

Latin America Investment Facility (LAIF)



Background

- Latin American countries present an expenditure in infrastructures of approximately 2% of their GDP (except: Chile 6 % and Colombia 4%), that is barely sufficient to cover the maintenance of existing infrastructures.
- Taking into consideration the need for additional funds, on 18 December 2009 the Commission approved the Latin America Investment Facility (LAIF) inspired by the existing Neighbourhood Investment Facility (NIF), launched in May 2008, that obtained significant results:
 - *39 projects approved*
 - *Total investment of more than € 10 billion*
 - *The NIF contribution to the mentioned projects of € 277.4 M.*
 - *Total investment from European Finance Institutions of more than € 5 billion*

Definition

Programme of the **European Commission** aiming to facilitate the access to financing from the **European Development Finance Institutions**, for investment in infrastructures in Latin American countries.



Guiding principles

- Mobilise additional financing in Latin America (leverage loans) to promote additional investments and key infrastructures.
- Support the priorities of the DCI and the Regional Strategy between the European Commission, the European Member States and the Latin American countries (LAC).
- Complement regional, national and local strategy and measures.
- Avoid replacing private financing (additionality).

Added value

- Leverage effect: support the financing of larger scale operations through several finance institutions.
- Increased concessionality.
- Reducing transaction costs: improve donor co-ordination and harmonisation of procedures.
- Joint visibility of “European operations”.

Sectors covered

Infrastructures

- Infrastructures in basic social services
- Environment including climate change, adaptation and mitigation
- Transport
- Energy

Private Sector

- Support to Small and Medium size Enterprises (SMEs) and job creation



There are no fixed allocations per sector

Possible operations

- **Grant funding** for co-financing in public infrastructure projects.
- **Loan guarantee** cost financing.
- **Interest rate subsidy.**
- **Technical assistance**: As part of an operation of specific investment (pre-investment), or as a global mechanism for technical assistance managed by one of the Financial Institutions eligible.
- **Risk capital operations**: As part of specific investment operation, or through a global risk capital mechanism managed by one of the Financial Institutions eligible.

Example of Projects

Projects funded by LAIF could be similar to those funded by NIF:

- **Energy and transport infrastructures:**
 - Georgia: Black Sea Energy Transmission System project (€8M/€220M)
 - Morocco: Second national programme for rural roads (€9.8M/€379M)
- **Environment (included climate change, adaptation and mitigation):**
 - Tunisia: Extension and rehabilitation of wastewater plants and pumping stations (€8M/€127M)
 - Egypt: 200 MW Wind Farm project in the Gulf of El Zayt (€10M/€340M)
- **Socio-economic development :**
 - Republic of Moldova: Capacity assessment and modernisation of the Republican Clinical Hospital (RCH) in Chisinau (€3M/€20,5M)
 - Azerbaijan and Georgia: Framework for capacity building to support Financial Intermediaries (€2,8M/€38,2M)

For more details please refer to the NIF annual report

Geographical Scope

Latin American countries

EuropeAid

(as set out in the DCI Regulation (EC) N° 1905/2006)



Argentina
Bolivia
Brasil
Colombia
Costa Rica
Cuba
Chile
Ecuador
El Salvador
Guatemala
Honduras
México
Nicaragua
Panamá
Perú
Paraguay
Uruguay
Venezuela

➔ NO predefined allocation per country or sector

Eligible Finance Institutions

Finance Institutions authorized to submit operations for LAIF's support:



Multilateral European Finance Institution (EIB, NIB)



Development Finance Institutions or Public National Institutions from EU Member States (AFD, KfW, AECID...)



Finance Institutions authorised to present operations for LAIF's support in consortium with the above-mentioned Institutions:



Latin America Finance Institutions in which EU Member States share part of the capital (BCIE, BID, CAF...)



Financing the LAIF programme

➔ European Commission budget contribution (€ **125 M** for 2009-2013)



Based on annual commitment

- € **10.85 M** approved in **2009**
- € **24.00 M** approved in **2010**
- € **40.00 M** to be approved in **2011**

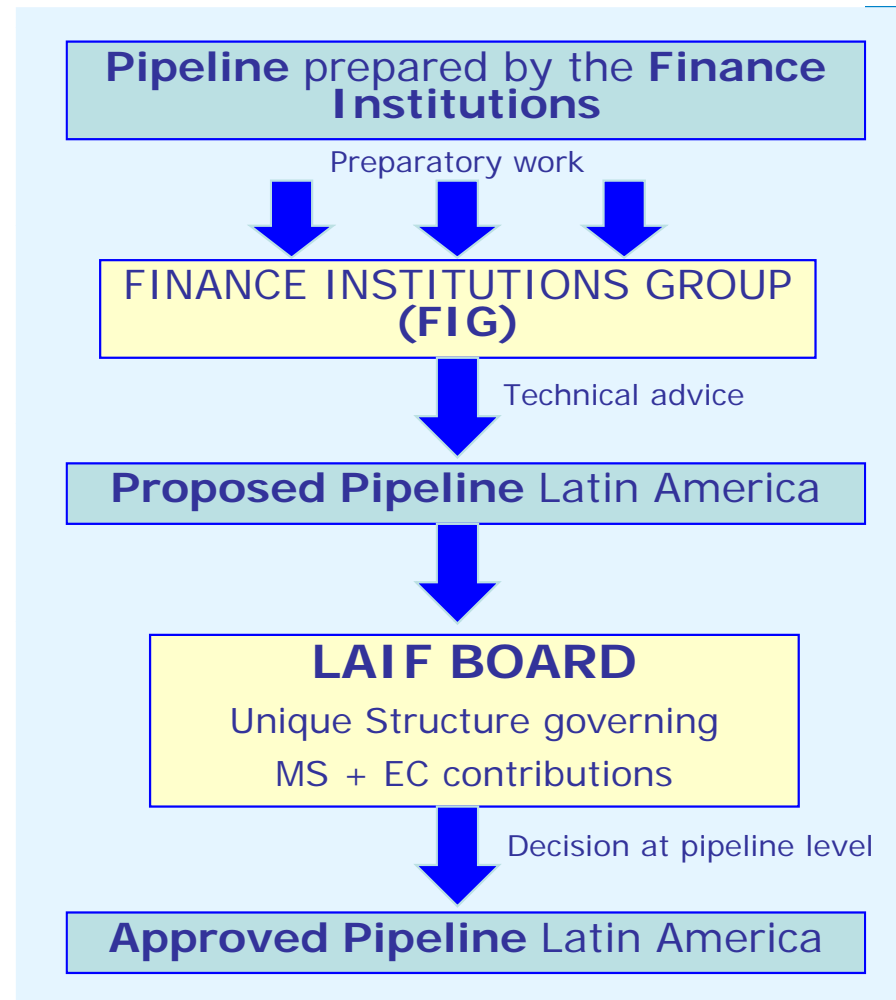
➔ The EU Member States and the Partner countries, if appropriate, can create a “**Trust Fund LAIF**” with voluntary contribution

LAI F programme architecture



LAIF Modus Operandi

- Strategies and priorities are fixed by the **LAIF Strategic Board**
- Projects are presented by the European **Lead Finance Institution...**
- ... to the **Financial Institution Group (FIG)** where their technical aspects are discussed and projects are preselected...
- They are then submitted for analysis and decision to the **LAIF Board**
- The FIG and the Board are chaired by the **European Commission**, which also acts as the LAIF Secretariat



Lead Finance Institution's role

LAIF intention is to avoid duplicating tasks; the responsibility and management tasks are delegated to the Finance institution which will follow their own procedures once positively assessed

- ➔ Project's **monitoring** and **follow-up** are delegated **to the Lead Finance Institution** (LAIF contribution is marginal compared to FI's loans)
- ➔ Commission relies on external independent **audits** and **evaluation** foreseen by the Lead Finance Institution whenever appropriate

What has been done

- ❑ 18 December 2009: LAIF programme-approval of decision (COM/2009/10106).
- ❑ 19 February 2010: 1st meeting of the Finance Institutions Group (FIG)
- ❑ 5 March 2010: LAIF presentation to Latin America countries' Embassies in Brussels.
- ❑ 12 March 2010: 1st meeting of the Strategic Board
- ❑ 14 April 2010: 2nd meeting of the Finance Institutions Group (FIG)
- ❑ 30 April 2010: 1st meeting of the Operational Board and selection of first projects
- ❑ 18-19 May 2010 (EU-LAC Summit in Madrid): official launch of the LAIF
- ❑ 15 July 2010: 3rd meeting of the Finance Institutions Group (FIG)
- ❑ 15 October 2010: 4th meeting of the Finance Institution Group (FIG)
- ❑ 24-25 October 2010: High-level Forum LAIF in Punta del Este (Uruguay)
- ❑ 23 November 2010: 2nd meeting of the Operational Board

Projects with final approval up to date

- **Energy efficiency and renewable energy programme for SMEs in Central America.**

The programme has been designed to facilitate financing to SME for investments projects related to energy consumption reduction, energy efficient systems and Renewable energy technology for energy generation.

- Total cost: € 36.3 million.
- LAIF contribution: € 3 million.
- Lead finance institution: KfW (€ 30 million).
- Co-financing institution: CABEL (€ 3.3 million loan).
- Type of LAIF support: Energy audits and feasibility studies.
- Beneficiaries: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

Projects with final approval up to date

- **Sustainable Electrification and Renewable Energy National Programme (PNESER) in Nicaragua.**

The programme PNESER supports the efforts of the Nicaraguan government in the reduction of poverty by promoting access to an efficient and sustainable electricity service to an important portion of the population. LAIF contribution will support the strengthening of the transmission system in rural areas and connecting it to renewable generation.

- Total cost: € 308.8 million.
- LAIF contribution: € 7 million.
- Lead finance institution: EIB (€ 42 million)
- Co-financing institutions: IDB, CABEI y AECID.
- Type of LAIF support: grant.
- Beneficiary: Nicaragua.

Projects with final approval up to date

- **Linking REDD+ mechanism with local implementation, the forest component of the Special Climate Change Programme of Mexico**

The objective of the project is to build capacities at the local level (states and municipalities) and to develop methodologies and mechanisms to link rural development and sustainable forest management programmes in the poorest communities to international payments for reducing deforestation and forest degradation (REDD+)

- Total cost: € 338 million.
- LAIF contribution: € 2 million.
- Lead finance institution: AFD (€ 335 million).
- Co-financing institution: AECID (grant contribution).
- Type of LAIF support: Technical Assistance and Studies
- Beneficiary: Mexico

Projects with final approval up to date

- **Extension of hydro-power plant “5 November” in El Salvador**

The goal of the project is to satisfy the continuously growing electricity demand of the population through the extension of electricity generation from renewable energies. It would contribute to climate and environmental protection by saving approximately 93,000t of CO₂.

- Total cost: € 132 million.
- LAIF contribution: € 6 million.
- Lead finance institution: KfW (€ 46 million).
- Co-financing institution: CABI (€ 46 million).
- Type of LAIF support: Investment Grant
- Beneficiary: El Salvador

Projects with final approval up to date

- **Climate Change Programme (Regional).**

The programme will facilitate and enhance public and private investments and will contribute to meeting the growing infrastructure demand in Latin America through climate friendly solutions.

- Total cost: € 300 million.
- LAIF contribution: € 3 million.
- Lead finance institution: KfW (€ 150 million).
- Co-financing institution: CAF (€ 150 million).
- Type of LAIF support: Technical Assistance and Studies
- Beneficiary: Latin American countries.

Projects with final approval up to date

- **Sustainable transport networks (Regional)**

The project will foster and enhance public investments in climate friendly infrastructure, particularly in mass public transport infrastructure to meet the infrastructure demand. Easing mobility, public transportation systems will improve the competitiveness and economic development of the region.

- Total cost: € 403 million.
- LAIF contribution: € 3 million.
- Lead finance institution: AFD (€ 200 million).
- Co-financing institution: CAF (€ 200 million).
- Type of LAIF support: Technical Assistance and Studies.
- Beneficiary: Regional

More information

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web: http://ec.europa.eu/europeaid/where/latin-america/regional-cooperation/laif/index_en.htm

