

# **LACFIN SUGAR AND BIO-ENERGY PROGRAM**

**REGIONAL  
(RG-L1019)**

## **PROJECT ABSTRACT**

### **Program Objective**

The purpose of the Latin American Capital Finance Regional Sugar and Bio-energy Program (“LACFIN” or the “Program”) is to make loans to the sugar and bio-fuels industries in Latin America and the Caribbean and increase the availability of financing to sugar mills, ethanol distilleries and producers of bio-energy. The maximum target Program size is expected to be up to approximately US\$ 250 million, which would include equity provided by a private equity firm (“Reservoir”) in the amount of US\$75 million and debt financing provided by the IDB in the form of a US\$ 75 million Senior A Loan in the initial phase. In addition, up to US\$ 50 million of additional B Loan syndication could be added over time when market conditions improve and corresponding equity of US\$50 million is added. Under the current market conditions, at present, the initial Program size is at US\$150 million, consisting of US\$75 million equity and US\$75 million A Loan.

Under the current global liquidity shortage, the sugar and bio-energy industries are in immediate need both of trade finance and funds to increase their level of efficiency in order to maintain their competitiveness and productivity. The Program aims to: i) increase the availability of trade finance lines to the sugar and ethanol producers in the region which would help address the issue of the current liquidity shortage and the immediate demand for trade financing in the region; ii) provide medium term financing to increase the efficiency and productivity of sugarcane producers, sugar mills, ethanol distilleries and other producers of bio-fuels, which is currently not readily available from commercial banks; and iii) promote energy efficiency in the region by providing medium term financing to sugar mills for capital expenditures on features such as co-generation and drip irrigation.

This Regional Program has been designed by the IDB to diversify its support for the target regions in need of financing such as i) the Northeast region of Brazil in which the population is heavily dependent on the sugar industry, ii) C&D countries such as Central American countries that are in need of trade finance and upgrades for sugar mills, and iii) Mexico in which the sugar mills can increase their operational production efficiency and competitiveness significantly.

The Sustainable Energy and Climate Initiative (“SECCI”) will provide support for feasibility studies for the co-generation investments in the Northeast region of Brazil, and will provide support for regional expansion into C&D countries through providing technical assistance (TA) for necessary feasibility studies for the bio-energy industry. The Environmental and Social Management System to be used by LACFIN Program will incorporate the Bio-fuels Sustainability Scorecard.

This Program is consistent with the initiatives in the IDB to promote bio-fuel production in the region and the findings of the IDB study “A Blueprint for Green Energy in the Americas” and with the initiatives to promote trade finance to the region, including the Crecera and IIG Regional Trade Finance Facilities.