

Latin America Investment Facility

The Latin America Investment Facility (LAIF) will be launched jointly by the European Commission and the Spanish Presidency during the VI EU-Latin America and the Caribbean Summit that will take place in Madrid on 18 May¹. LAIF has been established by the European Commission to mobilise additional financing in Latin America to support investment projects by bringing together grants from the Commission with loans from European development finance institutions. LAIF's key priorities are interconnectivity and energy infrastructure, including energy efficiency and renewable energy systems, transport, environment, social services infrastructure and support for private sector development, in particular SMEs. The European Commission has dedicated to LAIF €125 million of grants up to 2013, which could generate investments well in excess of €3 billion.

President Barroso said: *"I will be happy to present in Madrid the newly Facility LAIF to the region's leaders. The intensification and deepening of EU-LA relations need to be supported by new instruments of cooperation and partnership such as LAIF. Presently less than 2% of annual GDP is spent on infrastructure in the region, while an estimated 5% would be needed to satisfy the demand, improve region's competitiveness and adequately promote socially inclusive development. LAIF will leverage additional funding of several billion euros from European multilateral and national development finance institutions, thus helping to close the existing financing gap for the key infrastructure investment and support regional integration at physical level."* He added: *"LAIF will significantly complement our existing cooperation programmes in Latin America and successfully embrace two of our priorities for the region, social cohesion and regional integration, as well as address the emerging challenges such as climate change and environment degradation."*

LAIF will pursue three interconnected and mutually reinforcing strategic objectives:

- improve interconnectivity, in particular by establishing better energy and transport infrastructure, between and within the Latin American countries;
- increase protection of the environment and better focus and control the climate changes impacts;
- promote equitable and sustainable socio-economic development through the improvement of the social services infrastructure and support for the SMEs.

^{1 1} See IP/10/XXX *Latin America and the EU towards a new stage in their Strategic Partnership – VI EU-LAC Summit*.

LAIF is structured in a way that will further encourage the formation of consortiums between the European and Latin-American finance institutions. This will further add to the leverage effect of the LAIF grants and by facilitating the coordination and collaboration of the involved actors directly contribute to the principles agreed by the Paris Declaration and by the Accra Agenda for Action.

LAIF operations will take into account the different levels of socio-economic development of Latin American sub-regions and countries, and promote a balanced disbursement of funds, while ensuring sustainable absorption capacity.

Together with the Facility, President Barroso will also present in Madrid the first three LAIF projects that were approved by the LAIF Board. These projects represent a total investment value of more than €400 million with €16 million of LAIF contribution.

Of these projects, the project aiming to facilitate an efficient and sustainable access of SMEs in the countries of Central America to financing for environmental investments, such as in energy efficiency and renewable energy technologies, received a final approval from the Board and will start in the second half of 2010 with the financial support of KfW and CABEL.

The two other projects, the Extension project of the hydroelectric plant "5 de Noviembre" in El Salvador, also financed by KfW and CABEL, and the Sustainable electrification and renewable energy national programme (PNESER) in Nicaragua, financed by EIB, IADB, CABEL and AECID, received a provisional approval.

For the period 2010-11 a pipeline of 17 projects has been identified, representing a total investment cost of some €3.5 billion, a potential lending of over €1.8 billion and a potential LAIF grant contribution of about €100 million

A LAIF Forum will take place in Montevideo in the second half of 2010 to ensure that the Latin American region derives maximum benefits from LAIF by making the region's political and economic leaders fully aware of the opportunities it offers.

VII EU-Latin America and the Caribbean Summit web site

http://ec.europa.eu/external_relations/lac/index_en.htm