



## EIB and EU-Africa Infrastructure trust fund work together to help rebuild Beira Transport corridor in Mozambique

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*The European Investment Bank (EIB) is lending EUR 65 million to the Republic of Mozambique for the rehabilitation of the Beira corridor in Mozambique. The EIB loan will be complemented by a EUR 29 million interest rate subsidy from the EU-Africa Infrastructure Trust Fund. The funding package will support improvements to the Sena railway line and the restoration of the Beira port access channel.*

The rehabilitation of the Beira corridor is an emblematic project for Mozambique, restoring efficient links to other countries in the region and facilitating international trade. By improving Mozambique's transport services by sea to international ports and by rail to the landlocked countries of southern Africa, the project will catalyse local and regional economic growth and contribute to overall poverty alleviation.

Plutarchos Sakellaris, EIB Vice President responsible for lending operations in Africa, was welcomed to Mozambique by the Finance Minister, Manuel Chang, to the official loan signature ceremony in Maputo. The EIB loan was welcomed as a further step on the country's road to rehabilitation and development.

*"The EIB is dedicated to supporting Mozambique in its bid to rebuild an efficient national transport system", said VP Sakellaris. "We are delighted to cooperate with other international donors and notably with the World Bank as well as the EU Member States and the European Commission through the EU-Africa Infrastructure Trust Fund to support this project which will significantly reduce transport costs in the Beira Corridor. We are convinced that the benefits of this investment will reach beyond Mozambique's borders and the involvement of the Trust Fund serves to underline the positive impact the project will have on the region as a whole."*

### **Beira: unlocking an international trade gateway**

The EIB loan will support two portions of the planned improvements to the Beira Corridor. EUR 42 million will be dedicated to the rehabilitation of the 680km-long Sena railway line which links Beira both to the coal mining town of Moatize and to the Malawian border. The EIB finance will be used to implement track improvements and also to construct and maintain essential operational buildings and radio telecommunications systems. The project aims to allow a minimal operating speed of 60 km per hour along the entire length of the train line.

An additional EUR 23 million will benefit the Beira port which acts as an international gateway, not only for Mozambique, but also for the region's landlocked countries – Zimbabwe, Zambia, Malawi and potentially also the Democratic Republic of Congo. The EIB loan will help to restore the depth and width of the access channel to the Beira port, to dispose of dredged materials and to rehabilitate marine service vessels.

### **EU-Africa Infrastructure Trust Fund: a vital component for project success**

The EUR 29 million interest rate subsidy from the EU-Africa Infrastructure Trust fund is a vital component of the Beira Corridor project. Established jointly by the EIB, the EU Member States and the European Commission, the Trust Fund's main aim is to foster investment in regional African infrastructure projects, overcoming potential funding obstacles. As a country which has reached completion point under the Heavily Indebted Poor Country (HIPC) initiative, Mozambique must respect a concessionality level of 35% in all borrowing operations. As such, the interest rate subsidy which the Trust Fund is providing is critical for the materialisation of the investments in the Beira project.

The improvements to the Beira Corridor are expected to have a significant impact on local employment during and after the construction phase. The EIB will maintain close monitoring links with the Beira Corridor project after the loan signature to ensure that all aspects of the projects are carried out to expected operating standards.

The EIB and Trust Fund financing will be made alongside funding from the World Bank and from Dutch and Danish development agencies.

#### **Background Notes:**

##### ***EIB Activity in Africa, Caribbean and Pacific***

The European Investment Bank (EIB) is instrumental in implementing the EU's development and economic cooperation policy in countries outside the Union. The EIB has been a development partner in many African, Caribbean and Pacific (ACP) countries since 1963 through a series of lending mandates from the European Council. The current mandate is based on the Cotonou Agreement of June 2000.

EIB loans in the ACP regions support the alleviation of poverty and the development of sustainable economic growth. The Bank lends from two sources - EIB own resources and the Investment Facility, a revolving fund financed by the EU Member States through the European Development Fund.

##### ***EIB lending activity in Mozambique***

The EIB has been active in Mozambique since 1987. Since this time, the Bank has lent almost EUR 408 million to benefit projects across all economic sectors, namely for the development of energy supply, financial services, agriculture, industry, and water and sanitation.

##### ***EU-Africa Infrastructure Trust Fund***

The EU-Africa Infrastructure Trust Fund was established within the framework of the EU's response to the 2005 Gleneagles Declaration on Africa to support infrastructure projects with a cross-border or regional impact in sub-Saharan Africa.

The Trust Fund blends grants from the European Commission and EU Member States with the lending and technical capacities of the EIB and other EU development financiers. The Trust Fund supports energy, transport, water and telecommunications projects through interest rate subsidies, technical assistance, grants for social or environmental components of projects and grants covering early-stage premiums on risk mitigation insurance.

The Fund became operational in June 2007 and is managed by the European Investment Bank. It now boasts 12 members and total contributions paid into the fund stand at EUR 93 million with 8 grants already approved.