EIB and CAF fund climate action projects to boost jobs and competitiveness

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- **EIB and CAF sign a new co-financing collaboration framework agreement for Latin America and the Caribbean,**
- **Financial resources from the European Union for climate action projects will target strategic sectors such as transport, energy, water and sanitation, urban development, health, education and financial intermediation for SMEs, among others.**

The COVID-19 pandemic has exposed the need for international cooperation to mitigate its adverse effects and to promote well-being and economic and social revival of countries when they need it most, with climate action as a key criterion for interventions. CAF—development bank of Latin America—and the European Investment Bank (EIB) are capitalising on their complementary strengths to underpin sustainable development and integration in Latin America and the Caribbean in an effort to close the infrastructure investment gap.

CAF and the EIB signed a Co-Financing Collaboration Framework Agreement for European support to Latin America and the Caribbean for COVID-19 relief and to promote post-pandemic economic recovery. The Agreement provides for a USD 500 million co-financing framework for sectors such as transport, energy, water and sanitation, urban development, health, education and financial intermediation targeting SMEs, among other strategic sectors for both institutions.

EIB Vice-President **Ricardo Mourinho Félix,** responsible for Latin America and the Caribbean, noted: *"This agreement highlights the EU's support to Latin America and the Caribbean at these trying times, in order to deal with the economic consequences of the crisis. CAF is one of our key partners in Latin America and the Caribbean and we are working together to help the region meet today's challenges. This Collaboration Framework Agreement will help us identify and support opportunities for collaboration in post-COVID-19 economic recovery in sectors of common interest, focusing on climate action, thus promoting economic revival, sustainability and competitiveness."*

"Investments in integration infrastructure in the region are critical to boosting economic and social revival and to have a positive effect on job creation, economic growth and increased productivity. We are a key partner in the development of our shareholder countries and seek to complement our strengths with strategic partners such as the EIB, to attract funds that allow us to undertake competitiveness-boosting projects," noted CAF Executive President **Luis Carranza Ugarte**.

CAF has identified more than 400 integration and digital infrastructure projects in 11 subsectors, all aligned with the 17 Sustainable Development Goals and the Paris Agreement in the fight against climate change. These initiatives have been prioritized based on the quality of their structuring, rapid implementation and the specialized support from experts, which can help create jobs and boost economic growth in Latin America and the Caribbean.

The EIB provides economic support to projects in Latin America by facilitating long-term investment under favorable terms and providing the necessary technical support to ensure that these projects yield positive results in the social, economic and environmental fields. Since the EIB started operations in Latin America in 1993, it has provided funding for a total of EUR 10.4 billion to support 139 projects in 14 countries in the region.

About CAF

CAF—development bank of Latin America—aims to promote sustainable development and regional integration by financing public and private sector projects, providing technical cooperation and other specialized services. Established in 1970 and currently made up of 19 countries—17 from Latin America and the Caribbean, as well as Spain and Portugal—and 14 private banks, it is one of the main sources of multilateral financing and an important generator of knowledge for the region. Learn more at www.caf.com

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[Road charging reform – Council agrees its stance]()

The EU is revising its **road charging rules** (**Eurovignette** directive) to address **greenhouse gas emissions and other environmental impacts**, congestion and road infrastructure financing.

The member states' ambassadors today agreed on a negotiating mandate for the reform, which will include a new system of **varying charges for heavy-duty vehicles based on CO_2 emissions.** The new scheme will promote the entry into the market of vehicles with lower emissions and help combat climate change in line with the European Green Deal.

> With today's mandate, the Council has shown its ambition in terms of reaching the sustainability and environmental targets in road transport. This revision of road pricing will cover not just air and noise pollution but also CO_2 emissions, which will incentivise cleaner and more efficient transport operations. This will help to bring down transport emissions and effectively address global warming.
>
> *Andreas Scheuer, German Federal Minister for Transport and Digital Infrastructure, President of the Council*

Council mandate

The Council mandate provides a **toolbox for member states to levy charges for the use of roads** in order to reduce pollution from transport, make traffic flow more smoothly and recover the costs of the construction, operation and maintenance of infrastructure.

Member states will still be able to **choose their preferred charging model**. As EU countries differ in their geography, population density and road networks and in terms of the charging systems they already have in place, time-based charging will be maintained as a cost-effective alternative to distance-based charging.

The **scope** of the rules will be extended from **heavy goods vehicles** only to other vehicles for which member states may wish to apply charges, such as **buses, vans or passenger cars**. Countries will have the possibility to apply tolls and user charges for each type of vehicle independently of each other. In addition, member states may provide for reduced toll rates or user charges, or exempt vehicles from the obligation to pay tolls or user charges under specific conditions.

The **main change** compared to the current system will be the introduction of a new EU-wide tool for varying infrastructure and user charges with regard to heavy-duty vehicles based on **CO_2 emissions**. The variation will be based on the existing CO_2 standards. Initially, the scheme will only apply to the largest trucks, but it can gradually be extended to other types of heavy-duty vehicles and regularly adapted to technological progress through implementing acts.

To incentivise the purchase of "best-in-class" vehicles, member states will be able to give preferential treatment to **zero-emission vehicles**.

Member states may continue to apply the current charge variation based on **EURO emission classes** for the existing fleet. However, they will have to apply reduced charges based on CO_2 emissions for new vehicles.

The main principles for **earmarking** road charge revenue remain unchanged. In general, member states should earmark revenue generated by infrastructure and external cost charges for projects in the transport sector, in particular in support of the trans-European transport network. However, they are not obliged to do so. With regard to revenue generated by mark-ups, transport-related earmarking remains obligatory.

The rules will allow member states to apply higher mark-up (up to 50%) to the infrastructure charge levied on specific highly congested road sections, if all affected member states agree.

Member states will have two years from the entry into force of the directive in which to incorporate the provisions into their national law.

Procedure

In May 2017, the Commission presented the proposal for a revised Eurovignette directive as part of the first mobility package.

The mandate was approved by ambassadors meeting in the Council’s Permanent Representatives Committee. This allows the presidency to **start negotiations** with the European Parliament on the final text.

Background: current EU road charging rules

Road charging is a national choice in the EU, and member states can **choose whether or not to introduce it on their territory**. However, if they do opt to levy charges, they must follow certain common rules laid down in the Eurovignette directive. The aim of this is to ensure that the imposition of road charges does not discriminate against international traffic or result in the distortion of competition between transport operators.

Current EU road-charging rules concern **distance-based tolls** and **time-based user charges (vignettes)** for heavy-goods vehicles for the use of certain infrastructures. The idea is that the cost of constructing, operating and developing infrastructure can be covered through tolls and vignettes for road users. The charges may be complemented by an ‘external cost’ charge, aimed at reducing pollution from road transport. Member states may also modulate the infrastructure charge to take account of road congestion.

Council endorses agreement on multiannual Single Market Programme

The EU is taking steps to improve the functioning of the Single Market in view of strengthening the competitiveness of European business, especially SMEs, and of enhancing the protection of consumers. Member states’ ambassadors today approved a deal concluded between the German presidency of the Council and the European Parliament on the EU’s Single Market Programme for the years 2021 to 2027.

The main objectives of the programme are to:

- improve the functioning of the internal market;
- strengthen the competitiveness of EU enterprises, including SMEs;
- enable the development of high-quality European standards;
- increase consumer protection;
- enhance human, animal and plant health, as well as animal welfare;
- promote high-quality, timely and reliable statistics.

The programme brings together activities currently financed under six different programmes. Its total budget is €4.2 billion. This is a “top-up” of €119 million compared to the original Commission proposal from 2 years ago.

The main changes agreed upon as compared to the Commission’s proposal include:

- a stronger focus on market surveillance;
- more details on how to support small and medium-sized enterprises (with specific references to the tourism sector and the Social Economy) and how to protect the interests of consumers.

Next steps

On the basis of the agreed text (subject to its political endorsement by the European Parliament), the Council will adopt its position at first reading in early 2021. The European Parliament will then approve the Council’s position at first reading and the regulation will be deemed to have been adopted at second reading.

Background

The Commission presented its proposal for a regulation establishing the Single Market Programme on 7 June 2018.

The Council adopted a partial general approach on the Commission’s proposal and gave a mandate to start negotiations with the European Parliament on 29 November 2018.

The European Parliament adopted its position at first reading on 12 February 2019.

Negotiations between the European Parliament and the Council started on 23 October 2019 but were put on hold in December 2019 pending an agreement on the multiannual financial framework (MFF). Following the agreement on the multiannual financial framework reached at the European Council in July 2020, negotiations resumed under the German Presidency and were concluded on 8 December 2020 by the provisional political agreement endorsed today by the Permanent Representatives Committee.

Update on Mediterranean migrant search and rescue

Since 2018, some EU national authorities restrict civil society rescue operations.

Civil society tries to save migrants and asylum seekers in distress at sea, floundering in overcrowded or unseaworthy boats, often provided by smugglers and traffickers.

According to the latest FRA update on NGO search and rescue in the Mediterranean, there are 15 NGO ships and planes involved. But of these, only two are carrying out rescue operations. Three are involved in reconnaissance.

The remainder are in port, pending legal hearings or under mandatory maintenance.

The update also provides an overview of legal developments, including open and closed proceedings, since 2017 until 15 December 2020.

It notes that EU countries increasingly use administrative rather than criminal measures to prevent rescues. It also shows that there are fewer cases against crew or NGO staff.

Since the June 2020 update, EU countries have started nine new administrative proceedings.

This brings the total number of legal proceedings since 2018 to around 50.

Peru: EIB provides USD 100m to COFIDE to support SMEs and climate projects


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- **European Investment Bank to invest USD 100 million to finance SMEs and climate action projects in Peru;**
- **The project backed by the European Union will help businesses impacted by the COVID-19 crisis;**
- **The investment contributes to the achievement of a number of Sustainable Development Goals and to building Peru's resilience to pandemics such as Covid-19.**

The European Investment Bank is providing a USD 100 million framework loan to Peru's development bank, Corporación Financiera de Desarrollo S.A. (COFIDE), to finance small businesses and climate action investment projects, primarily in the renewable energy and energy efficiency sectors.

As a response to the COVID-19 crisis, the EIB loan will provide approximately USD 30 million to small and medium sized businesses, targeting companies impacted by current economic challenges. The loan will be channelled to eligible investment projects through local commercial banks.

The investment will also benefit from a EUR 3.7m (USD 4.5m) EU Latin America Investment Facility (LAIF) grant blending resources. LAIF funds would primarily be deployed in the form of technical assistance support, aimed at strengthening COFIDE's environmental and social risk management systems, enabling private investment in the sustainable energy sector in Peru.

EIB Vice-President, Ricardo Mourinho Félix responsible for Latin America said: *"Investing in micro, small and medium entreprises is crucial to create jobs and drive economic development and innovation. We are pleased to be* *signing this agreement with COFIDE to provide additional financial support to Peruvian small businesses impacted by COVID-19, and to further boost the development of the sustainable energy sector in the country. The agreement is a good example of joint EU efforts under "Team Europe" and highlights our priorities in Latin America: contributing to sustainable and inclusive growth and promoting Climate Action."*

Carlos Linares, President of COFIDE, said: *"As part of our role as a development bank in Peru and aligned with our triple bottom line strategy that seeks to achieve positive economic, social and environmental impacts, we are very pleased with this agreement with the European Investment Bank that will benefit MSMEs in their search for finance allowing them to reactivate their businesses, especially after this difficult situation at all levels. It will also help us to continue contributing to closing the infrastructure gap, but with an emphasis on green projects, which COFIDE has been financing for several years now."*

EU Ambassador to Peru, Diego Mellado, said: *"The existence of climate and environmental effects are a smouldering problem for Peru and the world. In this context, supporting sustainable projects, such as renewable energy or urban mobility or green housing, are essential to face these risks and these projects are also in line with other efforts such as the European Green Pact. The investment of the European Investment Bank, precisely, will promote and help to carry out initiatives and business support that help to mitigate against these climate risks. This will have a very positive impact on the future of Peruvians."*

EIB global response to COVID-19

The dedicated EIB support for COVID-19 economic resilience in Peru is part of the EIB's EUR 20 billion global response to reduce the economic impact of the pandemic.

EU guarantee and the SDGs

The EU bank is providing this finance in the framework of the 2014-2020 lending mandate for Latin America and the agreement is covered by the EU guarantee. By supporting this project, the EIB is contributing to the achievement of the United Nations' Sustainable Development Goals, ensuring access to affordable, reliable, sustainable and modern energy while fighting climate change.

The EIB in Latin America

The EU is the main development partner of the Latin America region, its number one investor and its second-largest trading partner. As the EU bank, the EIB supports the EU's relationship with Latin America by financing projects that contribute to the EU's external policy objectives: the development of economic, environmental and social infrastructure; private sector development; and climate change mitigation and adaptation.

In Latin America, the EIB has become a major promoter of renewable energy and energy efficiency, having signed projects worth over EUR 1,564m in the region between 2015 and 2019. Climate change mitigation and adaptation is the EIB's main priority in the region, where projects supported by the EU bank focus on the environment, and especially on boosting renewable energy, energy efficiency and sustainable public transport schemes. Climate change adaptation-related projects involve upgrading existing infrastructure to be more resilient in the face of more volatile and unpredictable weather patterns, preparing it for direct and indirect impacts.

In 2019, the EIB stepped up its contribution to sustainable development and climate action in Latin America, providing EUR 817m to finance 9 operations: that is the highest number of EIB operations structured in one year in the region.

The operation is the EU bank's sixth in Peru, where the EIB has to date financed investment projects for a total financing amount of USD 360 million.