

Brazil: EIB and BRDE support SMEs impacted by COVID-19



- The European Investment Bank will provide support for COVID-19 impacted SMEs in the states of Rio Grande do Sul, Santa Catarina and Paraná, in Brazil
- The new agreement will widen the eligibility criteria of the current EUR 80m BRDE CLIMATE ACTION Framework Loan to support and accelerate lending to private sector business
- The loan is part of the Team Europe response to COVID 19
- Part of the [Framework Loan](#) will fund urban projects, supported by FELICITY, implemented in cooperation with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

The European Investment Bank (EIB) and Banco Regional de Desenvolvimento do Extremo Sul (BRDE) announced targeted finance for small and medium enterprises (SMEs) in the States of Rio Grande do Sul, Santa Catarina and Paraná in Brazil, facing the COVID-19 pandemic.

The new agreement is an amendment to a contract signed in 2018, allowing both institutions to provide flexibility and to widen the eligibility criteria of the current EUR 80m [BRDE CLIMATE ACTION Framework Loan](#), in order to support and accelerate lending to private sector business, at the onset of the Covid-19 crisis in Latin America, especially in Brazil. This flexibility will accelerate access to finance for SMEs and in particular micro-enterprises in the states of Rio Grande do Sul, Santa Catarina and Paraná, to the tune of EUR 15m.

The EIB and BRDE are partnering to support a series of climate action projects in Brazil, including solar PV, small-scale hydropower and other renewable sources. In the COVID-19 context, the partnership has been adapted to help respond to specific needs of SMEs in this new challenging situation, by allowing faster loan disbursements to businesses.

As part of the [BRDE CLIMATE ACTION Framework Loan](#), up to EUR 30m will fund urban projects, supported by FELICITY. [FELICITY](#) is a project preparation facility funded by the German International Climate Initiative (IKI), implemented in cooperation with [GIZ](#). FELICITY helps project promoters in cities to provide feasibility studies and other preparatory and capacity building measures to BRDE.

EIB Vice-President, Ricardo Mourinho Félix responsible for Latin America said: *“Fostering entrepreneurship is crucial for sustainable growth, in particular during these challenging times. We are pleased to announce this amendment agreement with BRDE to provide additional financial support to*

small businesses impacted by COVID-19 in Brazil. This COVID-19 finance aims at accelerating the uptake and deployment of funds by BRDE to Brazilian businesses. In collaboration with Team Europe, the agreement highlights our priorities in Latin America, helping to promote sustainable and inclusive economic growth by boosting productive investment.”

CEO of BRDE, Leany Lemos, confirmed that the agreement with the EIB was the result of a great effort by both institutions and comes at a crucial moment for micro and small entrepreneurs. *“The current stage of the pandemic ended up accentuating the difficulties that many activities have been faced with for a year. Supporting during this journey means the survival of many small businesses, but above all it means maintaining jobs and income, and a better perspective at the time of recovery”,* she stressed.

EU Ambassador to Brazil, Ambassador Ignacio Ybáñez Rubio, said: *“Supporting private sector companies, especially SMEs as main drivers for jobs creation, is a major objective within the EU and its Member States. It is also an important part of its cooperation agenda with partner countries. Within the current pandemic context, it is even more important to align efforts to assure a sustainable recovery of businesses and reduce as much as possible the implicit negative socio-economic consequences derived from a slowdown of economic activity. We are proud to confirm that we have supported the establishment of this facility from the beginning, as this action forms part of the EIB’s External Lending Mandate that includes a guarantee from the EU. We applaud the conclusion of this agreement that, besides the original contract’s purpose of giving priority to climate action, which is in line with the current EU Green Deal approach, it also brings the possibility to use up to EUR 15 million of the approved loan to provide support for COVID-19 impacted SMEs in the states of Rio Grande do Sul, Santa Catarina and Paraná in the Southern part of Brazil.”*

EIB and Team Europe global response to COVID-19

The proposed emergency financing is part of the policy and operational response of the EIB, in close cooperation with the European Commission (EC), to the COVID-19 epidemic breakout outside the EU. It is part of the EIB contribution to the [Team Europe](#) response to the [COVID-19 crisis](#).

EU guarantee and the SDGs

The EU bank is providing this finance, which will cover up to 75% of the final project investment cost, in the framework of the 2014-2020 external lending mandate for Latin America. This agreement is therefore covered by the EU guarantee. By supporting this project, the EIB is contributing to achievement of the United Nations’ Sustainable Development Goals, ensuring access to affordable, reliable, sustainable and modern energy while fighting climate change.

The EIB and FELICITY

The first three projects supported by FELICITY in Brazil have an investment volume of around R\$ 140 million (EUR 20m equivalent) in climate finance. In

addition, there is a potential to reduce emissions of up to 257 Mt CO₂ in 15 years. In addition, the training courses have reached about 500 professionals in the preparation, financing and implementation of low carbon infrastructure projects in cities.

Beyond Brazil, EIB and GIZ cooperate via FELICITY also in Mexico and Ecuador to develop urban waste management and wastewater projects.

The EIB in Latin America

The EIB, the Bank of the European Union, is the largest international financial institution in the world and approximately 10% of its lending and financing target is to the benefit of partners outside of the European Union. 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 880m in the region between 2013 and 2018. 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.

The EIB provides economic support for projects in Latin America by facilitating long-term investment with favourable conditions and by providing the technical support needed to ensure that these projects deliver positive social, economic and environmental results. Since the EIB began operating in Latin America in 1993, it has provided total financing of EUR 10.4bn to support 140 projects in 14 countries in the region.