

## PROJECT SUMMARY

### CARIBBEAN BASIN SUSTAINABLE ENERGY FUND (CABEF)

#### (RG-Q0034/RG-T2891)

Despite an abundance of natural resources, providing accessible, affordable, and reliable energy continues to be a challenge for many countries in the Caribbean Basin. The large majority of Caribbean Basin countries rely on oil or fossil fuel imports to meet their domestic demand, with ten countries importing over 80% of their total energy needs.<sup>1</sup> This reliance on imports leads to high electricity costs and macroeconomic volatility that national governments are unable to stabilize. These price fluctuations affect the ability of Caribbean and Central American small and medium sized enterprises to predict future cash flows and costs, compromising the regions' competitiveness and productive efficiency. This energy context further exacerbates the perception of private investments in the region as too high-risk to undertake, resulting in a lack of access to financing for small and medium sized enterprises.

The limited funding that is available often takes the form of debt from development and some commercial banks, often requiring cross guarantees from project sponsors. This scarce availability for private equity and venture capital financing in the renewable energy and energy efficiency sectors provides an opportunity to tap a high potential but underserved market.

At the end of 2015, the MIF's Donor Committee approved a US\$ 4 M investment into the Honduras Renewable Energy Finance Facility (H-REFF). The proposed project will approve a MIF investment of up to US\$ 5 M in the Fund and a Global Environment Facility (GEF) investment of US\$15 M, as well as the increase in capital commitments to the existing H-REFF to become the **Caribbean Basin Sustainable Energy Fund (CABEF)**. The MIF will also provide up to US\$ 35,000 in non-reimbursable funding. If the proposal is approved, the **CABEF** will have a current capitalization of US\$ 63 M.

CABEF is being proposed as the first clean energy fund for the Caribbean Basin and with a dedicated focus on the Caribbean. CABEF will primarily provide equity and mezzanine financing for project development with the option to provide reimbursable and/or non-reimbursable technical cooperation grants for capacity-building measures.

The objective of CABEF is to foster private investments that promote energy security, environmental sustainability and related opportunities in the Caribbean Basin. This will be accomplished by expanding access to equity and finance for Small and Medium sized Enterprises (SMEs) and projects in the energy sector. Importantly, the Fund will serve as a catalyst for promoting investment and entrepreneurship in clean energy, renewables, and energy efficiency projects by demonstrating positive returns on investments and signaling the market opportunity to other investors.

CABEF may serve as a primary equity provider for the Caribbean Energy Co-Financing Facility and will contribute to developing the ecosystem for private investment in SMEs with clean energy solutions throughout the region. To contribute to building local capacity in the region's investment ecosystem, the MIF will disseminate the Fund's operational experience and relevant lessons through knowledge and communications activities that will involve the publication of case studies and the participation in local and international events reaching a wide variety of target stakeholders, including local and international investors, fund managers and government institutions.

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<sup>1</sup> The ten countries are Antigua and Barbuda, The Bahamas, Barbados, Dominica, the Dominican Republic, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.