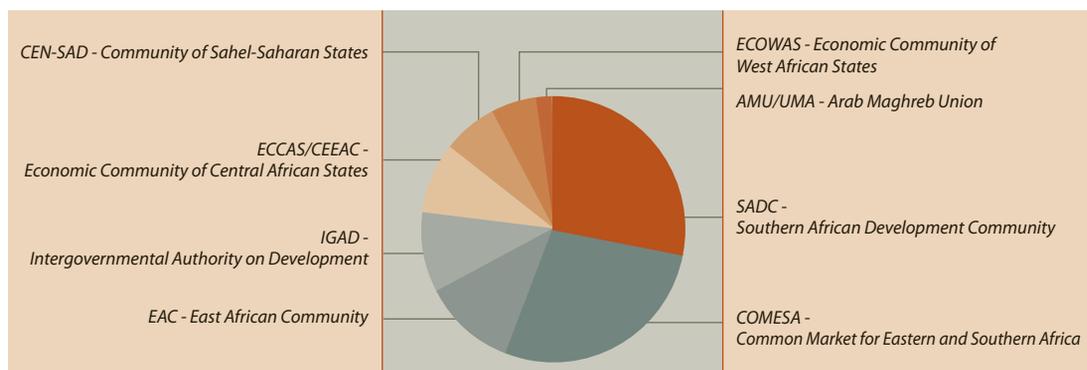


Approved Grant Operations by Regional Economic Community

The Regional Economic Communities (RECs), which were established with the aim of promoting greater economic integration of the African countries, work closely with the African Union and its Commission to facilitate the harmonisation of policies and the formulation and implementation of all African Union programmes. The RECs as economic building blocks bring together the member states in various subregions, although there are a number overlaps between the RECs, as shown in the map in Annex 6.

Technical and logistical support is offered to the RECs by various specialised institutions, such as power pools and river basin commissions, in implementing infrastructure policies and projects.

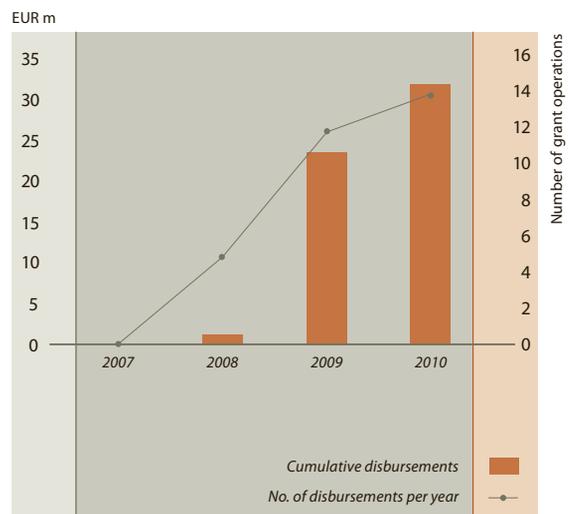
The following chart shows the distribution of projects supported by the ITF according to the different REC regions. As one country can be covered by more than one REC, some projects are included more than once.





Total Disbursements 2007-2010

While the total number of approved grant operations increased significantly in 2010 compared to 2009, the total amount disbursed only increased by 36% from 2009 to 2010, reflecting the typical time lapse associated with regional infrastructure project implementation. Nevertheless, given the enormous increase in approved grant operations in 2010, it can be expected that disbursements will considerably increase in both numbers and volumes in 2011 and beyond.



EUR '000

	2007	2008	2009	2010
Cumulative disbursements	0	1 082	23 478	31 870
No. of disbursements per year	0	5	12	14



The ITF in 2010

Grant Operations Approved in 2010

EUR '000

Grant Operation	Region	Sector	Type	PFG Lead Financier	Grant Amount	Date of Approval
Transmission Line Kibuye-Goma-Birembo 220 kV transmission line from Kibuye (Rwanda) via Goma (DRC) to Birembo (Rwanda)	Central & East Africa	Energy	TA	KfW	800	15/04/10
Mount Coffee Hydropower Plant Rehabilitation of the Mount Coffee Hydropower Plant to restore the pre-war capacity of 64 MW	West Africa & Sahel	Energy	TA	EIB	1 500	15/04/10
Rehabilitation of the Great East Road Reconfiguration, upgrading and general rehabilitation of 360 km road	Southern Africa	Transport	IRS	EIB	25 000	29/06/10
			TA	EIB	1 000	29/06/10
			IRS	AFD	10 800	09/11/10
Kampala Water - Lake Victoria Water and Sanitation Upgrading and rehabilitation of Kampala water supply and sanitation infrastructure and the associated transmission mains and distribution system	Central & East Africa	Water	IRS	AFD	14 000	29/06/10
			TA	KfW	8 000	29/06/10
Lower Orange River Hydropower Scheme Run-of-the-river hydropower plants on the shared water ways of the Orange River	Southern Africa	Energy	TA	EIB	1 600	29/06/10
Engaging Banks in Energy Transition Projects Credit line to local banks for onlending to investors sponsoring renewable energy and/or energy efficiency projects	Central & East Africa	Energy	TA	AFD	2 000	29/06/10
AXIS - The African Internet Exchange System Establishment of African internet infrastructure	African Continent	ICT	TA	Lux-Development	5 100	19/08/10
Satellite eMedicine for Africa Satellite solutions providing information and communications technologies to improve health in Sub-Saharan Africa	African Continent	ICT	TA	Lux-Development	4 000	23/08/10
Capacity building for BOAD Provision of capacity building assistance, funding of a study on a carbon fund and support for BOAD's environmental policy	West Africa & Sahel	Multi-sector	TA	EIB	900	23/08/10
Access to Douala - Road Rehabilitation Rehabilitation of the eastern access road (RN3) to Douala	Central & East Africa	Transport	IRS	AFD	5 700	16/09/10
Integrated Transport Master Plan for Namibia Development of an intergrated, multi-modal transport plan for Namibia and the SADC region	Southern Africa	Transport	TA	EIB	560	09/11/10
Tanzania Backbone Interconnector Construction of a 667 km transmission line, operated at 220 kV with both circuits strung, between Iringa to Shinyanga	Central & East Africa	Energy	IRS	EIB	24 323	14/12/10
Seychelles Submarine Cable Installation and operation of the first submarine fibre optic cable for the international connections of the Seychelles to the EASSy Cable	Southern Africa	ICT	DG	EIB	4 000	14/12/10
Feasibility Study for the Western Part of UMOJANET Feasibility Study on the terrestrial segment of the NEPAD ACP Broad-band Infrastructure Network for West, Central and North Africa	African Continent	ICT	TA	AFD	1 350	14/12/10



Pre-investment Study for the Kibuye (Rwanda-Goma (DRC)-Birembo (Rwanda) Interconnector	
Sector	energy
Type of grant	TA
Approval date	15.04.2010
Lead Financier	KfW
Grant amount	EUR 0.8m
Estimated TPC	EUR 69m
Grant status	under disbursement

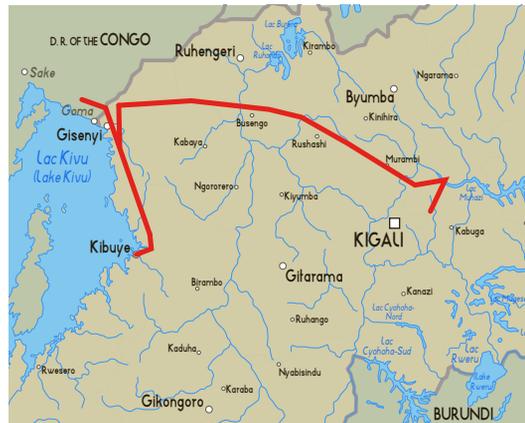


Town of Gisenyi, Rubavu district, bordering on Goma (DRC)

The line is part of the regional power transmission project under NELSAP, designed to create a regional power exchange market among the five NELSAP countries, Burundi, DRC, Kenya, Rwanda and Uganda, with a view to achieving low-cost power supply, system stability, security of supply and optimum use of energy resources. The project seeks to improve the living conditions of the people, as well as the quality of the region's socioeconomic development environment, based on the availability of affordable electrical energy and the access of communities to electricity through increased cross-border electric power trade. While the funding for the project has been largely secured and the preparatory activities for the other lines under the NELSAP project are well advanced, the pre-investment study for the line from Kibuye to Birembo via Goma remains to be undertaken. The investment costs of the Kibuye-Goma-Birembo line have already been

allocated by the German Government and the African Development Bank. The Government of the Netherlands is prepared to co-finance the project and will make a formal decision once the results of the feasibility study are available.

The consultancy contract for the study on the feasibility of the 220 kV electrical transmission line network of Kibuye-Gisenyi-Goma and Gisenyi-Mukungwa-Birembo covers load forecasting, economical and financial calculations, line routing, tower spotting, a geological survey, an environmental and social impact assessment, data sheets, drawings and price sheets. It was awarded to Fichtner Germany and signed between Fichtner and the Ministry of Industry of the Republic of Rwanda on 14 June 2010. A first disbursement was made in June 2010.



Project Preparation Studies for the Rehabilitation of the Mount Coffee Hydropower Plant	
Sector	energy
Type of grant	TA
Approval date	15.04.2010
Lead Financier	EIB
Estimated TPC	EUR 116m
Grant amount	EUR 1.5m
Grant status	approved

The rehabilitation of the Mount Coffee Hydropower Plant is part of the Government of Liberia's phased development of the entire St. Paul River Basin and part of the WAPP CLSG Redevelopment Subprogramme, which should enable Liberia to export power to the WAPP interconnection grid and also address the urgent electricity needs of the Liberian people. It aims to restore the power plant's capacity to its pre-war level of 64 MW. The project is a vital component of the essential post-conflict reconstruction effort, contributing to economic development, poverty reduction and trade.

The ITF grant will be used by the West African Power Pool Secretariat on behalf of Liberia Electricity Corporation to

procure the services of an international consulting firm for project preparation studies, including an environmental and social impact assessment and resettlement action plan and pre-investment studies, divided into four phases. Phase One will comprise the review of the existing Feasibility Study, a detailed site survey, the preparation of a geotechnical baseline report outline, a dam safety study, the preparation of a site survey and design report and the preparation of the "Employer Requirement – Scope of Supply of Plant and Installation Services by the Contractor" section of the tender documents.

The bidding procedure for the two studies was launched on 16 June 2010 with a call for expressions of interest. The tender procedure will be finalised in early 2011 and the consultant's work for the ESIA and resettlement action plan is scheduled to be carried out between June 2011 and May 2012 and the services for the pre-investment studies between June 2011 and August 2012.

"The West Africa Power Pool initiative is indeed also critical to the long-term interconnectivity of the Economic Community of West African States (ECOWAS)."

"When the Mount Coffee Hydroplant is fully rehabilitated, Liberia will be able to contribute power supply to its neighbours as a development partner to their economic viability."

Liberia's Vice-President Joseph N. Boakai at the conference on Liberia's hydropower sector, 21 October 2010



Rehabilitation of the Great East Road	
Sector	transport
Type of grant	TA and IRS
Lead Financier	EIB
Estimated TPC	EUR 250m
TA grant amount	EUR 1m
IRS grant amount (EIB)	EUR 25m
IRS grant amount (AFD)	EUR 10.8m
Grant status	approved



This project consists of road reconfiguration and upgrading measures and bridge replacements along a 360 km section of the Great East Road, which is part of the Nacala Corridor, a regional road/rail route passing through Zambia, Malawi and Mozambique and linking Lusaka with the port of Nacala. The project also includes a dry port (road and rail interchange) at Chipata in Zambia. The total project cost is EUR 250m. Other complementary road and rail upgrading work along this corridor in Malawi and Mozambique is already under way. The project will improve journey times and safety, thus reducing transport costs and facilitating trade and economic growth in the region.

This project provides a good example of how the ITF can assist in securing innovative financing from different sources to implement large regional infrastructure projects. ITF interest rate subsidies on the EIB and AFD

loans comply with the concessional lending requirements for Highly Indebted Countries and complement other EU and AfDB co-financing operations. The project benefits from long-term road sector support and project preparatory work previously undertaken by the EU Delegation to Zambia.

Good collaboration between the co-financiers has also facilitated the sharing of project documentation and joint missions, generating efficiency savings for the donors and promoter. Similarly, the technical assistance from the ITF will strengthen the capacity of the promoter (Government of Zambia's Road Development Agency) to implement and sustain the project, while benefiting the works undertaken by all the project's co-financiers.



“As we strive to improve the road infrastructure development in our country, the Nacala Corridor connecting Zambia, Malawi and Mozambique will undeniably see the stimulation of trade via more imports and exports and employment opportunities to benefit the overall economy.”



Mr Luambe Mondoloka,
Road Development Agency Chairperson

Access to Douala	
Sector	transport
Type of grant	IRS
Lead Financier	AFD
Estimated TPC	EUR 60m
Grant amount	EUR 5.7m
Grant status	approved

This project consists of the rehabilitation and widening of the RN3 eastern access road to Douala, over 20 km. The existing road can no longer handle the long-distance heavy traffic and the lighter urban short-distance traffic, resulting in increasing and permanent saturation, along with poor pedestrian and two-wheel safety and environment issues. This situation will deteriorate with the implementation of the CEMAC Regional Transport and Transit Facilitation Programme, the first phase of which is focused on the Douala-Bangui and Douala-N'Djamena corridors. The Access to Douala Project,



which could have been part of this Programme, will contribute to its economic efficiency and will mitigate its negative social and environment impacts on Douala.

The interest rate subsidy of EUR 5.7m, which corresponds to a 1% interest rebate, will be used by AFD to subsidise its EUR 60m loan to the Republic of Cameroon. The financing agreement is scheduled to be signed by the Cameroonian authorities during the first half of 2011 and the invitation to tender published by mid-2011.

Capacity Building for BOAD	
Sector	multi-sector
Type of grant	TA
Lead Financier	EIB
Estimated TPC	n.a.
Grant amount	EUR 900,000
Grant status	approved

BOAD is a development bank of the West African Economic and Monetary Union (WAEMU). Its mission is to support the sound development of its member states, Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, Togo, as well as regional integration, by providing funding in the form of equity and loans, interest rate subsidies and technical assistance to a range of infrastructure sectors.

The proposed technical assistance is part of an EIB credit line and equity investment and will cover three components related to climate change and environmental expertise at BOAD. The first component is a training

course aimed at Clean Development Mechanism awareness, knowledge and understanding for BOAD's key staff and management. The second component concerns the funding of a study on the scope for and feasibility of a carbon fund in the WAEMU, to be managed by BOAD. The third and final component aims at extending and adapting BOAD's capacities for assessing industrial and urban development projects with regard to associated risks and potential impacts on the environment. The services of a qualified and experienced international consulting firm will be procured to carry out the above tasks.

As a key objective of BOAD's Business Plan, the bank is seeking to increase its policy and management skills relating to environmental and climate change issues. BOAD has been appointed regional Coordinator and manager of the regional sustainable energy initiative "Initiative Régionale pour l'Energie Durable (IRED)" and will play a key role in promoting IRED and carbon finance in the region by supporting the creation of an enabling environment, securing both regional and non-regional financing and structuring projects.



Kampala Water - Lake Victoria Water and Sanitation	
Sector	water
Type of grant	TA and IRS
Lead Financier	KfW
Estimated TPC	EUR 212m
TA grant amount	EUR 8m
IRS grant amount (AFD)	EUR 14m
Grant status	approved



The aim of the Lake Victoria Water and Sanitation operation is to create viable utilities with improved ability to implement and operate the necessary infrastructure for the supply, sanitation and waste management of the Lake’s water, while developing viable approaches for incorporating services for poor populations. In a first phase, this initiative focussed on smaller towns in Uganda, Kenya and Tanzania. A second phase for an additional 15 towns, involving Rwanda and Burundi as well, is currently being examined for potential funding from the African Development Bank. The national governments have decided to scale up the initiative in a third phase, which will include a number of larger towns, such as Kisumu in Kenya, Mwanza in Tanzania and Kampala in Uganda, as well as Kigali in Rwanda and Gitega in Burundi, with emphasis on the low-income areas of these towns where the most urgent needs exist for improved water and sanitation services. Given the significant investment requirements of the projects under this third phase, it is planned to submit a series of requests to the ITF in the coming years, catering for the differences in the pace of preparation and implementation in each of the participating countries. The first request was submitted to the ITF in 2010 for the Kampala Water and Sanitation Project and a TA grant operation for EUR 8m and an IRS grant operation for EUR 14m were approved in June 2010.

The total project cost of the Kampala Water and Sanitation Project is estimated at EUR 212m and will be financed through loans and grants from AFD, KfW and the EIB, as well as equity from the National Water and Sewerage Corporation. KfW, AFD and EIB are collaborating under the Mutual Reliance Initiative, with KfW as the Lead Financier, in keeping with one of the ITF’s objectives, namely enhancing European co-financing.

The IRS grant operation will be blended with AFD’s own resources loan of EUR 64m in order to achieve terms compatible with the debt strategy of the Government of Uganda. The TA grant operation will fund the planning, an options study, project preparation and a hydraulic analysis with a view to developing an integrated master plan and improving knowledge of the impacts of waste water, climate changes and other variables.

The use of grants or interest rate subsidies is justified by the strong pro-poor MDG focus and environmental character of the investments, providing best available technologies and disseminating them through water operator partnerships around Lake Victoria, and the need to safeguard the affordability of investments for the populations, as well as to accelerate investments and achieve terms of financing compatible with the obligations under each country’s debt management strategy (HIPC or similar). Details of these elements are given below for the case of Kampala.

The Lake Victoria WATSAN is a combination of physical investment projects and of capacity building measures to support viable and pro-poor water and sanitation services in the Lake Victoria Basin and is seen as a regional initiative helping to fast-track the implementation of the Millennium Development Goals. This is entirely in line with the objectives of the ITF, which was set up under the EU-Africa Partnership for Infrastructure in response to the efforts undertaken by the international donor community to enhance development in Africa and the implementation of the Millennium Development Goals.

Kampala Water – Lake Victoria Water and Sanitation Project (KW-LVWatSan Project 2011-2016)

The Kampala Water – Lake Victoria Water and Sanitation project, a 5-year project, targets the improvement of water supply services to the population living in the Greater Kampala Metropolitan Area (GKMA) through capital investments in water production and distribution infrastructure.



Dr William Muhairwe
Managing Director – National
Water and Sewerage Corporation,
Uganda

Project objectives (as per the 2010 feasibility report)

- ➔ Improvement of the living conditions of the target population of about 4 million people (by 2025) residing in GKMA through provision of safe, reliable and affordable drinking water, with particular emphasis on improving water supply coverage to the peri-urban and urban poor population.
- ➔ Promotion of sustainable social-economic growth, improved health and thus a contribution towards the poverty reduction efforts of the Government of Uganda (GoU).

Project components

Component	Description of Key Outputs
1. Upgrading and rehabilitation of Gaba water treatment complex	Increasing water treatment capacity from 150 000 m ³ /day to at least 230 000 m ³ /day through appropriate rehabilitation and extension activities, construction of a new reservoir, clear water pumps, and a new sludge treatment plant for mechanical removal of chemicals used in water treatment.
2. Construction of new water treatment plant east of Kampala and associated network	Construction of an intake mains of at least 240 000m ³ /day in Katosi in the east of Kampala, a water treatment plant with a capacity of 120 000 m ³ /day. Sludge handling facilities, clear water pumping station, transmission mains (28 km of DN 1 200 mm), primary network (41.5 km of DN 400 mm to DN 1 200 mm), asset management and control system for network management and appropriate measures to protect the watershed.
3. Network restructuring and rehabilitation	Restructuring and extension of the existing distribution network through construction and rehabilitation of transmission network (25 km of DN 1 200 mm), primary distribution system (49.4 km of DN 200 mm to DN 700 mm), associated reservoirs, densification and extension of secondary network (156 km of DN 500 mm to DN 200 mm) and extension of tertiary network (730 km of DN 150 mm to DN 50 mm); implementation of district metering zones, pressure management, including a SCADA system for network monitoring and activities for technical and administrative water loss reduction measures.
4. Extension of water supply in informal settlements	(i) Improving water supply in 20 selected informal settlements through network densification and construction of nearly 3 000 public water points and yard taps with electronic pre-paid meters to ensure access for an additional 400 000 people. (ii) In close coordination with the Kampala Sanitation Programme, implementation of pro-poor oriented sanitation measures comprising the construction of up to 200 private low cost demonstration latrines (dry compost latrines), the procurement of small-scale emptying equipment, and improvement of 10 km of drainage channels, social marketing campaigns and hygiene sensitisation.
5. Accompanying measures	Capacity development in the areas of overall investment planning, in particular better coordination of sanitation planning with expansion of the water supply, operations management, network modelling, asset management, pressure management, network control, and financial management, including related training and equipment.



Anticipated project benefits

Technical benefits

- ↳ Increased water production capacity in Kampala from 150 000 m³/day to at least 350 000 m³/day.
- ↳ Robust water transmission and distribution network and extended water supply area in GKMA.
- ↳ Reduction of non-revenue water (NRW) and hence creation of additional water supply capacity.
- ↳ Enhanced operational and financial efficiency in NWSC.

Economic benefits

- ↳ Contribution to economic transformation through provision of safe and affordable drinking water.
- ↳ Contribution to GoU's efforts to meet water and sanitation MDGs.
- ↳ Better coordination of sanitation planning with expansion of water supply within NWSC.
- ↳ Increase in NWSC's revenues due to increased water production and extended supply area.
- ↳ Increased cost efficiency in terms of the unit costs of water production and supply.

Social benefits

- ↳ Improved quality of life of people in GKMA through provision of 24/7 water supply.
- ↳ Reduction in walking distances and time savings for women and children in urban poor areas.
- ↳ Reduction in instances of water borne diseases and costs of medical care.

Environmental benefits

- ↳ Reduction of environmental effects of direct discharge of chemical sludge from water treatment.
- ↳ Contribution to environmental protection and reduced pollution of raw water in Lake Victoria.

In addition to the anticipated technical, economic, social and environmental benefits, the project is expected to generate regional benefits that will have an impact on the wider Lake Victoria Basin region. These anticipated benefits will include i) improved health and livelihood of the population living around Lake Victoria, ii) improved water quality in the shared Lake Victoria resource, iii) augmentation of other efforts undertaken by the regional governments/institutions to conserve Lake Victoria as a shared water resource, and iv) close cooperation with the Lake Victoria Basin Commission in matters of monitoring and development of the Lake Victoria resource during project implementation.

Project financing

The total cost of the KW-LVWatSan project is EUR 212m. The financing plan combines loan financing of EUR 75m from Agence Française de Développement (AFD), a loan of EUR 75m from the European Investment Bank (EIB), the Government of Uganda's (GoU) own contribution of EUR 34m, KfW grant financing of EUR 20m and a grant of EUR 8m from the EU-ITF provided through KfW.

Concluding remarks

The planning for this project was based on the 2010 feasibility report. However, due to the rather long process of mobilising project financing and the 5-year project implementation period, the original date of completion of 2025 will be extended to 2030-2035 during the detailed design phase to give adequate time for the next planning cycle for Kampala's water supply infrastructure.

Lower Orange River Hydropower Scheme (LOHEPS)	
Sector	energy
Type of grant	TA
Lead Financier	EIB
Estimated TPC	EUR 250m
TA grant amount	EUR 1.6m
Grant status	approved



The LOHEPS project consists of the development of up to nine small hydroelectric power stations, varying in size from 6 MW to 12 MW with an anticipated total installed capacity of 100 MW. Phase 1 covers four sites with a total capacity of 43 MW, and Phase 2 the remaining sites. The project is located on the Namibian side of the Orange River, which forms the border between Namibia and South Africa. The concept of the project is to divert the flow of the Orange River through canals and tunnels into a water turbine which in turn will drive an electric generator. By placing the turbines at strategic points along the river, the kinetic and potential energy of the river is converted into electrical energy. The project is expected to be financed by the EIB, AFD, KfW and DBSA.

The tunnelling costs constitute the largest share of the project cost and this may have a major impact, either positive or negative, on the project’s financial viability. There currently remains some uncertainty with regard to tunnelling costs and the rate of execution, which this TA will address through geotechnical drilling and analysis. In addition the two project promoters, NamPower, Namibia’s public power utility, and Clackson

Power, a South African independent power producer, have also discussed in cooperation with the potential financiers what other studies and inputs are required for the future due diligence of the project. As a result and in addition to standard documents such as environmental impact assessments, it was found appropriate to have the financial model audited, including an audit of hydrological data, given the non-recourse finance nature of the project, as well as to obtain a greater degree of certainty as to the methodology for the Clean Development Mechanism. Furthermore, a number of outstanding issues pertaining to water permits and licences were included in the scope of activities to be supported in order to have a comprehensive project documentation package prepared.

The largest and most critical of these project preparation activities is the geological test drilling, as the project design is based on tunnels and canals, accounting for approximately 75% of the total project cost. This activity can considerably reduce construction risk as well as provide greatly improved cost estimates for the project.



Engaging Banks in Energy Transition Projects	
Sector	energy
Type of grant	TA
Lead Financier	AFD
Estimated TPC	EUR 60m
Grant amount	EUR 2m
Grant status	approved



East Africa is faced with a growing energy demand coupled with intensive use of biomass fuel such as wood or charcoal. In Kenya, it represents 68% of the total primary energy requirements. In Uganda this figure reaches as much as 94% and in Tanzania 90%, bearing heavily on the countries' depleting natural resources. In parallel, forecasts for 2015 indicate that the share of fossil fuels in the consumption of the region's leading economy, Kenya, will increase to 30% of primary energy demand compared to 23% in 2007, with oil meeting 29% of total needs. Such trends in the region will have a significant impact on the power bill and on the regional increase in petroleum product imports and prices. Combined with other trends, in particular the region's urban population growth and rapid deforestation, greenhouse gas emissions are bound to rise sharply. Therefore, the region's transition process towards renewable energy sources is essential.

Within this context, AFD is in the process of extending environmental credit lines to local banks in Kenya, Uganda and Tanzania for financing selected renewable energy and energy efficiency investments. The objective is to provide additional means of diversifying energy resources in the East African region and thus help the region's transition towards renewable energy solutions that are technically, economically and financially viable. The target investments are mainly projects with a maximum cost of EUR 10m in the fields

of hydroelectricity, biomass, biogas, solar and wind power. Other types of projects eligible for the AFD financing are energy-efficiency projects, mainly in the agribusiness sector.

As a key supplement to these credit lines, AFD is currently setting up a Regional Technical Assistance Programme aimed at assisting both the investors and the banks in the three countries involved. This programme will be organised as a regional platform, located in Nairobi, and will contribute to the development of capacities in the three countries through the transfer of skills to local experts and help the future development of renewable energy projects in the region. The local banks subscribing to the environmental credit lines will also benefit from the support provided by the Regional Technical Assistance Programme for the selection and follow-up of renewable energy and energy efficiency projects.

The TA grant operation will fund the general management expenses of the Regional Technical Assistance Programme as well as the development of and assistance to renewable energy projects, focusing exclusively on those investments with reasonable prospects of becoming connected to the electricity distribution grids of Kenya, Uganda or Tanzania.

View from Luxembourg as a Donor of the ITF:

Through its contribution to the EU-Africa Infrastructure Trust Fund with other EU donors, the Luxembourg Government is supporting the AXIS African Internet Exchange System and the Satellite-Enhanced Telemedicine and eHealth for Sub-Saharan Africa Project.

Luxembourg Cooperation is geared towards poverty eradication, particularly in the least developed countries. Its efforts are consistent with the goal of sustainable development in its social, economic and environmental aspects – with men, women and children at its core. Luxembourg’s development cooperation measures are aimed primarily at attaining the Millennium Development Goals. As a result, the main cooperation sectors are in the social sphere: health, education, including vocational training and apprenticeship, and integrated local development. Relevant initiatives in the area of microfinance are encouraged and supported, whether at the design stage or during operation.



*Marie-Josée Jacobs,
Minister for Development
Cooperation and Humanitarian
Assistance*

In addition to bilateral cooperation with a limited number of countries, the importance of a regional approach has grown over the last few years. The Government’s action plan stipulates expressly that Luxembourg Cooperation must promote a regional approach where it is relevant and where it forms a vital complement to the bilateral approach. Due to its own (European) history, Luxembourg is in a good position to foster and support regional economic integration and to share lessons drawn from past experience.

Since the adopted communication tools are central to a regional approach, it is essential to examine new information and communication technologies (ITC) in this context. Luxembourg has proven competence in these areas and it seems completely natural to us to share this know-how with our partners. As a first step, Luxembourg Cooperation commissioned its executive agency Lux-Development to set up a technical assistance operation in the ITC sector for the West African Economic and Monetary Union (WAEMU). Based on this initial regional experiment, Luxembourg Cooperation then took part in more ambitious projects aimed ultimately at benefiting the whole African continent. Given the size of our country and the financial resources at the disposal of Luxembourg Cooperation, it is evident that Luxembourg must act in partnership with and contribute to the activities of other finance providers, in particular the European Union.

Satellite eMedicine for Sub-Saharan Africa	
Sector	ICT
Type of grant	TA
Lead Financier	Lux-Development
Estimated TPC	tbd
Grant amount	EUR 4m
Grant status	approved

The objective of the envisaged satellite-based infrastructure is to establish an effective solution for substantially improving medical assistance and the overall health system in the Sub-Saharan region of Africa. The architecture of this satellite-based infrastructure will

meet identified health sector requirements and will be able to provide telemedicine services tailored to the African context at an acceptable cost. The implementation of such complex infrastructure will require the analysis of different aspects, not only from a purely technological angle based on the efficiency of operational capabilities, but also in relation to the availability of financial resources and system potentiality with respect to a certain degree of sustainability. This infrastructure will be capable of providing a variety of educational, clinical, surveillance and management services to Sub-Saharan citizens and health workers. Its goals are fully consistent with the strategic priorities of the socio-economic development of the Sub-Saharan region.



The ITF grant will be used by Lux-Development to mandate the European Space Agency (ESA) to retain a consultant for the performance of preparatory tasks consisting mainly of four horizontal studies on issues related to governance, interoperability with existing legacy systems, compliance with regulations, etc. Fol-

lowing this preparatory work, a series of user-driven telemedicine pre-operational services will be initialised in order to generate bottom-up dynamics, the ultimate goal of which will be the establishment of satellite-based infrastructure for the direct benefit of the Sub-Saharan population and relevant regional economy.

AXIS - The African Internet Exchange System	
Sector	ICT
Type of grant	TA
Lead Financier	Lux-Development
Estimated TPC	tbd
Grant amount	EUR 5.1m
Grant status	approved



The AXIS project aims to support and facilitate the creation of an African internet system through the setting-up of internet exchange points in 33 African countries and the establishment of five regional internet hubs and five regional and three continental internet carriers, as well as through policy and regulatory reform, capacity building and technical assistance for internet service provider (ISP) associations.

project, in particular the financing of the establishment of a Project Implementation Unit to be located at the African Union Commission and the mobilisation of an Internet Service Provider Association Task Force. The Human Resources, Science and Technology Department of the African Union Commission will be the implementing partner of Lux-Development. The signing of this agreement and the launch of the project are expected to take place in early 2011.

The ITF grant will be used for a number of activities related to the preparation and implementation of this



HE Jean-Pierre Ezin,
AU Commissioner for
Human Resources,
Science and Technology

The AXIS project is a direct response to the Addis Ababa declaration on information and communication technologies in Africa, under which the Heads of State and Government of the African Union undertook to strengthen national programmes and regional cooperation for the deployment of Regional Internet Exchange Points and further urged the African Union Commission to intensify activities to implement the African Regional Action Plan on the Knowledge Economy (ARAPKE). One of the flagship projects of the ARAPKE is the African Internet Exchange System.

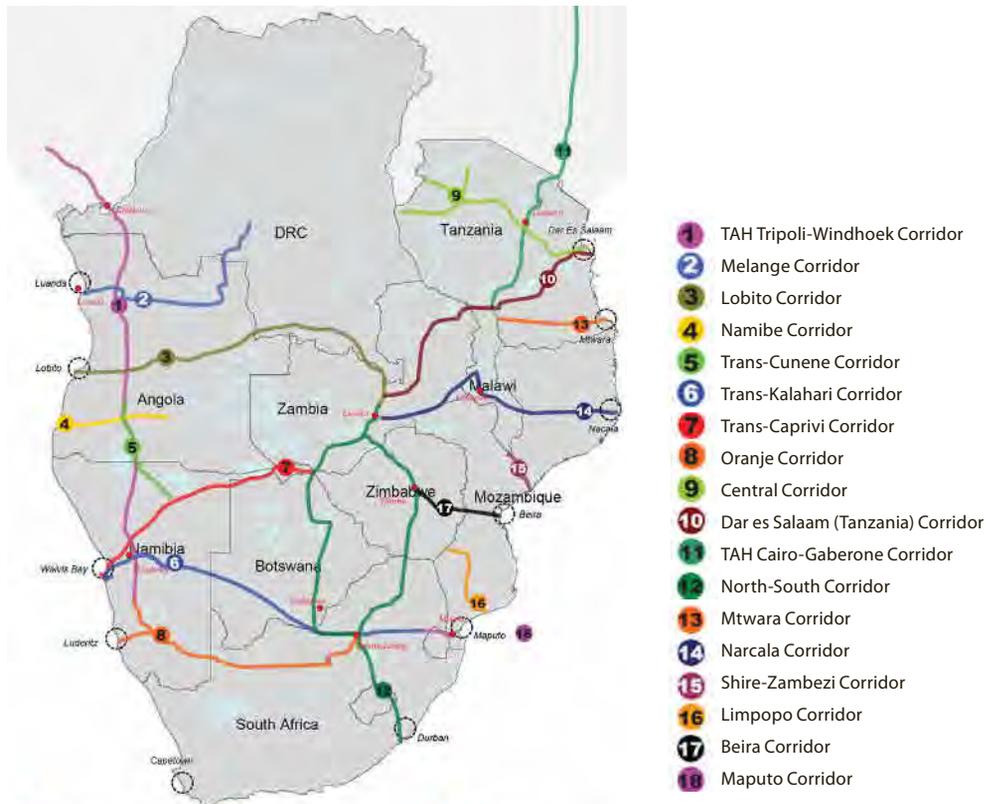
Thanks to the support from the ITF and Lux-Development, the African Union Commission will be able to implement the AXIS project by providing capacity building assistance to internet service provider associations and internet community stakeholders and supporting the establishment of internet exchange points, regional internet hubs and carriers, as well as continental internet carriers.

Integrated Transport Master Plan for Namibia	
Sector	transport
Type of grant	TA
Lead Financier	EIB
Estimated TPC	n.a.
Grant amount	EUR 560 000
Grant status	approved

Namibia's transport network links more than six Southern African countries, including three land-locked countries. The Southern Africa Development Community (SADC) has identified several potential key development corridors in both the road and rail sectors to serve Namibia and the region and to link up with growing transport hubs such as Walvis Bay. The transport sector in Namibia is strategically placed to serve the SADC region and includes four key regional corridors

and good capacity ports, which are being expanded. The sector has suffered from a lack of integrated planning, holding back prioritisation of investments.

While the master plan focuses on Namibia's infrastructure priorities, according to their nature and Namibia's position, all such investments will have regional and international functions. The resulting transport and implementation plan will provide a strategic assessment of Namibia's transport needs and planned solutions for the period up to 2040 and will include a definition of priorities for the sector for a short term of 3 to 5 years and for a medium term of 5 to 15 years. It is therefore expected to identify priority regional investment projects and their possible packaging. The EIB plans to launch the procurement process before mid-2011 so that the assignment could be completed by April 2012.





Tanzania Backbone Interconnector	
Sector	energy
Type of grant	IRS
Lead Financier	EIB
Estimated TPC	EUR 382.9m
Grant amount	EUR 24.323m
Grant status	approved

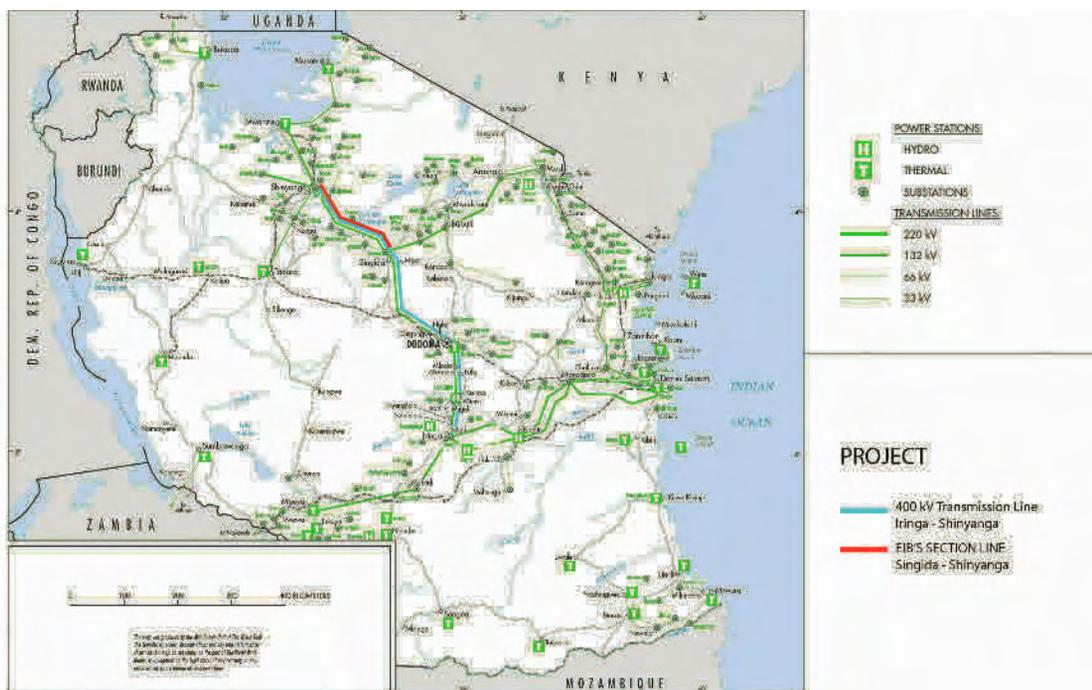


At a tripartite meeting in Nairobi on 28 October 2010, the Southern Africa Development Community (SADC), the East African Community (EAC) and the Common Market for Eastern and Southern Africa (COMESA) expressed their intention to work towards linking the power pools that are already in place in Southern and East Africa. In this respect, the Tanzania Backbone is the key link for two major power pools in Southern and East Africa and should be operational by the end of 2013.

short-term strategy for national grid transmission line reinforcement. In addition, it will be a key component of regional economic cooperation and development as it will facilitate the power system interconnection with Kenya in the north and Zambia in the south. The total project cost is estimated at EUR 382.9m, co-financed by the World Bank, the African Development Bank, JICA, the Korean EDCF and the EIB, with the balance financed by the Republic of Tanzania.

The Tanzania Backbone project involves the construction of a new 667 km high-voltage transmission line between Iringa and Shinyanga. This new line is part of the Tanzania Electricity Supply Company's (TANESCO)

The grant from the Trust Fund will be used by the EIB to subsidise the interest rate of its 25-year loan of up to USD 134.5m to the Government of Tanzania.



Seychelles Submarine Cable	
Sector	ICT
Type of grant	DG
Lead Financier	EIB
Estimated TPC	EUR 27.2m
Grant amount	EUR 4m
Grant status	approved



The cable will land in Beau Vallon and the Seychelles landing station will be established in the capital Victoria.

The Seychelles to East Africa Submarine (SEAS) cable will connect Mahé Island in the Seychelles to the East African coast in Dar es Salaam in Tanzania, from where it will be connected to the international telecommunications networks.

SEAS will be the first submarine cable to land in the Seychelles, and will consist of a direct cable linking the country to East Africa. It will have a length of 1 930 kilometres and 15 repeaters deployed from the main island Mahé in the Seychelles to the African coast in Dar es Salaam in Tanzania. While the cable landing station in the Seychelles will be constructed in the capital Victoria, the SEAS Tanzanian end will be co-located with the recent EASSy international submarine cable branch in the existing ZANTEL landing station in Dar es Salaam. The SEAS cable will have an initial equipped capacity of 20 Gigabits per second; a final design capacity of

320 Gigabits per second may be feasible after the relevant upgrades.

With an estimated total project cost of USD 35m, the project will be financed through 40% equity and 60% debt. The equity contributions are split between three shareholders, the Government, Cable & Wireless Seychelles and Airtel.

The grant from the Trust Fund will be used to fund the Government's shareholding, amounting to the equivalent of USD 5.5m. A statutory dividend for this equity stake will be used to provide free internet access for schools and hospitals and other social services. The long-term debt will be co-financed in equal shares by the African Development Bank and the European Investment Bank.





Feasibility study for the Western part of UMOJANET	
Sector	ICT
Type of grant	TA
Lead Financier	AFD
Estimated TPC	tbd
Grant amount	EUR 1.35m
Grant status	approved

This project is part of the Umojanet Project which together with the Uhurunet Project, is the result of the NEPAD conceptual approach of a seamless ICT broadband infrastructure network for the African continent. Umojanet (the “net of togetherness”) is the terrestrial mesh network. Uhurunet (the “net of freedom”) is the submarine ring network. Umojanet and Uhurunet are to be interconnected with each other and with the international network. The aim of Umojanet is to develop, reinforce, structure and operate regional broadband infrastructure, mainly through the laying of new buried or aerial cross-border fibre-optic cables or through the purchase/lease of capacity on existing ones. The Umojanet Project includes two phases. The first phase looked at the development of the terrestrial broadband network in Southern and Eastern Africa. Based on detailed feasibility studies, conducted in 2009, investors are now finalising the fundraising process in order to start the rollout of Umojanet in Eastern and Southern Africa and complete it by end-2012.

The NEPAD Planning and Coordinating Agency (NPCA) identified the strong need to carry out a feasibility study in order to assess the technical, economic and

commercial feasibility of the planned project in the Western, Central and Northern African regions and form the basis for requesting the participation of investors and other financiers in the financing of the project.

The TA grant from the Trust Fund will be used to fund a study which will include a detailed technical and commercial feasibility assessment, a complete network design and a business plan for each region (West, Central and North Africa). It will in particular identify existing fibre-optic broadband infrastructure in the 29 countries concerned and the gaps along the proposed routes. It will also examine in detail the traffic flow in the network and estimate the cost of setting up the project, comprising the construction of new cable infrastructure, leasing capacity on existing fibre, equipping nodal points in each country, etc. The management of the resulting network is furthermore included in the scope of the technical assistance.

Based on all these inputs, the study will propose an optimum network in terms of network economics, configuration and costs, with a clear definition of interface mechanisms with neighbouring networks.

This operation will help bridge the digital divide by contributing to accelerating the development of African inter-country regional and global connectivity and encourage economic growth through broader access to information, services and education. Such large and long-term infrastructure projects require massive investment and detailed and thorough planning, and can only be implemented on the basis of complete feasibility studies.

Grant Operations Cleared in Principle in 2010

EUR '000

Grant Operation	Region	Sector	Type	PFG Lead Financier	Grant Amount	Date of CIP
<p>Geothermal Risk Mitigation Facility Development of four geothermal power plants with a total installed capacity of 300 MW (150 MW in Tendaho/Ethiopia, 30 MW in Rwanda/Virunga Volcano on the border with DRC, 60 MW in Kenya/Silali, 60 MW in Kenya/Longonot)</p>	Central & East Africa	Energy	DG	KfW	30 000	09/11/10
<p>Mozambique Backbone (CESUL) Transmission line from the main electricity production site (Zambeze River, Northern Mozambique) to the principal consumption region (Maputo and surroundings, Southern Mozambique), with scope for developing power generation projects along the line</p>	Southern Africa	Energy	TA	AFD	1 500	14/12/10
					31 500	



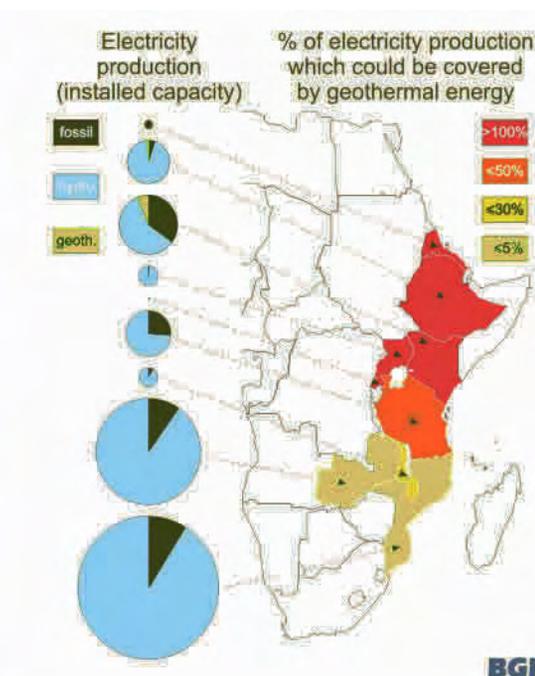


Geothermal Risk Mitigation Facility	
Sector	energy
Type of grant	DG
Lead Financier	KfW
Estimated TPC	EUR 1bn
Grant amount	EUR 30m
Grant status	CIP

The Geothermal Risk Mitigation Facility for Eastern Africa concerns the development of four geothermal power plants in the East African region with a total installed capacity of 300 MW, i.e. 150 MW in Tendaho/Ethiopia (under negotiation for export to Djibouti), 30 MW in Rwanda/Virunga Volcano on the border with DRC, 60 MW in Kenya/Silali, 60 MW in Kenya/Longonot. The Project would contribute to improving access to reliable power in Eastern Africa by adding 300 MW of base load generation capacity to the East African power system. Geothermal power production is a least or low-cost solution at many sites in Eastern Africa, once the initial risks and cost of exploration and confirma-

tion drilling have been assessed. The successful geothermal power plants in Kenya, which have been in operation for more than 30 years with a load factor of around 90%, are proof of sustainability. The planned projects are currently in early development phases and will have high development costs and require large capital investment.

The direct grant would be used to support the cost of drilling and to assist developers in securing finance for subsequent exploration or appraisal wells and surface studies to determine the optimal location of exploration. It is expected that the grant contribution will encourage public and private investors to develop geothermal prospects for power generation and ultimately help increase access to affordable, reliable and almost emission-free power, thus improving living conditions and the quality of socio-economic development in the region. In addition, geothermal power plants operate independently of weather conditions and thus improve adaptation to climate change.



Mozambique Backbone Project (CESUL)	
Sector	energy
Type of grant	TA
Lead Financier	AFD
Estimated TPC	EUR 1bn
Grant amount	EUR 1.5m
Grant status	CIP

The Southern Africa power sector is under a heavy pressure due to a strong increase in electricity demand and the need to expand generation capacity. In this context, Mozambique harbours a vast hydroelectric potential and could make a vital contribution to strengthening the Southern African power system with clean and sustainable resources. The major generation projects, Mphanda Nkuwa (1 500 MW) and Cahora Bassa North Bank (1 245 MW) and the transmission line to connect those sites to the main networks, namely the “Mozambique Backbone, Tete-Maputo”, are now being actively prepared and new generation capacity should come on stream in 2016 or 2017.

The Government of Mozambique and its public utility, Electricidade de Moçambique (EDM), intend to form a new public vehicle that will handle all public shares in these mega-projects: EDM Investment (EDMI). Following a preliminary study of this issue financed by AFD, the Government of Mozambique and EDM are looking for further support to start up this company, a fundamental milestone in the implementation of these investment projects. In parallel to the Regional Strategic Environmental and Social Assessment (SRESA), financed under an ITF grant operation managed by the EIB⁴, Agence Française de Développement has received a clearance in principle for a second grant operation of up to EUR 1.5m for financing the legal and financial counsel for the incorporation and start-up of and equity-raising for EDM Investment.

Both the EIB and AFD have already pledged financing for the Backbone project. The project’s financial close is scheduled for end-2011.



⁴ Grant approved by Executive Committee in November 2009 – EUR 700 000.



Grant Operations Completed

As described earlier, Trust Fund grant operations can take several forms, i.e. interest rate subsidies, technical assistance, direct grants and insurance premia. Each of them is expected to lead to an investment, in the short or medium term, depending on what the grant is funding and how much time is required to “complete” the grant operation, which can vary greatly.

In cases where the grant provides funding for some of the new assets of a project or it reduces the amount of debt service of a borrower, the grant operation will be considered “completed” only after all physical assets are in place and the project has become fully operational. The timing of the “completion date” of a project is usually included in the project’s technical description annexed to the finance contract between the

promoter(s) and the financiers. In addition, it is only one or two years after the project has become operational that a “Project Completion Report” becomes due. Hence, the interval between the approval of a grant operation in support of an investment and its completion date or report can add up to several years, as can easily be imagined for the construction of a new hydro-power plant or the rehabilitation of a port or airport.

If the grant provides funding for advisory services or technical assistance, the grant operation will be considered “completed” once the grant has been fully disbursed and after both the client and the contracting authority have agreed that all tasks which were to be performed in accordance with the Terms of Reference have indeed been accomplished.

EUR '000

Grant Operation	Region	Sector	Type	PFG Lead Financier	Approved Grant Amount	Grant Amount Disbursed	Grant Amount Cancelled
Ethiopia-Kenya	Central & East Africa	Energy	TA	KfW	550	337	213
Caprivi Interconnector	Southern Africa	Energy	IRS	EIB	15 000	15 000	-
Gibe III ESIA *	Southern Africa	Energy	IRS	EIB	1 300	22	1 278
EASSy	Central & East Africa	ICT	TA	EIB	2 600	2 600	-
					19 450	17 959	1 491

* The study was cancelled after the Ethiopian Authorities discontinued negotiations with the EIB and other international donors on the financing of Gibe III Hydropower Plant.

The Africa investor Infrastructure Investment Award 2010 goes to EASSy

The Africa investor (Ai), a leading international investment research and communications group, allocates investment awards that recognise and reward the achievements of the private sector across wide-ranging sectors and disciplines on the African Continent.

One of the main award categories is the “Ai Infrastructure Awards”. Alongside each annual Ai Projects Summit, Ai hosts a set of awards that recognize the achievements of Infrastructure Investors, Developers and Regulators in Africa.

In 2010, the “ICT/Telecoms of the Year award” was presented to the International Finance Corporation (IFC), the African Development Bank (AfDB), KfW of Germany and the Agence Française de Développement (AFD) for their exceptional work on the East African Submarine Cable System (EASSy). The price was announced on 21 October 2010 during the Africa investor Infrastructure Projects Summit in Johannesburg.

A highlight of 2010: the inauguration of the Caprivi Interconnector



From left to right:
 Namibia's President Hifikepunye Pohamba
 Botswana's President Lieutenant-General Seretse
 Khama Ian Khama
 Zambia's President Rupiah Banda

The Caprivi Interconnector Project with a cost of NAD 3bn (Namibian dollars) consists of a 950 km power transmission line between Katima Mulilo and Gerus in Namibia. It was financed from NamPower's own funds with support from the Development Bank of Namibia. The long-term funding was advanced by the European Investment Bank, Agence Française de Développement and Germany's KfW, with each institution providing a EUR 35m loan. The ITF supported the long-term funding with a EUR 15m interest rate subsidy grant. The subsidy was fully disbursed at end-2009. The three PFG financiers received one third of the grant each in order to reduce either the interest rate payable by the borrower or the capital outstanding.

"The Caprivi Interconnector inaugurated today will enhance electricity supply to NamPower's customers and reinforce Namibia's role in the regional electricity network."

*Paulinus Shilamba,
 NamPower Managing Director*

"The Caprivi Interconnector will ensure reliable and cheaper access to electricity, which is crucial for economic development in Southern Africa. The inauguration of this truly regional project represents an important milestone for regional energy cooperation. The European Investment Bank and its European financing partners are pleased to support this crucial link in the Southern African Power Pool."

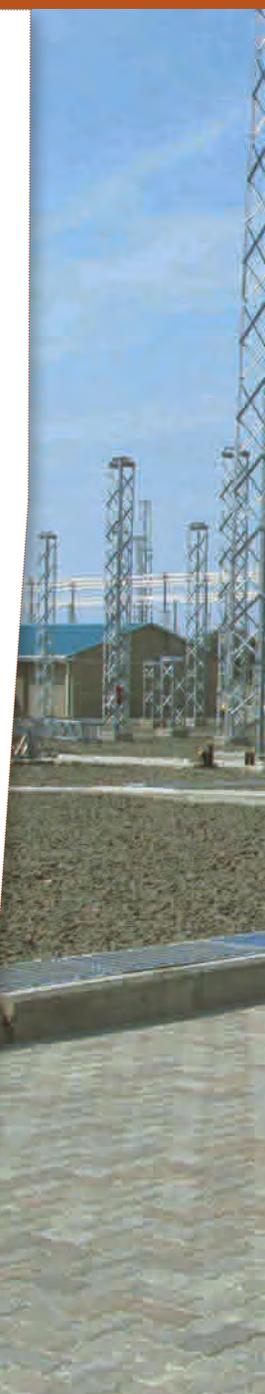
*Plutarchos Sakellaris,
 European Investment Bank Vice-President*

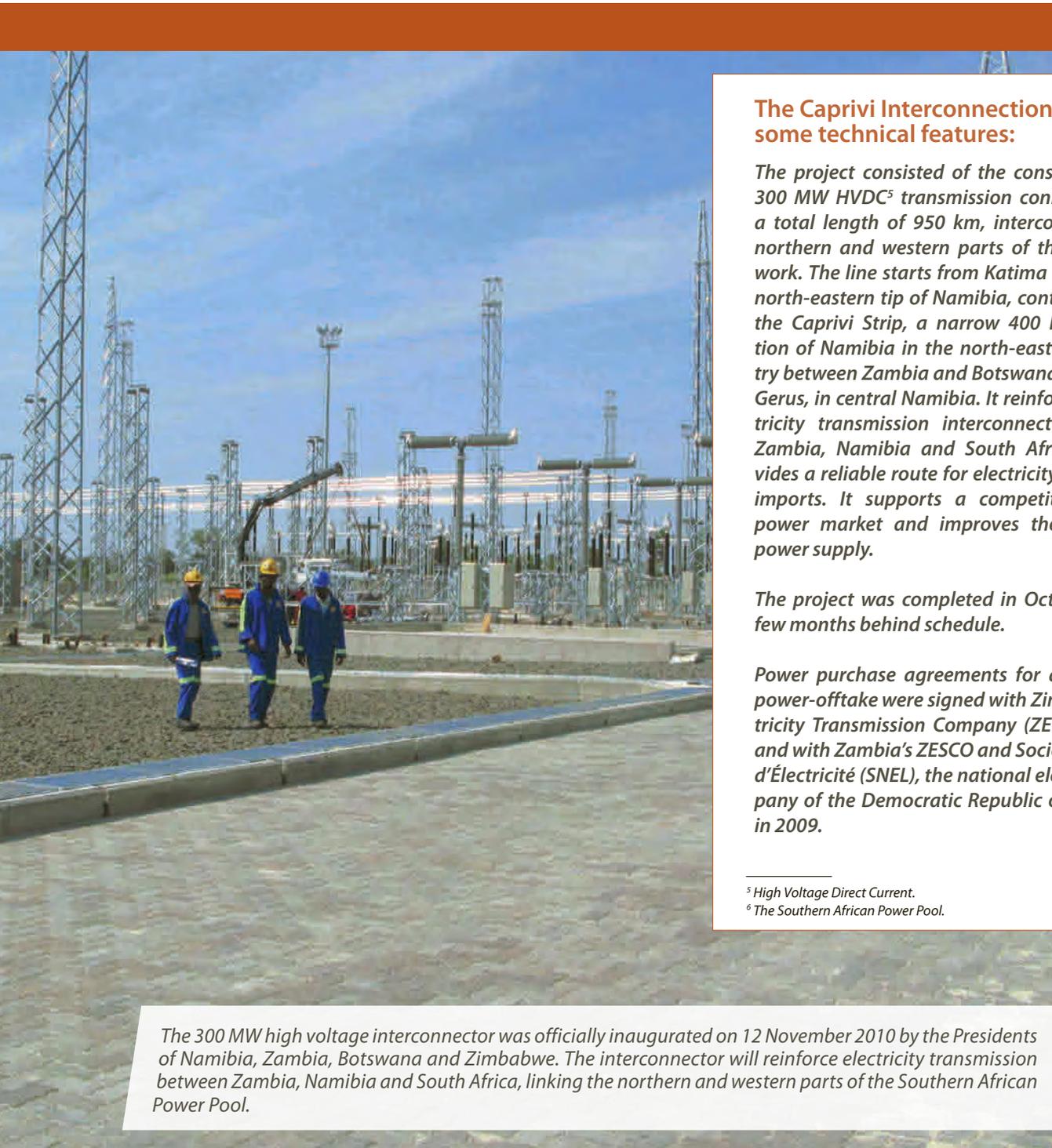
"The close cooperation between German, French and EU development institutions in favour of Southern African regional integration through a major energy infrastructure project is a clear sign of the willingness and capability of Europe to be a key partner for the development of the region as a whole."

*Jean-Michel Debrat,
 Manager of the Southern Africa Regional Office of Agence Française de Développement*

"This project is a door-opener and an important milestone towards intensified co-operation between southern African countries in the energy sector. Joining forces will be required to cope with the energy crisis in Southern Africa. In a world that must reduce dependence upon limited and polluting fossil fuels, it provides greater opportunities for countries in the region that have considerable potential to develop and sell sustainable hydropower."

*Klaus Gühr,
 KfW Head of Division for Energy and the Environment for Africa*





The Caprivi Interconnection Line – some technical features:

The project consisted of the construction of a 300 MW HVDC⁵ transmission connection, with a total length of 950 km, interconnecting the northern and western parts of the SAPP⁶ network. The line starts from Katima Mulilo, in the north-eastern tip of Namibia, continuing along the Caprivi Strip, a narrow 400 km long section of Namibia in the north-east of the country between Zambia and Botswana, and ends in Gerus, in central Namibia. It reinforces the electricity transmission interconnection between Zambia, Namibia and South Africa and provides a reliable route for electricity exports and imports. It supports a competitive regional power market and improves the security of power supply.

The project was completed in October 2010, a few months behind schedule.

Power purchase agreements for a firm 5-year power-offtake were signed with Zimbabwe Electricity Transmission Company (ZETCO) in 2007 and with Zambia's ZESCO and Société Nationale d'Électricité (SNEL), the national electricity company of the Democratic Republic of the Congo, in 2009.

⁵ High Voltage Direct Current.

⁶ The Southern African Power Pool.

The 300 MW high voltage interconnector was officially inaugurated on 12 November 2010 by the Presidents of Namibia, Zambia, Botswana and Zimbabwe. The interconnector will reinforce electricity transmission between Zambia, Namibia and South Africa, linking the northern and western parts of the Southern African Power Pool.

Cooperation between Agence Française de Développement and KfW Bankengruppe:

Cooperation founded on an EU-Africa partnership approach

Launched in 1994 with the first exchange of staff, cooperation between AFD and KfW takes the form of joint activities in Africa with a firm base in Europe.

After four years of staff exchanges, AFD-KfW cooperation was reinforced by joint operations, viable for both institutions. Given the need for financing in Africa, the joint activities naturally began in this part of the world, including, in particular, the first examples of management delegation between bilateral lenders in Benin (AFD to KfW) and Mali (KfW to AFD) and of loan co-financing in Cameroon (docks in the Port of Douala) and Kenya (roads).

The opening of a representative office within the European institutions by KfW in 1995, joined by AFD in 2002, is fully in line with this approach. This joint office has gradually contributed to raising the EU stakeholders' awareness of the reality of the bilateral aid operators, their expertise, their uniqueness and their differences.

The common goals can be summarised in three main points:

- ➔ to establish a relationship of lasting cooperation and operational collaboration between KfW, AFD and the EU institutions (Commission, Parliament, EIB);
- ➔ to contribute to the construction of an operational network of European aid providers with the Commission and other bilateral institutions;
- ➔ to develop and optimise the value added of KfW and AFD within the framework of EU development cooperation.

The creation of the Trust Fund for African infrastructure in April 2007 and, more generally, the adoption of loan and grant blending provided the two institutions with an opportunity to (i) take a step forward in the financing of backbone infrastructure with a regional dimension in Sub-Saharan Africa, and (ii) make a substantial contribution to the implementation of the code of conduct adopted under the German Presidency of the Council of the European Union.

The **EASSy** fibre-optic cable (in 2007), the **Caprivi** transmission line (in 2008) and the **Lake Victoria Water and Sanitation** project (in 2010) are but a few examples of major financing operations that meet the requirements of our African partners by constituting a financial force that cannot be deployed by one institution alone.

The mutual reliance initiative, which enables each individual institution to appraise a project or programme on behalf of all three (the EIB is involved in this process), is a practical response to the coordination requirements set out by the code of conduct and, more generally, by the regulatory framework for aid effectiveness.



For KfW:
Doris Köhn
Director of Financial Cooperation with Africa and the Middle East

For AFD:
Jean-Marc Gravellini
Director of the Sub-Saharan Africa Department





Outlook for 2011

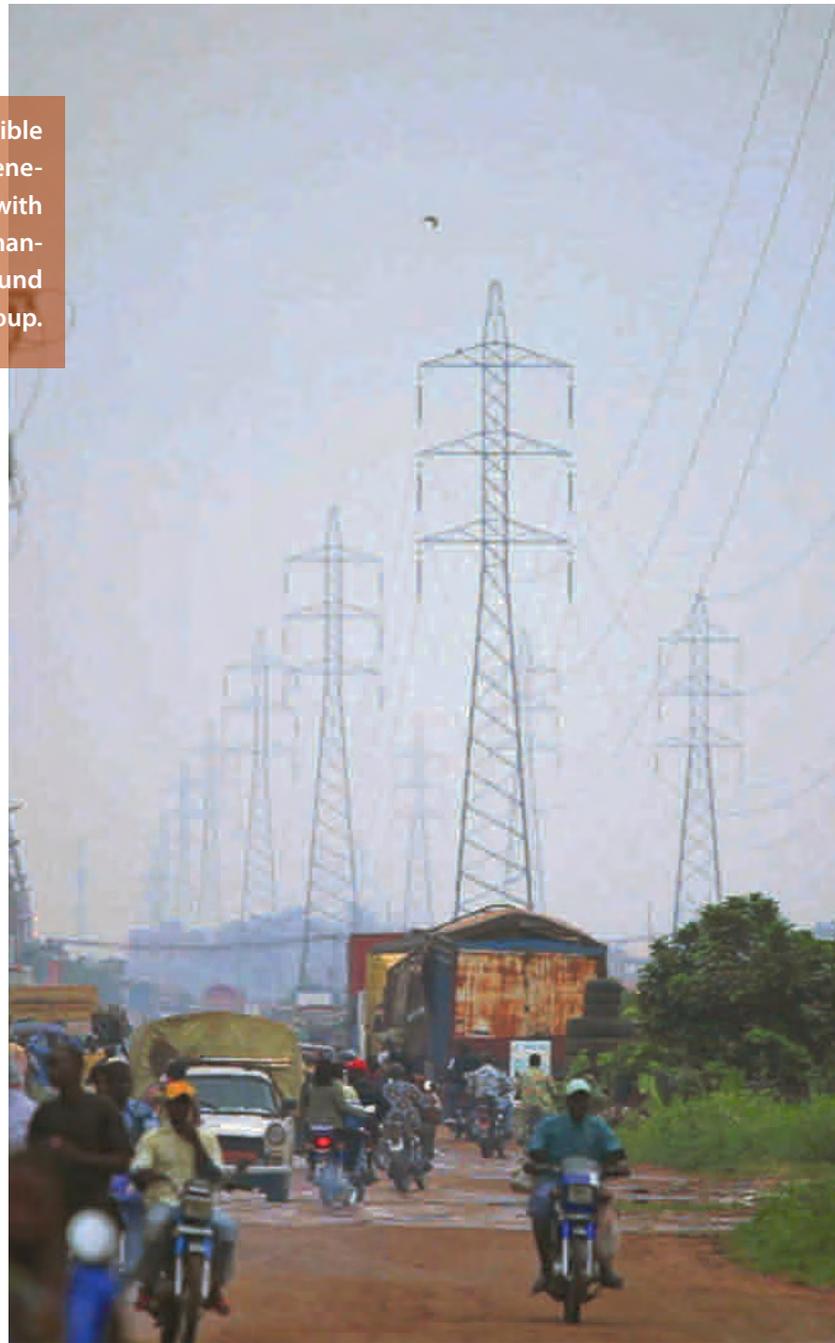
The Project Financiers Group, which is responsible for submitting grant operation requests that benefit from Trust Fund support, was strengthened with the membership in late 2010 of three new financiers, i.e. the African Development Bank, Finfund and the Private Infrastructure Development Group.

The ITF pipeline will thus be considerably enhanced compared to earlier years. Over a dozen projects generating grant requests for about EUR 100m have already been identified for submission in 2011.

The most dominant sectors for grant requests in 2011 are expected to be transport and energy. As this latter sector represents over 70% of the infrastructure funding gap in Africa according to the African Development Bank, the Trust Fund should provide welcome assistance in line with the priority needs of Africa.

It is also estimated that more than half of the pipeline projects will receive interest rate subsidy support under the HIPC debt-sustainability framework, illustrating again the catalytic role of the ITF in fostering investments that would otherwise not materialise.

As recommended by the authorities overseeing the Trust Fund in both the European Union and the African Union, closer cooperation will also be sought with the private sector in order to explore investment opportunities, using innovative approaches to financing, made possible by the blending of grants from donors with long-term financing from financial institutions, notably to mitigate specific types of risks.



Update on ITF Grant Operations Approved before 2010 and being implemented

Beira Corridor	
Sector	transport
Type of grant	IRS
Grant amount	up to EUR 29m
Grant status	under disbursement
Lead Financier	EIB

The Beira Corridor project comprises the rehabilitation of the Sena railway line and the restoration of the Beira port access channel to its original design characteristics. The total project costs are estimated at EUR 188.5m and the project is being co-financed by loans from the EIB, the World Bank's IDA, Beira Railway Company (Companhia dos Caminhos de Ferro da Beira), Mozambique Ports and Railways (Portos e Caminhos de Ferro de Moçambique) and the Danish Development Agency (Danida) and by a grant from the Netherlands through ORET. The

Benin - Togo Power Rehabilitation	
Sector	energy
Type of grant	IRS
Grant amount	up to EUR 12.25m
Status	awaiting first disbursement
Lead Financier	EIB

The project is aimed at refurbishing and extending the transmission networks of Togo and Benin and will enable the promoter to substantially improve the reliability of supply, to reduce the use of low-efficiency local generators and to decrease network losses. In terms of new assets, the project includes 308 km of 161 kV lines, 5 km of 63 kV underground cables and one substation. It also includes the refurbishment of 290 km of 161 kV lines and the refurbishment/enlargement of eight substations.

IRS grant is used by the EIB to subsidise the interest rate of its loans to the two project components, rail and port.

The port dredging work started in summer 2010 and the implementation of the project is progressing according to schedule. This part of the project is expected to be completed on time, i.e. by end-June 2011. As the implementation of the railway rehabilitation work was delayed by 12 months, the completion of this component is now expected during the second quarter of 2011.

The EIB has made two disbursements under the port component and is expecting to disburse a further EUR 7m in April 2011. Two further disbursements have been made under the rail component. The relevant portions of the ITF grant have been transferred from the ITF to the EIB for subsidising the interest rate applicable to the four 2010 disbursements.

The total project cost is estimated to be EUR 73.2m and will be co-financed by the EIB, the World Bank, the German KfW and the project promoter, Communauté Electrique du Bénin (CEB). The repair of the existing transmission lines will help prevent major power supply disruptions. The new lines will extend the reach and quality of the transmission infrastructure in the beneficiary countries, improving the reliability and efficiency of electricity supply and creating a better environment for private sector investment and growth.

The ITF grant will be used by the EIB to subsidise the interest rate of its EUR 35m loan to CEB. As HIPC countries, both Benin and Togo are restricted in terms of the financing costs they can bear for their respective public sector investments; the ITF grant is therefore of great importance.



Port Autonome de Pointe Noire	
Sector	transport
Type of first grant	IRS
Grant amount	up to EUR 6.6m
Status	awaiting first disbursement
Type of second grant	TA
Grant amount	up to EUR 2m
Status	awaiting first disbursement
Lead Financier	AFD



The project concerns the renovation and upgrading of the main infrastructure in the Port Autonome de Pointe Noire (PAPN) in the Republic of the Congo and its adaptation to developments in containerised traffic. It entails the construction of a protective berm and the extension of the external breakwater by 300 m, the rehabilitation and extension of quays, dredging work, the purchase of two seagoing tugs and the repair and upgrading of others. The capacity of the new container terminal will be approximately 1 million "Twenty-Foot Equivalent Unit" (TEU) containers per annum, compared to a previous capacity of only 300 000 TEU per annum. The total project cost is estimated at EUR 128.4m and will be financed by the long-term loans from the EIB, Agence Française de Développement and Banque de Développement

des États de l'Afrique Centrale (BDEAC) and through self-financing by PAPN.

The interest subsidy from the EU-Africa Infrastructure Trust Fund will be used by AFD to enhance the concessionality of its loan. The technical assistance grant will be used to finance capacity building for the financial and accounting staff of PAPN, including the upgrading of accounting information systems, improvements to internal control procedures, maintenance of the financial projection model and assistance to the financial management. These measures will help to improve the management of the Port Authority and decrease the credit risk for the Port's lenders. In addition, the Port Authority needs external support for implementing an environmental management plan for the day-to-day operation period.

Férou Hydropower Plant	
Sector	energy
Type of grant	IRS
Grant amount	EUR 9.335m
Status	under disbursement
Lead Financier	EIB

The Férou Hydropower Project, which involves the engineering, construction, commissioning and operation of a run-of-the-river hydropower plant at the Férou falls, on the Senegal River, mainly consists of the rehabilitation of an existing weir and the construction and installation of a powerhouse, three Bulb turbine/generator units with a nominal capacity of 21 MWe each, a water intake structure, a substation and an overhead transmis-

sion line. The project is co-financed by the EIB, the World Bank's IDA and OMVS.

The ITF grant operation is being used by the EIB to render its loans to the three States involved in the project compliant with HIPC conditions. The resulting interest differential, paid by SOGEM and the EIB's borrowers, the Republics of Mauritania, Mali and Senegal, will be used for a rural electrification programme.

In November 2010, IDA in agreement with the EIB made the down payment to the contractor Sinhydro to allow for the preparation of works. A first disbursement was made under the EIB loan agreements, followed by the first transfer of the corresponding subsidy portion from the ITF to the EIB.

Jomo Kenyatta International Airport Extension (JKIA)	
Sector	transport
Type of grant	TA
Grant amount	up to EUR 5m
Status	under disbursement
Lead Financier	EIB

The project comprises the upgrading and rehabilitation of the passenger terminal facilities at JKIA, Kenya's main airport. The aviation sector in Kenya has enjoyed significant growth in the recent past, both in tourism and cargo transport, which is expected to continue. Kenya Airways, the national carrier, has the largest route network in Sub-Saharan Africa. However, the civil aviation infrastructure has not kept pace with the quality of the air transport services. The current airport was originally designed for an annual capacity of 2.5 million passengers and presently handles almost double that

WAPP Coastal Backbone	
Sector	energy
Type of grant	TA
Grant amount	up to EUR 1.75m
Status	under disbursement
Lead Financier	EIB

One of the key projects related to WAPP's aim to develop a regional electricity market in West Africa is the 330 kV interconnection line between Riviera in Côte d'Ivoire and Prestea in Ghana. For the planning of this project, the ITF grant was made available to WAPP to fund a project preparation package comprising a

volume, leading to difficulties in meeting international customer service standards. The proposed project will increase the design capacity to 9.3 million passengers a year and improve security in order to comply with International Civil Aviation Authority standards.

Due to the complexity of the project, as well as potential environmental issues, a number of areas will greatly benefit from the technical assistance and capacity building which will be financed by the ITF grant. Areas to be addressed in the framework of this technical assistance are support for the project management to minimise the impact on existing operations and to ensure proper monitoring of the project, including financial monitoring, the measurement and monitoring of air pollutants, the assessment of aviation activities on wildlife and natural habitats and assistance in implementing environmental management systems. For this purpose, a service contract was signed with EGIS AVIA/EGIS BECEOM International in September 2010.

contract for a technical, economic and financial feasibility study of the project, a second contract for the line route study, the Environmental and Social Impact Assessment, the Resettlement Action Plan and the Environmental and Social Management Plan for the project and, as a third element, an audit of these two contracts. After the signature of a framework agreement between the EIB and the WAPP for this package in June 2009, WAPP put out to tender and signed, in August 2010, a contract with Lahmeyer International GmbH for the feasibility study and a contract with a joint venture of ANTEA, ENVAL, Monbailliu & Associés, Moses Consulting and TTI Production for the line route and ESIA study. Both contracts are ongoing, with a duration of 13 months.



WAPP CLSG - Pre-Investment Studies for West Africa Power Interconnection	
Sector	energy
Type of grant	TA
Grant amount	up to EUR 3m
Grant status	under disbursement
Lead Financier	EIB

The power interconnection between Côte d'Ivoire, Liberia, Sierra Leone and Guinea (CLSG), allowing power exchanges between the four countries, is a priority project of the West African Power Pool (WAPP). The project will consist of the construction of approximately 1 100 km of high-voltage transmission lines, as well as the extension of existing or the construction of new high-voltage substations in Man (Côte d'Ivoire); Sannequille, Buchanan and Monrovia (Liberia); Nzérékore and Linsan (Guinea); and Bumbuna (Sierra Leone).

For the preparation of this project an ITF grant of up to EUR 3m was made available, via the EIB, to WAPP for the financing of a feasibility study, conducted by a joint venture between Application Européenne de Technologies et de Services and SOGREAH Consultants, and of a line route and environmental and social impact assessment study, conducted by Korea Electric Power Corporation. The two studies are expected to be finalised during the third quarter of 2011.

The EIB plans to request a second TA grant operation from the Trust Fund in 2011 for the financing of the owner's engineer until the award of the engineering, procurement and construction contracts for the project, to ensure the smooth continuation of the project preparation progress, bearing in mind that the preparation of such a complex regional project is a lengthy process.

Ruzizi Hydropower III	
Sector	energy
Type of grant	TA
Grant amount	EUR 4.2m
Grant status	under disbursement
Lead Financier	EIB



The construction of a new sub-regional hydroelectric plant on the Ruzizi River is expected to generate an additional 143 MW of power. The total project cost for the construction of Ruzizi III is estimated at up to USD 581m.

The ITF grant is being used by the EIB to finance additional and complementary studies for the preparation of this project, mainly focusing on its economic and financial viability and its institutional arrangements, including water flow management and interaction with the existing plants and additional technical studies for the interconnection of South Kivu and North Kivu and their interface with the Economic Commu-

nity of the Great Lakes Countries' (CEPGL) interconnected network. Part of the ITF grant will be used to provide institutional capacity support to EGL. These studies are well advanced and expected to be completed by mid-2011.

Once all the studies have been finished and approved by the Government authorities, a summit of the Heads of State will take place to approve decisions related to the implementation of Ruzizi III. The call for expressions of interest to recruit a developer/investor has been launched and a shortlist of investors should be ready by early June 2011. A donors' round table will subsequently be organised to discuss the financing plan.

ECOWAS Electricity Regulation	
Sector	energy
Type of grant	TA
Grant amount	up to EUR 1.7m
Status	under disbursement
Lead Financier	AFD



The ECOWAS Energy Protocol, adopted in 2003, is aimed at increasing investments in the energy sector and energy trade in the West Africa Region. In line with this objective, ECOWAS has set up a regional regulatory authority. ECOWAS received a EUR 5m grant from Agence Française de Développement to define the tasks of this authority, now known as ERERA, and to help fund its first years of operation. ERERA's initial regulatory activities comprise the regional benchmarking of the electricity sector, assistance to the Senegal River Basin Commission and the Gambia River Basin Commission for improving cross-border exchanges and support for the national regulators for setting international exchange tariffs. ERERA will also facilitate the settlement of disputes relating to cross-border power exchange. In addition, ERERA's activities are focused on fostering the creation of a competitive regional market by enhancing regional power policy, planning and technical regulation and on regional integration in

the energy sector. To this effect, it targets the secured development of cross-border exchanges, the promotion of competitiveness in the emerging regional electricity market, a better exchange of information and building up the trust of investors in the energy sector.

The ITF grant complements the above-mentioned AFD grant and will be made available and used by the ECOWAS Regional Electricity Regulatory Authority (ERERA) to implement its activities. The official launch of ERERA took place on 9 November 2010, followed by the signature of a financing agreement between AFD and ERERA, defining the use of the ITF grant. Over the years, the contributions from AFD and the Infrastructure Trust Fund will fall and the contributions from the industry operators will gradually increase, enabling ERERA to operate in a sustainable manner. ERERA will therefore exist for and via the industry.



“The regional power grid interconnection or electricity generation projects cannot come to fruition unless there is a clear legal, tariff and contractual framework. This is particularly true if the private sector is to be involved, which is essential given the amount of investment required.”

“For that reason AFD decided to support ECOWAS's plan to set up a regional regulatory authority and to help fund the early years of ERERA's operation. ERERA will also receive a EUR 1.7m contribution from the EU-Africa Infrastructure Trust Fund, which is backed by the European Commission and a dozen or so European states. I am also pleased to announce that, on behalf of the EU-Africa Infrastructure Trust Fund, AFD will be signing the financing agreement for this EU grant, to coincide with this forum. These grants come on top of the annual contributions granted by the ECOWAS Commission.”

Opening address by Bruno Leclerc, Head of AFD's Accra Office, at the Regulators' forum on 09/11/2010



Update of the WAPP Master Plan	
Sector	energy
Type of grant	TA
Grant amount	EUR 0.935m
Status	under disbursement
Lead Financier	EIB



The West African Power Pool (WAPP) is a public international organisation operating in the general interest of the regional power system with a view to ensuring reliable power supply throughout the region. The members of WAPP are power generation, transmission and distribution entities involved in the operation of the power networks in West Africa. WAPP’s power system covers two geographical zones – zone A and zone B – each consisting of interconnected power grids, which, according to the organisation’s 2015 vision, should be interconnected to allow electricity trade at the regional level.

In this context, WAPP’s objective is to establish a regional electricity market in West Africa through the development and implementation of key priority infrastructure projects that will foster power exchanges and permit access to affordable energy resources.

The Trust Fund grant will finance an update of the WAPP Master Plan, which is vital for the planning and coordination of all WAPP priority projects, including generation and interconnection projects. The grant has enabled WAPP to procure the services of an international consulting firm for a study providing the different stakeholders in the region’s electricity sector with a clear, comprehensive and coherent vision of the future development of power generation and transmission infrastructure within the region and serving as a basis for decision-making with regard to its implementation. A contract for the provision of the relevant services was signed between Tractebel Engineering and WAPP in November 2010.

OMVAS Gouina Hydropower	
Sector	energy
Type of grant	TA
Grant amount	EUR 1m
Grant status	awaiting first disbursement
Lead Financier	AFD

The Gouina Hydropower Project is located on a natural fall on the Senegal River, near Kayes, West of Mali, and will supply electricity to Mali, Mauritania, Senegal and Guinea. It is expected to become operational by 2013 at a cost of EUR 250m.

The ITF grant is used by AFD to finance an environmental and social due diligence study including a Cumula-

tive Impact Assessment, a complementary sociological study for the finalisation of the Resettlement Action Plan and the Cultural Properties Management Plan, an environmental study for a census of protected species, and additions to the Water Resources Management Plan. Part of the grant will also be used to set up an independent experts' committee, responsible for reviewing the implementation of the project's environmental and social action plans and an expert panel on dam safety, responsible for reviewing this component of the project throughout the different stages of implementation.

After a slight delay in finalising the terms of reference for the environmental and social due diligence study until summer 2010, project preparation is finally going ahead and should be completed by end-2011.

Mozambique Backbone (CESUL)	
Sector	energy
Type of grant	TA
Grant amount	up to EUR 0.7m
Status	awaiting first disbursement
Lead Financier	EIB

In order to exploit some of Mozambique's abundant natural energy resources, the Government of Mozambique has launched major initiatives involving the development of generation projects and an extra high-voltage transmission system for the evacuation of power to neighbouring countries within the Southern African Power Pool (SAPP). One of these initiatives is the CESUL Regional Transmission Development Project comprising the construction of a transmission line from the main electricity production site on the Zambezi River in northern Mozambique to the main area of consumption in Maputo and its surroundings in southern Mozambique, with scope for the development of production projects along the line. The development of the CESUL Transmission System will be linked with the development of two

large hydropower generation projects in the same province: the North Cahora Bassa and the Mpanda Nkwua. The significant environmental and social implications of the projects for the Tete region requires a comprehensive Strategic Regional Environmental and Social Assessment (SRESA), to be funded by the ITF grant and aiming at providing an overarching assessment of the indirect, induced and cumulative environmental and social impacts of existing projects, projects under construction and planned projects in the Tete region, related transport routes, areas of influence and associated projects.

An agreement was signed between the EIB and Electricidade de Moçambique (EdM) in August 2010, authorising EdM to enter into a consultancy contract for the provision of a study, which shall provide a comprehensive assessment of indirect, induced and cumulative environmental and social impacts of existing projects, projects under construction and planned projects and should result in an overall framework to maximize the benefits and minimize the environmental and social risks associated with rapid development in the area of influence of the CESUL Transmission System.



Expansion of the Port of Walvis Bay	
Sector	transport
Type of grant	TA
Grant amount	EUR 0.45m
Status	awaiting first disbursement
Lead Financier	KfW



The state-owned Namibian Ports Authority (Namport) has launched a new container terminal project, located offshore at the southern end of the port site. The total project cost for this major expansion and upgrade of the Walvis Bay container terminal, including the extension of berths and dredging to permit larger vessels to access the port, is estimated at the equivalent of EUR 300m. The Ports Authority has approached the EIB, AFD, KfW and Development Bank of Southern Africa as potential lenders for assistance in completing the assessment of the financial and economic feasibility of

the project as well as the analysis of different investment and operating options.

The ITF grant approved for the preparation of this project will be used to assist Namport in financing consultancy services for conducting the economic market study for the strategic expansion of the Walvis Bay container terminal. For this purpose, KfW signed in May 2010 a financing agreement with Namport for EUR 450 000. The award of the consultancy services contract and a first disbursement under the ITF grant are expected in early 2011.

Sambangalou Hydropower Plant	
Sector	energy
Type of grant	TA
Grant amount	up to EUR 0.35m
Status	awaiting first disbursement
Lead Financier	AFD

The Sambangalou Hydropower Plant is part of the OMVG Energy project which is made up of three components, namely the hydroelectric developments at Sambangalou and Kaléta and an interconnection line. While the total cost is estimated at EUR 990m, the cost of the initial phase, which consists of the hydroelectric developments at Kaléta and part of the interconnection line, is estimated at EUR 540m. The construction of the Sambangalou Hydropower Plant itself is part of the second phase. It will have an installed capacity of 128 MW and should be operational by 2015. Total energy production should reach 208 to 402 GWh per year.

A feasibility study, including the Environmental and Social Impact Assessment for the Sambangalou Hydropower Plant was completed in 2006. However, some aspects such as the economic analysis and environmental and social aspects have to be examined further. The ITF grant will be used by OMVG to contract international consultancy firms for the assessment of the Total Economic Value (TEV) of the project including the environmental and social impacts and related mitigation measures. A review of the Environmental and Social Management Plan (ESMP) and of the Population Resettlement Plan (PRP) is also planned, as well as an analysis of the sensitivity of the project's profitability to flood variations and to climate and precipitation variability.

Annexes

1. Audited Financial Statements	61
2. List of Donors, Representatives and Aggregate Contributions (received as at 31.12.2010)	71
3. List of Steering Committee Members	72
4. Members of the Project Financiers Group	74
5. List of Eligible African Countries	75
6. African Regional Economic Communities	76
7. List of Acronyms	78
8. Acknowledgement of Contributions to the Annual Report	79





➔ 1. Audited Financial Statements

Statement of financial position

as at 31 December 2010 (in EUR'000)

	Notes	31.12.2010	31.12.2009
ASSETS			
Cash and cash equivalents	2.4.2	251 452	144 151
Other assets	3,8	8 276	5 132
Total Assets		259 728	149 283
LIABILITIES AND CONTRIBUTORS' RESOURCES			
LIABILITIES			
Other liabilities	4	7	7
Total Liabilities		7	7
CONTRIBUTORS' RESOURCES			
Contributions	5	290 200	170 200
Retained earnings		- 30 479	- 20 924
Total Contributors' resources		259 721	149 276
Total Liabilities and Contributors' resources		259 728	149 283

Statement of comprehensive income

for the year ended 31 December 2010 (in EUR'000)

	Notes	From 01.01.2010 to 31.12.2010	From 01.01.2009 to 31.12.2009
Interest and similar income	6	499	562
Total income		562	2 941
Projects financed	7	- 8 392	- 22 396
General administrative expenses	8	- 1 655	- 855
Audit fees		- 7	- 7
Total expenses		- 10 054	- 23 258
Net loss for the year		- 9 555	- 22 696
Total comprehensive loss for the year		- 9 555	- 22 696

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



Statement of cash flows

For the year ended 31 December 2010 (in EUR'000)

	From 01.01.2010 to 31.12.2010	From 01.01.2009 to 31.12.2009
OPERATING ACTIVITIES		
Interest received	499	562
General administrative expenses	- 4 799	- 3 089
Projects financed	- 8 392	- 22 396
Audit fees	- 7	- 7
Net cash from operating activities	- 12 699	- 24 930
FINANCING ACTIVITIES		
Contributions received	120 000	77 200
Net cash from financing activities	120 000	77 200
Net increase in cash and cash equivalents	107 301	52 270
Cash and cash equivalents at beginning of year	144 151	91 881
Cash and cash equivalents at end of the year	251 452	144 151

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

Notes to the financial statements

1. General information

Under the umbrella of the EU Strategy for Africa, the European Commission and nine EU Member States ("the Contributors") as well as the European Investment Bank ("EIB") as Manager of the EU-Africa Infrastructure Trust Fund (ITF) ("the Trust Fund" or "the ITF"), signed the Agreement constituting the Implementation Rules of the Trust Fund ("the Rules"). Since then, three further Member States have become Contributors of the Trust Fund. A first amendment to the Rules was approved by the Trust Fund's Executive Committee on 29 June 2009; and a second amendment on 25 November 2010.

The key objective of the ITF is to contribute to achieving the strategic objectives of the EU-Africa Infrastructure Partnership through blending of targeted long-term financing of eligible regional infrastructure projects in Sub-Saharan Africa with grant money from Contributor Member States.

The Trust Fund has a limited lifespan and can be wound-up once certain events occur. Article 11.2.1 (d) of the Rules includes the possibility to wind-up the Trust Fund on 31 December 2015 and article 11.3 specifies the modalities of disposal of the remaining resources.

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- Statement of compliance

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

2.2. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires EIB Management to exercise its judgment in the process of applying the Trust Fund's accounting policies.

2.3. Changes in accounting policies

The applicable accounting policies adopted are consistent with those of the previous financial year.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011 and have not been applied in preparing these financial statements.

The Trust Fund plans to adopt these standards and Amendments at their effective dates and does

not anticipate any significant impacts on its financial statements.

2.4. Summary of significant accounting policies

2.4.1 Foreign currency translation

The Trust Fund uses the Euro (EUR) for presenting its financial statements, which is also its 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 statement of financial position's date. The gain or loss arising from such translation is recorded in the statement of comprehensive income.

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 recognized in the statement of comprehensive income.

The elements of the statement of comprehensive income 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 Trust Fund defines cash and cash equivalents as current accounts and short-term deposits with original maturities of three months or less. The current account is one account opened in the EIB books in the name of the Trust Fund, called "EU-Africa Infrastructure Trust Fund Account".

2.4.3 Contributions

In addition to the Founding Donor (the European Commission), any Member State of the European Union or any Member State Development Finance Agency may contribute funds in Euro to the Trust Fund. Contributions, net of banking charges, are recognised in the statement of financial position on the date when payment of a contribution by a contributor is received.

The Fund's contributions meet the following conditions and are consequently classified as equity:

- As defined in the contribution agreement, they entitle the Contributors to decide on the utilisation of the Fund's net assets in the events of the Fund'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 Fund over the life of the instrument.

2.4.4 Disbursements for operations

Disbursements related to operations financed by the Trust Fund are recorded as expenditures in the statement of comprehensive income as "Projects Financed" at the date they are paid out by the Trust Fund.

2.4.5 General administrative expenses

For managing the Trust Fund the EIB is granted a one-off payment equal to 4% (four percent) to be deducted from each contribution effectively made available to the Trust Fund. The administrative fee is intended to cover in full the costs associated with managing the Trust Fund. General administrative

expenses are recognised in the statement of comprehensive income on a pro-rata basis over the remaining lifespan of the Trust Fund.

2.4.6 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. Other assets

Other assets represent administrative fees paid in advance to the EIB as laid down in Note 8.

4. Other liabilities

Other liabilities represent external audit fees payable for the audit of the Trust Fund's financial statements as at 31 December 2010. Comparatives represent external audit fees payable for the audit of the Trust Fund's financial statements as at 31 December 2009.

5. Contributions to the Trust Fund

Contributions received from the European Commission and Member States as at 31 December 2010 and 2009 are detailed below:

European Commission/ Member States	31.12.2010 (EUR '000)	31.12.2009 (EUR '000)
Austria	2 000	1 000
Belgium	1 000	1 000
European Commission	208 700	108 700
Finland	5 000	5 000
France	10 000	5 000
Germany	5 000	1 000
Greece	1 000	1 000
Italy	5 000	5 000
Luxembourg	2 000	2 000
Netherlands	2 000	2 000
Portugal	1 000	1 000
Spain	10 000	10 000
United Kingdom	37 500	27 500
Total	290 200	170 200

6. Interest and similar income

According to the Rules, the EIB remunerates the cash on the current account based on the Euro Overnight Index Average (EONIA).

During the financial year 2010, the interest income received in remuneration of the current account opened in the EIB books amounts to EUR 499 002 (2009: EUR 561 627).



7. Projects financed

In 2010 and 2009 the following disbursements for projects were made:

Projects financed (EUR' 000)	From 01.01.2010 to 31.12.2010	From 01.01.2009 to 31.12.2009
Technical Assistance		
Ethiopia-Kenya Interconnector	-	92
GIBE Hydropower III ESIA	22	-
Jomo Kenyatta International Airport Extension	840	-
CLSG - West-Africa Power Interconnector	869	287
Ruzizi Hydropower	500	1 676
EASSy Cable	1 012	939
Kibuye-Goma-Birembo Transmission Line	110	-
Total Technical Assistance	3 353	2 994
Interest Rate Subsidies		
Caprivi Link Interconnector	-	15 000
Beira Corridor	3 100	4 402
Félou Hydropower	1 939	-
Total Interest Rate Subsidies	5 039	19 402
Total projects financed	8 392	22 396

8. General administrative expenses (in EUR'000)

The management fee paid to the EIB amounts to EUR 4 799 and EUR 3 089 for the financial year 2010 and the financial year 2009 respectively. As at 31 December 2010 EUR 1 655 (2009: EUR 855) are recognised in the statement of comprehensive income and EUR 8 276 (2009: EUR 5 132) are booked in other assets in the statement of financial position as administrative fees paid in advance.

9. Commitments

Commitments of the Trust Fund are entirely composed of approved but not yet disbursed grant operations. As at the balance sheet date they are totalling to EUR 177.0 million (2009: EUR 72.9 million), of which EUR 127.6 million (2009: EUR 52.8 million) are within the scope of interest rate subsidies, EUR 45.4 million (2009: EUR 20.1 million) within the scope of technical assistance and EUR 4 million (none in 2009) within the scope of Direct Grants. The Rules (Article 6.1.2) foresees that disbursement of grant operations to the Project Leader should normally commence within 18 months of formal approval of each grant operation.

10. Liquidity position (in EUR '000)

The table below provides an analysis of assets, liabilities and contributors' resources into relevant maturity groupings based on the remaining period from the statement of financial position's date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates. Therefore, in the case of liabilities the earliest possible repayment date is shown, while for assets it is the latest possible repayment date.

Maturity (at 31 December 2010)	Up to 3 months	3 months to 1 year	1 to 10 years	Maturity undefined	Total
Assets					
Placements with the Bank	251 452	-	-	-	251 452
Other assets	-	1 655	6 621	-	8 276
Total Assets	251 452	1 655	6 621	-	259 728
Liabilities and Contributors' resources					
Total Liabilities	-7	-	-	-	-7
Total Contributors' resources	-	-	-	- 259 721	- 259 721
Total Liabilities and Contributors' resources	-7	-	-	- 259 721	- 259 728

Maturity (at 31 December 2009)	Up to 3 months	3 months to 1 year	1 to 10 years	Maturity undefined	Total
Assets					
Placements with the Bank	144 151	-	-	-	144 151
Other assets	-	855	4 277	-	5 132
Total Assets	144 151	855	4 277	-	149 283
Liabilities and Contributors' resources					
Total Liabilities	-7	-	-	-	-7
Total Contributors' resources	-	-	-	- 149 276	- 149 276
Total Liabilities and Contributors' resources	-7	-	-	- 149 276	- 149 283

11. Interest rate risk

The Fund is exposed to an interest rate risk through its cash and cash equivalents remunerated based on the Euro Overnight Index Average (EONIA).

12. 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 agréé

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 EU-Africa Infrastructure Trust Fund, which comprise the statement of financial position as at 31 December 2010 and the statements of comprehensive income, changes in contributors' resources and cash flow 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 fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, 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 as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. 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 fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 give a true and fair view of the financial position of the EU-Africa Infrastructure Trust Fund as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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

Statement by the Audit Committee

The conditions with regard to the approval of Financial Statements of the EU-Africa Infrastructure Trust Fund contained in the Agreement Constituting the Implementation Rules of the Trust Fund state that the Financial Statements shall be submitted to the EIB governing bodies according to the provisions laid down in respect of its own financial statements in the Statute. On this basis, the Audit Committee issues this statement.

Statement by the Audit Committee on the EU-Africa Infrastructure Trust Fund's financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS)

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 the opinion of KPMG on the financial statements of the EU-Africa Infrastructure Trust Fund for the period ended 31 December 2010 is unqualified,
- convened on a regular basis with the Heads of Directorates and relevant services, and studied the documents which it deemed necessary to examine in the discharge of its duties,
- received assurance from the Management Committee concerning the effectiveness of the internal control structure and internal administration,

and considering

- the financial statements for the period ended 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 EU-Africa Infrastructure Trust Fund are conducted in a proper manner, in particular with regard to risk management and monitoring;
- has verified that the operations of the EU-Africa Infrastructure Trust Fund have been conducted and its books kept in a proper manner and that to this end, it has verified that the EU-AFRICA Infrastructure Trust Fund'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 statement of financial position, the statements of comprehensive income, changes in contributors' resources and statement of cash flows, and a summary of significant accounting policies and other explanatory information give a true and fair view of the financial position of the EU-Africa Infrastructure Trust Fund as at 31 December 2010 and of its financial performance and its cash flows for the period then ended, in accordance with IFRS.

Luxembourg, 10 March 2011

The Audit Committee



G. SMYTH



E. MATHAY



J. RODRIGUES DE JESUS



D. NOUY



J. GALEA



M. ÜÜRKE



➔ 2. List of Donors, Representatives and Aggregate Contributions (received as at 31.12.2010)

All amounts in EUR

Donor	Signed contribution amount	Number of voting rights	Deposited contribution
Spain	10 000 000	10	10 000 000
Luxembourg	1 000 000	1	1 000 000
<i>additional contribution</i>	1 000 000	1	1 000 000
France	5 000 000	5	5 000 000
<i>additional contribution</i>	5 000 000	5	5 000 000
European Commission	60 000 000	60	60 000 000
<i>additional contribution</i>	48 700 000	49	48 700 000
<i>additional contribution</i>	200 000 000	200	100 000 000
Greece	1 000 000	1	1 000 000
Austria - ADA	1 000 000	1	1 000 000
Austria - OeEB	1 000 000	1	1 000 000
Italy	5 000 000	5	5 000 000
The Netherlands	2 000 000	2	2 000 000
Germany	1 000 000	1	1 000 000
<i>additional contribution</i>	4 000 000	4	4 000 000
The United Kingdom	10 000 000	10	10 000 000
<i>additional contribution</i>	20 000 000	20	17 500 000
<i>additional contribution</i>	10 000 000	10	10 000 000
Portugal	1 000 000	1	1 000 000
Belgium	1 000 000	1	1 000 000
Finland	5 000 000	5	5 000 000
	392 700 000	393	290 200 000

➔ 3. List of Steering Committee Members

African Members

Members of Conference Bureau Transport, Energy & ICT

TRANSPORT	ENERGY	ICT	OTHERS
Algeria	South Africa	Nigeria	Burkina Faso
Ethiopia	Senegal	Kenya	Morocco
Mali	Egypt	Egypt	Nigeria
Gabon	Congo	Zambia	Kenya
Zimbabwe	Uganda	Niger	

Regional Economic Communities (RECs):

- Community of Sahel-Saharan States - CEN-SAD
- Common Market for Eastern and Southern Africa - COMESA
- Economic Community of West African States - ECOWAS
- Southern African Development Community - SADC
- Intergovernmental Authority on Development - IGAD
- East African Community - EAC
- Economic Community of Central African States - ECCAS
- Arab Maghreb Union - AMU

Others

- Economic Commission for Africa - ECA
- African Development Bank - AfDB
- New Partnership for Africa's Development – NEPAD

African Union Commission - AUC



European Members

- Austrian Republic
- Kingdom of Belgium
- Republic of Bulgaria
- Republic of Cyprus
- Czech Republic
- Kingdom of Denmark
- Republic of Estonia
- Republic of Finland
- French Republic
- Federal Republic of Germany
- Hellenic Republic
- Republic of Hungary
- Ireland
- Italian Republic
- Republic of Latvia
- Republic of Lithuania
- Grand Duchy of Luxembourg
- Republic of Malta
- Kingdom of the Netherlands
- Republic of Poland
- Portuguese Republic
- Romania
- Slovak Republic
- Republic of Slovenia
- Kingdom of Spain
- Kingdom of Sweden
- The United Kingdom
- European Investment Bank
- European Commission

➔ 4. Members of the Project Financiers Group

Donor	Financier	Contact Person
UK	African Development Bank	Alex Rugamba
Austria	Development Bank of Austria	Wolfgang Pöcheim
Belgium	BIO	Alain De Muyter
European Commission	European Investment Bank	Alistair Wray
Finland	Finnfund	Jaakko Kangasniemi
France	Agence Française de Développement	Alexis Bonnel
Germany	KfW Bankengruppe	Jochen Meyer-Lohmann
Greece	Ministry of Economy and Finance	Katerina Alesta
Italy	Simest	Alessandra Mariani
Luxembourg	Lux-Development	Richard Schmid
Portugal	SOFID	João Real Pereira
Spain	COFIDES	Fernando Aceña
The Netherlands	PIDG	John Hodges



→ 5. List of Eligible African Countries

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

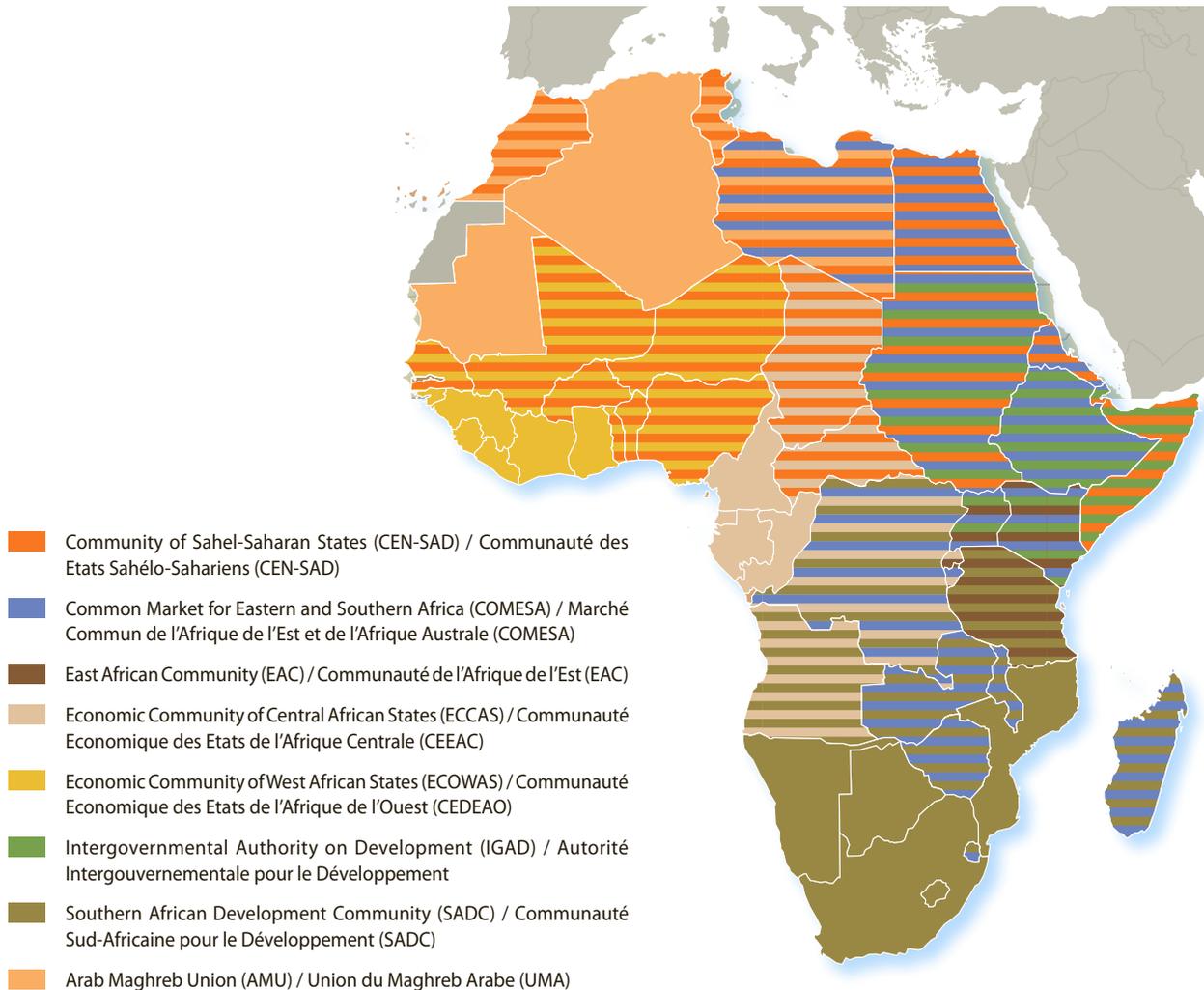
➔ 6. African Regional Economic Communities

The Regional Economic Communities (RECs), which were established with the aim of promoting greater economic integration of the African countries, work closely with the African Union and its Commission to facilitate the harmonisation of policies and the formulation and implementation of all African Union programmes. The RECs as economic building blocks bring together the member states in various subregions, although there

are a number of overlaps between the RECs, as shown in the map below.

Technical and logistical support is offered to the RECs by various specialised institutions, such as power pools and river basin commissions, in implementing infrastructure policies and projects.

African Regional Economic Communities





ITF Eligible Countries and their REC Membership

	CEN-SAD	COMESA	EAC	CEEAC	ECOWAS	SADC	UMA	IGAD
Angola				•		•		
Benin	•				•			
Botswana						•		
Burkina Faso	•				•			
Burundi		•	•	•				
Cameroon				•				
Cape Verde					•			
Central African Republic	•			•				
Chad	•			•				
Congo Brazzaville				•				
Comores		•						
Côte D'Ivoire					•			
Democratic Republic of the Congo		•		•		•		
Djibouti	•	•						•
Equatorial Guinea				•				
Eritrea	•	•						
Ethiopia		•						•
Gabon				•				
Gambia	•				•			
Ghana					•			
Guinea-Bissau					•			
Guinea Republic					•			
Kenya		•	•					•
Lesotho						•		
Liberia					•			
Madagascar		•				•		
Malawi		•				•		
Mali	•				•			
Mauritania							•	
Mauritius		•				•		
Mozambique						•		
Namibia						•		
Niger	•				•			
Nigeria	•				•			
Rwanda		•	•					
São Tomé and Príncipe				•				
Seychelles		•				•		
Senegal	•				•			
Sierra Leone					•			
Somalia	•							•
Sudan	•	•						•
Swaziland		•				•		
Tanzania			•			•		
Togo	•				•			
Uganda		•	•					•
Zambia		•				•		
Zimbabwe		•				•		

➔ 7. List of Acronyms

A

ADA:	Austrian Development Agency
AFD:	Agence Française de Développement
AfDB:	African Development Bank
AU:	African Union
AUC:	African Union Commission

C

CIP:	Clearance in principle
COFIDES:	Compañía Española de Financiación del Desarrollo

D

DBSA:	Development Bank of Southern Africa
DFI:	Development Finance Institution
DFID:	Department for International Development
DG:	Direct Grant
DICOM:	Digital Imaging and Communications in Medicine
DRC:	Democratic Republic of the Congo

E

EASSy:	Eastern Africa Submarine Cable System
EDCF:	Economic Development Cooperation Fund (Korea)
EC:	European Commission
EDF:	European Development Fund
EGL:	Energy of the Great Lakes
EIB:	European Investment Bank
ERERA:	ECOWAS Regional Electricity Regulatory Authority
ESA:	European Space Agency
ESMP:	Environmental and Social Management Plan
eTPC:	estimated Total Project Cost
EU:	European Union
ExCom:	ITF Executive Committee

G

GKMA:	Greater Kampala Metropolitan Area
GoU:	Government of Uganda

H

HIPC:	Heavily Indebted Poor Countries
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I

ICA:	Infrastructure Consortium for Africa
ICT:	Information and Communication Technologies
IDA:	International Development Association
IP:	Insurance Premia
IRS:	Interest Rate Subsidy
ISP:	Internet service provider
ITF:	Infrastructure Trust Fund

J

JICA:	Japan International Cooperation Agency
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K

KfW:	KfW Bankengruppe
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M

MDGs:	Millennium Development Goals
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N

NAMPOWER:	Namibian Power
NELSAP:	Nile Equatorial Lakes Subsidiary Action Programme
NEPAD:	New Partnership for Africa's Development
NWSC:	National Water and Sewerage Corporation

O

OeEB:	Oesterreichische Entwicklungsbank AG
OMVG:	Gambia River Basin Development Authority
OMVS:	Senegal River Basin Development Authority

P

PFG:	ITF Project Financiers Group
PSC:	Steering Committee of the EU-Africa Partnership on Infrastructure

R

REC:	Regional Economic Community
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S

SADC:	Southern African Development Community
SAPP:	Southern African Power Pool
SIMEST:	Società Italiana per le Imprese all'Estero
SNEL:	Société Nationale d'Electricité
SPV:	Special Purpose Vehicle
SOFID:	Sociedade para o Financiamento do Desenvolvimento
SOGEM:	Société de Gestion du Barrage de Manantali

T

TA:	Technical Assistance
TPC:	Total Project Cost

U

UK:	United Kingdom
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W

WAPP:	West African Power Pool
WIOCC:	West Indian Ocean Cable Company Ltd



➔ 8. Acknowledgement of Contributions to the Annual Report

The Secretariat of the EU-Africa Trust Fund prepared this Annual Report with the kind contribution of the:

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European Union Africa
Infrastructure Trust Fund



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