

Brazil: Finance in Common Summit - EIB and BDMG support SMEs impacted by COVID-19



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During the Finance in Common Summit, the European Investment Bank (EIB) and Banco de Desenvolvimento de Minas Gerais (BDMG) announced targeted finance for small and medium enterprises (SMEs) in Brazil facing the COVID-19 pandemic.

The new agreement is an amendment to a contract signed in 2019, allowing both institutions to provide flexibility and to widen the eligibility criteria of the current EUR 100m BDMG CLIMATE ACTION Framework Loan II, 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 across the country to the tune of EUR 30m.

The EIB and BDMG 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.

EIB Vice-President, Ricardo Mourinho Félix responsible for Latin America said: “We are pleased to announce this amendment agreement to provide additional financial support to small businesses impacted by COVID-19 in Brazil. Fostering entrepreneurship is crucial for a sustainable economic and inclusive growth, in particular during the challenging times we are facing. The EIB special COVID-19 fast response aims at accelerating the uptake and deployment of funds by BDMG to

Brazilian businesses. The agreement highlights our priorities in Latin America, helping to promote sustainable and inclusive economic growth by boosting productive investment.”

Sergio Gusmão Suchodolski, President of BDMG, said: “In light of the challenging scenario triggered by the pandemic, we at BDMG have intensified our partnerships and funding diversification strategy. This includes a more dynamic relationship with Multilateral Development Banks, in which our partnership with EIB is a key element. In 2019, we have partnered with EIB on a 100 million euros framework loan for projects focused on climate action. Now, adding flexibility in the use of part of these proceeds, we will be able to further expand our emergency programs and provide additional liquidity for small and medium enterprises, securing jobs and providing countercyclical relief for the State of Minas Gerais, Brazil. This additional flexibility is therefore an important step for deepening the partnership between our sister institutions, allowing the generation of sustainable and inclusive development in this challenging moment of our world”.

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 a part of the approved facility to finance relevant projects in a wide range of sectors where Brazilian SMEs are active.”

The dedicated EIB support for COVID-19 economic resilience

in Brazil is part of the EIB's EUR 20 billion global response to reduce the economic impact of the pandemic.

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 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 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 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. In 2019, the EIB stepped up its contribution to sustainable development and climate action in Latin America, providing EUR 825m to finance 9 operations: that is the highest number of EIB operations structured in one year in the region.

About the Finance in Common Summit

The first-ever global meeting of Public Development Banks – The Finance in Common Summit – focuses on how Public Development Banks can influence the global financial system to better protect our planet and societies. The Summit takes

place on the sidelines of and in partnership with the Paris Peace Forum, and contributes to the UNSG “SDG Decade of Action”, just ahead of the G20 Summit in Riyadh (21-22 November), and the 5th anniversary of the Paris Agreement and the COP21.

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