



# **The European Investment Bank (EIB): Financing for Sustainable Economic Growth in the Caribbean**

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- EIB: the bank of the European Union
- What type of financing and for whom?
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# EIB: the bank of the European Union



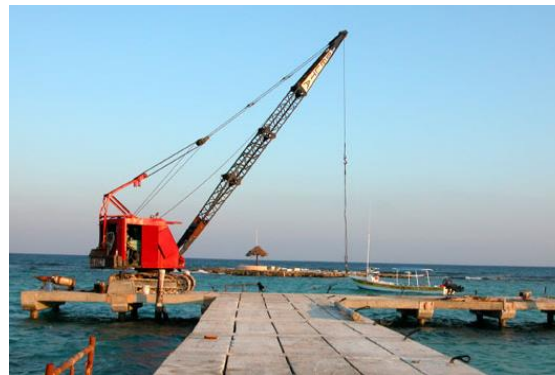
- ❖ **Established in 1958** by the Treaty of Rome. The shareholders of the Bank are the EU's Member States.
- ❖ **The largest multilateral lender** and borrower in the world (Balance sheet total of EUR 512bn).
- ❖ The Bank raises its resources by borrowing on the capital markets and it passes on its **favourable borrowing terms** (thanks to its AAA rating) to its customers.
- ❖ Some 440 projects are financed each year, in over 160 countries, with a **EUR 77bn in new loans signed** in 2016.



The EIB is the EU's long-term lending institution. The EIB's remit is to contribute towards the integration and economic and social cohesion of the EU Member States. Since 1963, the EIB has also carried out operations outside the EU in support of the EU's external policies, including the Caribbean.



- ❖ Supporting the EU's development agenda, contributing to poverty reduction and the achievement of the UN Sustainable Development Goals.
- ❖ Specific focus on local private sector development - by promoting access to finance for the private sector and funding critical social and economic infrastructure.
- ❖ Climate action (renewable energy, energy efficiency and climate adaptation) and projects with high social and environmental impact. EIB has committed to increase its climate finance for developing countries to 35% by 2020.



# What kind of financing and for whom?



SMEs + microfinance	Large corporates	SPVs & project finance (PPPs)	Public Sector
	Direct loans		
	Loans intermediated by a bank or guaranteed by a bank		
Credit lines to local banks			
Private Equity			
Guarantee provided by the EIB to a local bank (only in specific cases)			



*The EIB can offer special financing products tailored to meet local market needs in the Caribbean:*

- ❖ **Local currency** loans (in selected countries, based on macro-economic performances)
- ❖ **Interest rate subsidies:** for projects with high social or environmental impact
- ❖ **Technical assistance** grants for project preparation and implementation
- ❖ **Guarantees**
- ❖ **Junior and subordinated loans**, on an exceptional basis
- ❖ **Additional risk taking capacity** for high risk, low return projects that will have a **high social / developmental impact** (under the Impact Financing Envelope)

# Requirements and advantages of EIB funding

## The project must:

- ❖ be **eligible** under **EIB mandate objectives**
- ❖ be **technically viable** and **economically profitable**
- ❖ comply with **social and environmental standards**, and the **EIB procurement guidelines**
- ❖ represent an **acceptable credit risk** to the EIB

## EIB can offer:

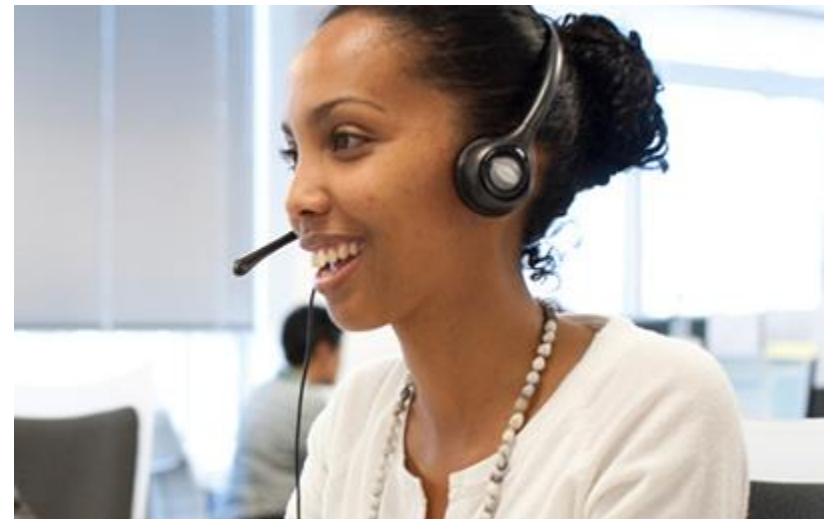
- ❖ **favorable margins**
- ❖ **signaling effect:** evidence of a project's quality
- ❖ **long maturity loans** + grace period on capital repayments
- ❖ **sector and product expertise**
- ❖ **blending:** combination of EIB financing and EU grants

EIB finances **up to 50% of project costs** with a minimum EIB loan size of about USD 15M or equivalent (smaller loans on an exceptional basis)

## Corporate – Fiber to the Home in St Maarten



- Euro 8 Million long-term loan to provide an island-wide fiber optic network for St. Maarten, transforming the remaining copper network into an ultra-modern Fiber-to-the-Home infrastructure.
- Fiber-to-the-Home is important to St. Maarten because of its potential to stimulate economic development through e-learning, e-health, provision of employment, creation of new businesses opportunities such as in e-commerce, and facilitate the use of smart meters to better manage scarce water and power resources.





## Public Sector – Upgrading of power networks



- The EUR 100 million EIB loan to the Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE), signed in 2016, aims to improve the national electricity distribution system and the availability of power supply to consumers.
- The investments will target improved network efficiency, a reduction in illegal connections, improved operations and also includes a social programme.
- The European Commission complemented the loan with a grant of EUR 9.3 million through the Caribbean Investment Facility (CIF) to carry out similar investments in areas where a large part of the population lives below the poverty line.





- ❖ The Development Bank of Jamaica (DBJ) provides opportunities to all Jamaicans to improve their quality of life through development financing, capacity building, public-private partnership and privatisation solutions in keeping with Government policy.
- ❖ DBJ's funds are channelled through a network of financial institutions such as the Jamaica Credit Union League, the National People's Cooperative Bank (NPCB), the National Export-Import Bank, and Micro Finance Institutions (MFIs), which provide the initial credit evaluation and loan supervision before on-lending to clients.
- ❖ In 2016, EIB signed a EUR 10 million facility with DBJ to support its lending to microfinance institutions.



**Development Bank  
of Jamaica Limited**

*Facilitating economic growth and development*

- GEEREF is a fund of funds and provides global risk capital to energy efficiency and renewable energy projects in developing countries and economies in transition (African, Caribbean and Pacific region, non-EU Eastern Europe, Latin America and Asia)
- GEEREF is sponsored by the European Union, Germany and Norway and advised by the European Investment Bank Group focusing on a triple bottom line of people, planet and profit
- GEEREF completed a fundraising campaign in June 2015 and raised over EUR 110m in private capital in addition to the EUR 112m contributions from the sponsors
- GEEREF is one of the first instruments that has demonstrated that it is possible to mobilise private financing by using public funds a risk capital in a financing structure



## Cooperation with the Caribbean Development Bank



- ❖ **USD 65 million EIB subsidized loan** to the Caribbean Development Bank to finance climate change adaptation projects such as:
  - **Road rehabilitation** in Belize to reduce congestion, reduce climate change vulnerability and improve transport safety;
  - **Water supply & irrigation** in Saint Lucia with the upgrade of water infrastructure and rehabilitate a dam;
  - A small 1 MW **solar PV plant** in Anguilla;
  - **Water supply** projects in Bahamas and Barbados, including PV plants to reduce energy costs;
  - **Energy efficient street lamps** in Saint Lucia and Antigua.
- ❖ The EIB loan is complemented with a **grant of EUR 4 million** to support capacity building and climate change vulnerability risk assessments.
- ❖ Relevant for the **Regional Members** of the Caribbean Development Bank





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