

# **Letter of Intent**

**Between**

**European Investment Bank (EIB),**

**Agence Française de Développement (AfD)**

**And**

**KfW Development Bank (KfW)**

AfD, EIB and KfW being financing institutions that contribute to economic, social and human development in developing and emerging countries, within the framework of the development aid policies and the international commitments of their respective governments or member states, are aware of the new goals and challenges for development assistance. There is a recognised need, in the context of the Millennium Development Goals, for more infrastructure for the poor and for the development of the private sector, both areas where AfD, EIB and KfW have been active for many years.

In this environment, financial, operational and technical leverage as well as the use of innovative financial mechanisms have become more and more important. In order to improve the efficiency and effectiveness of their action, and in the spirit of the Paris Declaration on Aid Effectiveness of March 2005, AfD, EIB and KfW recognise the need to further harmonise their strategies and to intensify their cooperation at different levels.

With the increase in operational contacts and cooperation based on the Framework Agreements between the members of INTERACT on staff exchanges and secondments of November 20, 2001 and on financial co-operation and exchange of services of January 29, 2003, EIB, AfD and KfW are building on what has been achieved when intensifying their cooperation further.

Development banking changes rapidly as do our markets. New products and initiatives are required and we see good opportunities that through shared actions we can do better. It is important to share experience, learn from each other, to share the knowledge, to work together in order to reduce transaction costs, increase efficiency and effectiveness and improve the visibility of our work. And there is the need to contribute to improved strength, cohesion and visibility of the development assistance provided by European countries at the bilateral and multilateral level in order to give more visibility and a greater weight to the action of the European Union as a whole. In this respect, it is the intention of AfD, EIB and KfW to endeavour to associate to this initiative, as and when appropriate, other specialised European financial institutions.

With the objective of:

- promoting joint financing of projects and programmes;
- further strengthening coordination to ensure complementarity and cohesion between the institutions; and
- promoting joint appraisal work and policy dialogue,

EIB, AfD and KfW (the "Partners") have decided to sign this Letter of Intent to establish a Partnership.

### **Programme of activities**

This Letter of Intent presents a number of joint activities to be undertaken by Partners, in the first place for operations in ACP and in Mediterranean Partner Countries participating in the Barcelona Process. This list is neither exhaustive nor final, but reflects the intentions of the Partners at the time of drafting and will be updated accordingly, as experience is gained.

- I. **Co-financing and pooling of services:** The Partners agree to intensify their cooperation through co-financing. In doing so, Partners will pursue as much as possible the pooling of services in order to reduce transaction costs and enhance efficiency and effectiveness through division of labour, taking due account of the decision making processes of each Partner. For the same reasons, Partners will also seek to exploit opportunities for delegating appraisal and monitoring of their projects in the absence of cofinancing, when appropriate. Staff will meet regularly to identify projects suitable for co-financing and/or other forms of cooperation.

In order to make possible such strengthened cooperation, Partners will examine each other's procedures and standards with the aim of assessing the degree to which they

can be mutually accepted and utilised. A working group will be set up to ensure that procedures and standards applied by any one of the Partners are equally suitable for the others and can therefore be utilised in joint actions by all Partners. The working group will also rely on the experience of a few pilot projects that will be selected for this purpose and will aim to complete its work by June 2006.

- II. **Sharing information:** The Partners agree to share information for the purpose of working together, taking into due account confidentiality requirements of each Partner. This includes the exchange of know how and experiences especially on economic and financial project appraisal, technical and environmental aspects, impact analysis, monitoring, ex post evaluation, procurement and legal aspects.
- III. **Increase visibility and strategic influence of the cooperation:** The Partners agree to raise the profile of the Partnership and to participate jointly in international debates on development issues e.g. through joint workshops or seminars or through side events at international conferences.
- IV. **Sharing of services and facilities:** Implementation of the objectives mentioned in § I will entail that Partners will make mutually available their services and facilities, including access to local and regional offices for professional use or to arrange meetings. In the case of delegation of appraisal or monitoring, such services will be provided against fees to be agreed upon.
- V. **Staff exchanges and secondments:** Within the framework of the existing Framework Agreements, Partners will look at additional opportunities to share their respective expertise.
- VI. **Regular review of progress under the work programme:** Progress on the implementation of the initiatives covered by this Letter of Intent will be reviewed annually in a meeting of senior management and each Partner will appoint staff as appropriate for this purpose. After three years from signature of this Letter of Intent a joint evaluation of results will be conducted.

The present Letter of Intent may be reviewed and amended by mutual agreement among the Partners.

Luxembourg, December 13<sup>th</sup>, 2005

Signed for and on behalf of  
**European Investment Bank**



Philippe de Fontaine Vive Curtaz



Torsten Gersfelt

Signed for and on behalf of  
**KfW Development Bank**



Ingrid Matthäus-Maier



Wolfgang Kroh

Signed for and on behalf of  
**Agence Française de Développement**



Jean-Michel Severino