SUMMARY

Individual measure 2016 in favour of the Caribbean Region to be financed from the 11th European Development Fund

1. Identification

EDF allocation	11th EDF – EUR 30 000 000
Total cost	EUR 30 000 000
Legal basis	Commission Decision C(2016)

2. Country/Thematic background

The Caribbean region comprises countries that present a high degree of heterogeneity, in terms of size, development status, history and culture, but they are facing some fundamental common challenges which can only be addressed by joint responses. Most of the countries are classified as middle to upper middle income countries by the World Bank. Only Haiti pertains to the group of the Least Developed Countries (LDCs)

At the same time, all countries are classified as Small Island Developing States (SIDS). As such, they are confronted with an inherent vulnerability to exogenous shocks including natural disasters and man-made crises beyond their control.

EU relations with Caribbean ACP countries are based on the legal framework of the Partnership Agreement with the African, Caribbean and Pacific States (the so called Cotonou Agreement)[1].

On October 15, 2008 an Economic Partnership Agreement (EPA) was signed between EU and Caribbean countries. The EPA represents a pioneering agreement in the international trading system, progressively opening all trade between the EU and the region.

In November 2012, the EU Council endorsed the Joint Caribbean-EU Partnership Strategy, with the aim of intensifying cooperation in a number of core areas of mutual interest, namely: regional integration, reconstruction of Haiti, climate change and natural disasters, crime and security and joint action in multilateral fora.

The 11th EDF Caribbean Regional Indicative Programme (CRIP), adopted in June 2015, is the main strategic programming document in support of the implementation of the Caribbean-EU Partnership Strategy. The total indicative allocation of the CRIP for the period 2014-2020 is EUR 346 000 000.

The Caribbean Investment Facility (CIF) is a blending facility, which combines EU grants with other public and private sector resources such as loans and equity in order to leverage additional financing, and achieve investments in infrastructure and support to the private sector. The CIF aims at supporting sustainable growth and reducing poverty in the Caribbean by promoting actions that foster economic activities in different sectors. By reducing the

[1] The latest Cotonou Agreement was revised in 2010. http://www.eeas.europa.eu/acp/cotonou_en.htm.

overall cost or perceived risk of the project or by financing technical assistance, the Facility will encourage the beneficiary governments, private sector and/or public institutions to carry out essential investments with a development impact, which would otherwise not be carried out. Under the CRIP, an indicative allocation of EUR 135 000 000 has been reserved expressly for the CIF in recognition of the fact that blending can be a very useful tool to attract "hard" investments across the areas covered by the CRIP.

The CIF's overall objective is thus to contribute to economic development and growth, integration at regional level and poverty reduction through the mobilization of resources for strategic economic infrastructure projects and for the support to the private sector. The Facility aims to help mobilize additional investments in key infrastructure with a priority focus on sustainable energy, climate change, ICT, transport and environment. CIF contributions may be provided for private sector development, in particular to increase access to finance for micro, small and medium size enterprises (SMEs) and households, for "green" investments as well as to enhance access to basic social services. Where relevant and possible, a regional dimension can be considered for projects aimed at fostering regional inter-connectivity in the above mentioned sectors.

This Financing Decision concerns the 2016 EU contribution to the Facility. The annual EU contributions to the CIF will be drawn from the specific allocation earmarked under the 11th EDF Caribbean Regional Indicative Programme, which could be complemented by funds from other sources such as bilateral envelopes, Intra-ACP funds or DCI Thematic Programmes.

3. Summary of the action programme

1) Background: The CIF's overall objective is to contribute to inclusive economic development and growth, integration at regional level through the mobilization of resources for strategic economic infrastructure projects and for the support to the private sector.

The objectives of the CIF are *inter alia* to:

(i) mobilize investments in strategic economic infrastructure such as transport, ICT, renewable energy and energy efficiency, and interconnectivity.

(ii) mobilize investments in water & sanitation, sustainable social infrastructure and resilience to climate change.

(iii) increase access to finance and investments for SMEs and cooperatives including those that contribute to a green economy.

(iv) create jobs and reduce poverty.

The CIF will also include a Climate Change Window (CCW) aimed at supporting the implementation of projects helping partner countries to tackle climate change through mitigation and/or adaptation measures. Its main purpose is to promote additional investments and provide visibility to projects that have climate change as their principal objective. The CCW shall be managed in a streamlined way and have the same rules and the same financing and implementation modalities as the CIF. In translating policy into action, CIF contributions will ensure and promote gender equality and it will enhance the role of women in key transformative areas.

2) Coherence with the programming documents: The proposed action is fully aligned with the 11th EDF Caribbean Regional Indicative Programme 2014-2020. The proposed action is also in line with the Agenda for Change as well as Regulation (EU, Euratom) No 966/2012, which foresees that the Union contribution to a financial instrument shall aim at mobilising a global investment exceeding the size of the Union contribution. In practice and based on past experience with blending operations in this and other regions, the leverage effect of the operations financed under the CIF is expected to reach a significant multiplying factor.

4) Expected results of CIF interventions are increased investment focused indicatively on the following sectors and contributing to:

- private sector development particularly access to finance and SME development
- sustainable energy
- better and more sustainable transport infrastructure, notably:
- climate change financing
- water and sanitation and increased protection of the environment,
- information and Communication Technology (ICT)
- improved social/urban services and infrastructure

5) Past EU assistance and lessons learnt: A number of lessons learned from previous EU CIF programmes have been integrated into this new programme. These lessons include:

- leverage obtained from the previous CIF is calculated to be almost EUR 8 for every EUR of support provided by the CIF. This exceeds the expected results of the 2012 CIF programme.
- in relation to sector coverage, the SMEs sector has been underserved so far. Therefore, more efforts should be devoted to generating project proposals addressing the needs of MSMEs, in particular in the area of access to credit and financial services.
- there is a need to increase awareness among national authorities and stakeholders about the opportunities offered by CIF, as to increase ownership and buy-in from beneficiary countries.
- recommendations from the 2014 Court of Auditors report on blending included the need to improve the documentation on additionality of the grant and its level, to ensure the maturity of projects submitted to executive boards, to produce guidelines, ensure a more proactive role for EU Delegations in order to simplify the decision making process, improve the Commission's monitoring of EU grant implementation and to ensure appropriate visibility of EU funding.
- an ex-ante evaluation of the CIF highlighted the importance of extending access for SMEs in the Caribbean, the need to develop regional economic integration and intra-regional trade through inter-connectivity and other infrastructure projects. It emphasized the significant potential for renewable energy yet to be exploited as well as the need for increasing investment in infrastructure, which must be climate-smart and resilient to extreme weather conditions for being sustainable. It also recommended considering the debt of individual countries on a case-by-case basis when analysing investment projects under the CIF.

7) Complementary actions/donor coordination: The CIF is complementary to regional and national bilateral programmes. Complementarity will be sought between the Caribbean Regional Indicative programme especially in the areas of 1) climate change, disaster

management, environment and sustainable energy and 2) regional economic integration, including EPA implementation and private sector development. While the CRIP can finance "soft" actions such as regulatory approximation and reforms, capacity building, institutional strengthening and policy development, the CIF should focus at mobilizing investments for "hard" infrastructure or in the case of SMEs, cooperatives and other forms of social economy, for access to finance.

The CIF will be also complementary to the interventions planned under the INTRA-ACP Programme in the field of Climate Change Adaptation (GCCA+) and in the field of private sector development as well as under the DCI thematic programmes in the areas of energy (Energy4All) and environment.

By enabling joint European operations (combining bilateral and EU grant funding with finance institutions loan operations), the CIF will generate greater coherence and better coordination between the donors, in line with the Paris Declaration principles and in compliance with the EU Financial Regulation. The instrument is open to the participation of other EU Member States, thereby potentially further enhancing co-ordination and synergies and bring greater visibility for the European dimension of external cooperation.

Co-financing with non-EU financial institutions will further improve donor coordination.

Special attention will also be given to ensure the complementarity to other existing EU instruments, notably the African, Caribbean and Pacific Investment Facility (ACP IF). This will be ensured through close cooperation with the EIB in the context of its operations under the ACP Investment Facility, including on the ACP IF business plan. Complementarity will also be ensured with the operations financed under the "Sustainable Energy for All" initiative and the different approaches implementing the Commission Communication on Private Sector development[2].

In order to ensure complementarity, extensive information is provided in the grant application form of each project to ensure coherence with relevant EU policy objectives, the general policy framework, basic principles for blending as well as the remaining existing support programmes in the relevant field. Furthermore, additionality and complementarity with other EU measures are ensured in the preparatory process, by close coordination of finance institutions with the partner(s), European Commission and the EEAS, as well as during the decision making process.

4. Communication and visibility

The European Commission and its implementing partners will abide by the visibility rules for European Union financing as per relevant provisions in the respective project agreements and contracts. For each individual project, a communication plan will be prepared by the Lead Financing Institution, allowing the involvement of the EU Delegations at key stages of the projects having visibility potential. Additional communication measures might be taken if necessary.

[2] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0263&from=EN.

5. Cost and financing

CIF 2016 AAP	EUR 30 000 000
Total EU contribution to the programme	EUR 30 000 000

This action is funded by the European Union

ANNEX

of the Commission Decision on the Annual Action Programme 2016 in favour of the Caribbean region to be financed from the 11th European Development Fund

Action Document for the Caribbean Investment Facility (CIF)

1. Title/basic act/ CRIS number	Caribbean Investment Facility (CIF) under the European Development Fund (EDF) blending framework CRIS number: **2016/038-929** financed under the 11th European Development Fund
2. Zone benefiting from the action/location	Caribbean ACP countries
3. Programming document	11th EDF Caribbean Regional Indicative Programme (CRIP) for the period 2014-2020
4. Sector of concentration/ thematic area	1) Regional Economic Cooperation and Integration, 2) Climate Change adaptation and mitigation, Environment and Sustainable Energy
5. Amounts concerned	Total estimated cost: EUR 30 000 000 Total amount of EDF contribution: EUR 30 000 000 This action is co-financed by entities and for an amount to be determined at a later stage, after approval by the Board.
6. Aid modality(ies) and implementation modality(ies)	Project Modality This action regarding this Regional Blending Facility shall be implemented in indirect management by eligible entities to be indicated in complementary financing decisions to be adopted at the end of the Regional Blending Facilities award procedure. Direct management will be used for communication/visibility and complementary technical assistance activities (see point 5.5 below)
7. DAC code(s)	– 410 General environmental protection; – 230 Energy generation and supply; – 210 Transport and storage; – 220 Communications – 32130 SME development; – 240 banking financial services including 24040 (informal and semi-formal financial intermediaries)

	– 140 Water and sanitation – 16050 Multisector aid for basic social services			
8. Markers (from CRIS DAC form)	**General policy objective**	**Not targeted**	**Significant objective**	**Main objective**
	Participation development/good governance	☒	☐	☐
	Aid to environment	☒	☐	☐
	Gender equality (including Women In Development)	☒	☐	☐
	Trade Development	☐	☒	☐
	Reproductive, Maternal, New born and child health	☒	☐	☐
	RIO Convention markers	**Not targeted**	**Significant objective**	**Main objective**
	Biological diversity	☒	☐	☐
	Combat desertification	☒		☐
	Climate change mitigation	☐	☒	☐
	Climate change adaptation	☐	☒	☐
9. Global Public Goods and Challenges (GPGC) thematic flagships	n/a			

Summary

The Caribbean Investment Facility (CIF) is a blending facility which combines EU grants with other public and private sector resources such as loans and equity in order to leverage additional financing, and achieve investments in infrastructure and support to the private sector. The CIF aims at supporting sustainable growth and reducing poverty in the Caribbean by promoting actions which foster economic activities in different sectors. By reducing the overall cost or perceived risk of the project or by financing technical assistance, the Facility will encourage the beneficiary governments, private sector and/or public institutions to carry out essential investments with a development impact which would otherwise not be carried out.

The CIF overall objective is to contribute to economic development and growth, integration at regional level and poverty reduction through the mobilization of resources for strategic economic infrastructure projects and for the support to the private sector. The Facility aims to help mobilize additional investments in key infrastructure with a priority focus on sustainable energy, climate change, ICT, transport and environment. CIF contributions may be provided for private sector development, in particular to increase access to finance for micro, small and medium size enterprises (SMEs) and households, for "green" investments as well as to enhance access to basic social services. Where relevant and possible, a regional dimension can be considered for projects aimed at fostering regional inter-connectivity in the above mentioned sectors.

Decisions on CIF financing are based on specific criteria as defined by the EDF Blending Framework. Additionality of the CIF contribution is a precondition to any CIF intervention. Blending is a mechanism capable of generating important leverage effects and allowing for priority investments with a clear developmental objective which could not be faced by domestic

financial resources alone. The CIF does not support operations which could normally be financed by the market.

Overall coordination aimed at achieving complementarity between the different EU instruments and aid modalities and with other donors shall be ensured while implementing the CIF.

The action is the continuation of the CIF, which was established in 2012 (Decision FED/2011/021-819) under the 10th EDF Intra-ACP, and builds on the achievements of this first phase.

This Financing Decision concerns the 2016 EU contribution to the Facility. The annual EU contributions to the CIF will be drawn from the specific allocation earmarked (135 MEUR) under the 11th EDF Caribbean Regional Indicative Programme, which could be complemented by funds from other sources such as bilateral envelopes, Intra-ACP funds or DCI Thematic Programmes. This Financing Decision is the first allocation to be attributed to the Facility under the 11th EDF.

1 CONTEXT

1.1 REGIONAL CONTEXT

The Caribbean region comprises countries that present a high degree of heterogeneity, in terms of size, development status, history and culture, but they are facing some fundamental common challenges which can only be addressed by joint responses. Most of the countries are classified as middle to upper middle income countries by the World Bank. Only Haiti pertains to the group of the Least Developed Countries (LDCs)

At the same time all countries are classified as Small Island Developing States (SIDS). As such, they are confronted with an inherent vulnerability to exogenous shocks including natural disasters and man-made crises beyond their control.

The erosion of trade preferences for the region's traditional commodities and the financial crisis have contributed to a serious economic slowdown in recent years. In addition, several Caribbean Forum (CARIFORUM) States continue to be negatively affected by high indebtedness, which further exacerbates their economic vulnerability.

Progress on the Regional Economic Integration and Cooperation processes can support intra-regional trade, increase competitiveness and pave the way to infrastructure investment in strategic fields such as sustainable energy, transport interconnectivity and ICT which would otherwise be extremely difficult at national level due to the limited economy of scale offered by small size economies.

1.1.1 EU Policy Framework

The European Union as a whole has strong historic ties with the Caribbean and some individual EU Member States still maintain close links with the region, notably through the French Outermost Regions (ORs), and the particular relationship between the UK and the Netherlands with the Overseas Countries and Territories (OCTs). Wider Caribbean cooperation between

CARIFORUM countries and ORs and OCTs as well as between CARIFORUM countries and other regions including Latin America offers substantial development opportunities.

EU relations with Caribbean ACP countries are based on the legal framework of the Partnership Agreement with the African, Caribbean and Pacific States (the so called Cotonou Agreement)[1].

On October 15, 2008 an Economic Partnership Agreement (EPA) was signed between EU and Caribbean countries. The EPA represents a pioneering agreement in the international trading system, progressively opening all trade between the EU and the region.

In November 2012, the EU Council endorsed the Joint Caribbean-EU Partnership Strategy, with the aim of intensifying cooperation in a number of core areas of mutual interest, namely: regional integration, reconstruction of Haiti, climate change and natural disasters, crime and security and joint action in multilateral fora.

The 11th EDF Caribbean Regional Indicative Programme (CRIP), adopted in June 2015, is the main strategic programming document in support of the implementation of the Caribbean-EU Partnership Strategy. The total indicative allocation of the CRIP for the period 2014-2020 is EUR 346 million.

The assistance under the CRIP will address three focal areas:

1. Regional Economic Cooperation and Integration, with an indicative allocation of EUR 102 million
2. Climate Change, Environment, Disaster Management and Sustainable Energy, with an indicative allocation of EUR 61.5 million
3. Crime and Security, with an indicative allocation of EUR 44 million

Furthermore, an indicative allocation of EUR 135 million has been reserved under the CRIP expressly for the Caribbean Investment Facility in recognition of the fact that blending can be a very useful tool to attract "hard" investments across the areas covered by the CRIP.

Finally, a total of EUR 3.5 million will be utilised for a Technical Cooperation Facility.

Moreover, the Commission issued in May 2014 a Communication on the Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries[2]. The Communication sets out the future direction of EU policy and support for private sector development in partner countries. In line with the 'Agenda for Change', it introduces private sector engagement as a new dimension in EU development policy and cooperation and proposes concrete actions in areas where the Commission believes it can add value and effectively complement actions by Member States and other development partners, including through the use of blending.

The Commission has also issued communications preparing for the new sustainable agenda also in light of the recent UN Meetings and for climate action before and after 2020. It also presented a toolbox on the Rights-based approach to Development Cooperation which was at the basis of

[1] The latest Cotonou Agreement was revised in 2010. http://www.eeas.europa.eu/acp/cotonou_en.htm.

[2] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0263&from=EN.

EU Council conclusions in 2014. The CIF is in line with the objectives of these communications and conclusions.

By addressing infrastructure gaps in Caribbean island and coastal states, the CIF will also contribute directly towards the implementation of the political commitments taken by the EU in support of the SIDS Accelerated Modalities of Action (SAMOA) Pathway.

1.1.2 Stakeholder analysis

The final beneficiaries of the Facility will be:

- the partner countries, either directly or indirectly through their central, regional and local administrations or public or semi-public institutions and bodies governed by private law with a public service mission;

- households and the private sector, in particular SMEs and cooperatives for categories of operations dedicated to private sector development.

All Caribbean ACP countries which are entitled to participate in Regional Programmes will be entitled to participate in CIF projects, both of national and regional scope.

Multilateral and national European development finance institutions will be direct partners and important stakeholders of the Facility. The role of non-European finance institutions already acting as lead financiers is preserved. In the case of the CIF, these finance institutions are the Caribbean Development Bank (CDB) and the Inter-American Development Bank (IDB), provided that they satisfy the requirements set-up in the applicable Financial Regulation.

In accordance with Article 40 of Council Regulation (EU) No 2015/323[3], financial instruments shall be, implemented whenever possible, under the lead of the European Investment Bank (EIB), a multilateral European financial institution, or a bilateral European financial institution.

The involvement of other non-European financial institutions should be examined by the Board on a case-by-case basis following a targeted approach, based on the specific added value that the lead financier has in a particular project or region. This would include those aspects in which non-European finance institutions might contribute to fill the gap left by European finance institutions, in particular regarding their :

- Specific thorough knowledge of local conditions and presence in the region,
- Specific analytical capacities and specific expertise and know-how, notably on private sector financing and the promotion of financial instruments and /or of innovative financing tools that attract private funding,
- Specific know-how and experience in relevant sectors,
- Additional technical and/or financial capacity to substantially leverage further resources.

[3] COUNCIL REGULATION (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund

In accordance with the recommendations made under the EU Platform for Blending in External Cooperation (EUBEC), non-European finance institutions active in a particular region should be invited to attend technical and Board meetings as observers.

On the strategic dialogue, key stakeholders include CARIFORUM, which is the Duly Mandated Regional Organization (DMRO) under the 11th EDF Caribbean Regional Indicative Programme and with whom it is foreseen to conclude a Financing Agreement. As outlined in point 5.6 below, CARIFORUM will be involved in the strategic discussions with the EU in view of providing strategic and policy guidance on the consistency and relevance of the CIF interventions with the regional programming documents and strategies. Discussions will be held also with other sub-regional organizations (CARICOM[4]/OECS[5] secretariat) and specialized agencies.

Finally, strong links may also be built with third parties having interests or working in the region, such as the World Bank Group and other international partners/donors.

1.1.3 Priority areas for support/problem analysis

Investments in infrastructure are essential for sustained development and creating resilient growth of CARIFORUM Member States. Similarly, the private sector, particularly small and medium size enterprises, must play a critical role in the economic development of CARIFORUM States.

The Joint Caribbean EU Partnership Strategy identifies development of infrastructure networks to facilitate intra- and extra-regional trade, interconnectivity including transport and ICT, green economic growth and energy, in particular renewable energy, water and sanitation, climate change adaptation as an area for the promotion of joint action.

Economic, social development context

The global financial and economic crisis had a negative impact on key economic indicators and sectors such as GDP, government revenue, remittances, foreign direct investment, tourism and infrastructure investment.

The financial crisis also impacted on trade as there were reductions in the majority of CARIFORUM States' trade with the rest of world, including with the EU despite the EPA. Guyana, Suriname and Trinidad and Tobago performed better than most CARIFORUM States as their economic output was sustained by the mining and oil sector.

In addition, several CARIFORUM States continue to be negatively affected by high indebtedness, which further exacerbates their economic vulnerability.

The high debt service requires much government revenue and squeezes public expenditure in other areas, including infrastructure, social spending or for initiatives aimed at promoting competitiveness and growth.

Further, the small size of Caribbean states reduces their capacity to attract foreign investment to boost growth and employment.

[4] Caribbean Community and Common Market
[5] Organisation of Eastern Caribbean States

In recognition of the above challenges, CARICOM Member States have agreed, in line with the Aid for Trade Strategy, to pursue three strategic goals necessary for returning to a sustainable growth path:

- Upgrading key economic infrastructure (energy, ICT, maritime transport)
- Enhancing competitiveness and facilitating trade expansion and diversification,
- Strengthening regional integration and maximizing gains from external trade agreements (including EU-CARIFORUM EPA).

The CIF, by leveraging additional resources from financial institutions and the private sector, through blending, is a suitable instrument for significantly increase investments in these areas. The blending facilities, through provision of investment grants, technical assistance, guarantees and risk capital can facilitate the inflow of private sector financing into the Caribbean region's infrastructure sector, and help overcome some of the challenges to private sector involvement such as the small economies of scale or the perceived high risks.

Transport

Regarding infrastructure, there are significant needs for large transport infrastructure, including trade-enabling infrastructure such as ports and airports. Connectivity with secondary networks is important for enhanced access to transport for the local population.

Investing in transport infrastructure and interconnectivity between and within countries can lower input costs and reduce the effects of distance, thus generating economies of scale and improving regional competitiveness and integration. Ninety per cent of world's commodity trade is carried out in containers. However, overall maritime transport costs in the Caribbean are 30 percent higher than the world average. In this context, leveraging investments for upgrading maritime transport infrastructure is key to attract international shipping operators, to generate savings and promote intra-regional and international trade. Investments should target both large ports to allow taking advantage of the Panama Canal extension as well as smaller and medium sized ports which could have an impact on the tourism and trade sector.

An upgrading of airports will also be required to further facilitate exports and growing freight shipping needs as well as to act as a catalyst for tourism expansion.

Finally, investments in road infrastructure will contribute to reduce the cost of producing and transporting goods, as well as better connect rural and urban areas. In this context, possible CIF support for road infrastructure should look at prioritising projects that offer a strong wider socio-economic return. Modernisation and expansion of existing rail infrastructure in the largest islands should also be considered, as a more environment friendly option.

Future investments in infrastructure must be climate smart and resilient to the adverse impact of extreme weather conditions of the region.

Water and waste management

Given the growing population of the region and the relatively small size of most of the islands problems related to the disposal and management of waste and the environmental consequences of pollution arise. Generally, the sewage networks in the Caribbean are much less extensive than water supply networks, and waste water is often inadequately treated prior to discharge, which can cause health problems as well as environmental damage such as degradation of coral reefs. Poor management of water and waste has serious negative consequences for a number of other developmental areas such as health care, environmental quality, fisheries, agriculture, tourism, and ultimately impacts negatively on economic growth and wellbeing. Water conservation measures are also fundamental at this respect.

Sustainable Energy

All Caribbean Countries, except Trinidad and Tobago are net importers of fossil fuels and most of them rely on diesel generators for electricity production. This exposes the region to the volatility of oil prices, limits economic development and degrades the natural environment. According to the Oil Price Vulnerability Index the Caribbean has 3 of the top 10 countries worldwide which are most vulnerable to oil price fluctuations.

The electricity tariffs in the Caribbean are among the highest in the world and are having a direct impact on the competitiveness of businesses and on household's bills. In addition, high oil import bills contribute to increasing countries' foreign exchange deficits and indebtedness.

Recognizing the need to develop a coordinated regional approach to the above common energy and environmental challenges, CARICOM's Member States adopted a Regional Energy Policy in 2013. With the adoption of the Energy Policy, CARICOM's Heads of States have taken a strong political commitment towards a new "green" development path that harness indigenous renewable energy resources and maximize energy efficiency, while minimizing environmental impact and boosting employment potential in new sectors.

According to the Worldwatch Institute's report of 2013 financed under the C-SERMS initiative , renewable energy could contribute to at least 48% of the energy needs of the region (against the current 8%), mainly based on the exploitation of the vast renewable potential in the fields of geo-thermal, solar, hydro, biomass, waste to energy and ocean energy.

The issue of energy and climate change has been increasingly present in the agenda of EU-Caribbean relations. The Joint Caribbean EU- Partnership Strategy makes explicit reference to the cooperation in the field of renewable energy, energy efficiency and climate action.

Sustainable energy is also a priority under the 11th EDF Caribbean Regional Indicative Programme for 2014-2020.

By supporting private sector investments in renewable energy and energy efficiency, through providing the missing seed capital via schemes such as the Electrification Financing Initiative (ElectriFI) it will be possible to increase and improve access to modern, affordable and sustainable energy services and widespread benefits including to the poor in rural areas.

Climate Change

Climate change is the single greatest threat to the Caribbean region. As Small Island Developing States, Caribbean countries are particularity concerned by rising sea levels. Approximately 70% of the Caribbean population lives in coastal cities and more than half of population lives within 1.5 kilometres of the costs. Major international airports, roads and capital cities are situated along the costs. Climate change (and more in general, environmental degradation) could have a disastrous effect on the economies of Caribbean states and particularly on the fishing, agriculture and tourism sectors.

Environment and Climate Change represents an evident area of common interest between the EU and the Caribbean and has been increasingly present in the agenda of the EU-Caribbean relations The Joint Caribbean-EU Partnership Strategy identifies "Climate Change and Natural Disasters" as one of the main themes for EU-Caribbean cooperation.

Climate change adaptation and the fight against climate change, together with environment, disaster risk management and sustainable energy has been singled out as one of the three focal sectors of the Caribbean Regional Indicative Programme.

The CIF can contribute in supporting the adaptation strategies of the Caribbean countries, in particular by mobilizing investments in climate-resilient infrastructure and in financing projects that directly contribute to adapting specific sectors or activities to climate change or to combat climate change by reducing carbon emissions. The main aim is to reduce vulnerability to climate hazards of certain sectors, for example through investments in sea defences or flood barriers, as well as to contribute to the achievement of climate change global objectives.

ICT

The CARICOM Aid for Trade Strategy, clearly identifies the development of ICT infrastructure as key driver for economic growth and welfare gains to the Caribbean economies.

Critical investments in the ICT sector in the Caribbean region will have the potential to liberate many SMEs from their current state of island isolation by globally expanding their SMEs access to the global market and shrinking the costs of doing business.

Regarding access to ICT and telecoms in the region, penetration of mobile services is generally strong, with only two notable exceptions, Haiti (60%) and the Dominican Republic (87%)[6]. However, a gap exists in terms of access to high-speed broadband, which constrains the development and creation of new businesses. Access to broadband across the region is estimated to be around, on average, 30% across the region. Access by small operators and by private citizens, which is particularly challenging, should receive special attention.

This should be a key priority for the CIF in this sector. Given that the private sector has added competition to the telecommunications market and reduced the cost of telecommunications, there is scope for the CIF to blend finance through Public-Private Partnerships. Government funds provided to date have proven insufficient for the level of investments required.

Private sector development – MSMEs access to Finance

Limited access to finance is a key constraint to the growth of SMEs in the region and, by extension, to employment generation. The financial markets in the Caribbean have been characterized by high interest rates and a limited offer of financial services to SMEs. Enterprises, in particular SMEs have difficulties in accessing and affording financing from financial institutions. The ratio between private sector credits to GDP is generally low if compared with international standards. Furthermore, micro and informal enterprises as well as cocoperatives' financing needs are even higher that the needs faced by formal SMEs.

The CIF could contribute to the strengthening the local financial sector by promoting cooperation with EU financial institutions. In addition, there is still a significant need of more specialised and innovative investments vehicles responding to micro, small and medium sized enterprises (MSMEs) as well as cooperatives effective financial needs.

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[6] http://www.ppiaf.org/sites/ppiaf.org/files/publication/PPIAF_CaribbeanPPP_Report.pdf

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Caribbean countries are characterised by high indebtedness and vulnerability to external shocks. Macroeconomic data and debt sustainability of the beneficiary countries must be taken into account when selecting projects. This can negatively impact both demand for and feasibility of blending operations in those countries that are under a moderate to high risk of debt distress.	M	Project application forms contain information about debt sustainability provided by finance institutions. Finance institutions also have internal policies in terms of sovereign lending. The project assessment process involves EU Delegations and other competent services on the issue of debt sustainability and investment programmes.
The development of favourable policies by the target countries in the sectors concerned will be of high importance and should be considered when deciding about a support to an operation in such a way that a systemic impact is being aimed at.	L	Delegations are involved at a very early stage in project identification, and blending operations are leveraged in the sector policy dialogue.
Projects should not crowd out private sector financing.	L	Avoidance of market distortions is one of the 12 key requirements included in the Financial institution's project application form. Any qualitative aspects should be commented in the corresponding section of the project application form completed by the finance institutions and then assessed internally at Commission and European External Action Service (EEAS) level.
Lack of robustness of the EU development finance sector may have a negative impact on the preparation/ implementation of the projects.	L	The pillar assessment on financial instruments is carried out for all the lead financial institutions.
The indicative pipeline of operations must be of high quality and adequate volume and fulfil the criteria, e.g. that of additionality.	L/M	The first phase of the CIF has been operating successfully. Commitment of FI showed to be very strong. Additional awareness and buy-in from beneficiary countries will be promoted in cooperation with the regional organizations.
Financial risks when dealing with local financial intermediaries in	L	Due diligence of local financial intermediaries is performed by the IFI's

partner countries, also stemming from capital markets situation		and related information is examined in the context of the assessment of the project application form.
Due to the region's characteristics, operations proposed for blending in particular sectors and in certain countries may be considered as not sufficiently bankable or leverage effect generating, although being strategically important for the fulfilment of CIF objectives.	L/M	Proposing other aid modalities for the actions and/or adopting a flexible approach to the leverage effect expected for strategically important interventions.
Assumptions		
A stable political and financial climate at regional level in general and at country level in particular is needed to promote and secure investments. The level of economic governance shall be conducive to investment. Bankable projects are identified and developed by Finance Institutions with partner countries in close cooperation with the EU Delegation, taking into account the reality and challenges of each country/region.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 LESSONS LEARNT

The present action is the continuation and builds on the achievements of the first phase of the CIF which was established in 2012.

For the period 2012-2015, EUR 40 million have been allocated to the CIF from the 10th EDF Intra-ACP. An additional allocation of EUR 30.2 million earmarked for Guyana was made available from the country's National Indicative Programme in 2013.

As of October 2015, 9 projects for a total CIF grant contribution of almost EUR 68.7 million and leveraging total investments for around EUR 535.4 million have been contracted This entails a leverage of almost EUR 8 for every EUR of support provided by the CIF. This would indicate that, to date, the CIF has exceeded its goal of leveraging at least 4-5 times its investment in a project.

The projects adopted so far allowed for a wide geographical coverage[7] and have targeted the following strategic sectors: energy (5 projects), water and sanitation (2 projects), Transport (1 project), multi-sector (1 project).

Of the nine CIF operations (EUR 68.7 million total CIF contribution), the 5 investment grants (EUR 49.4 million) accounted for 72% of the total approved projects, the two technical assistance projects (EUR 5 million) accounted for 7.3%, while the mixed contributions (EUR 14.3 million) accounted for 20.7%.

In terms of participation of the finance institutions, 4 projects have been led by IDB, 3 by *Agence Française de Développement* (AFD), one by EIB and one by CDB. This shows that regional development banks have been quite active in proposing and managing good quality projects, thanks to their local expertise and presence.

[7] The projects approved so far cover on an individual scale 5 out of the 15 countries covered by the CIF (Belize, Dominica, Dominican Republic, Guyana and Suriname) and all 15 countries through one sub-regional (Eastern Caribbean) and one regional project

Following its establishment and the identification and launch of first projects, the CIF is now fully operational, with established procedures and a solid rolling project pipeline.

In relation to sector coverage, the SMEs sector has been underserved so far. Therefore more efforts should be devoted to generating project proposals addressing the needs of MSMEs, in particular in the area of access to credit and financial services.

Another lesson of the first phase of the CIF is the need to increase awareness among national authorities and stakeholders about the opportunities offered by CIF, as to increase ownership and buy-in from beneficiary countries.

Furthermore, during the period 2007-2013, two facilities were subject to a mid-term evaluation (MTE), the EU-Africa Infrastructure Trust Fund (ITF) in 2012 and the Neighborhood Investment Facility (NIF) in 2013. Both concluded that these are valuable and effective instruments in supporting European policy objectives and the development of infrastructure in the two concerned regions. In particular, project identification, relevance and design were considered positive, and both instruments achieved their goal of leveraging significant financial resources. The MTE also pointed to the significant contribution brought to the development of partnerships and increased coordination and cooperation among finance institutions as well as with the European Commission. A number of recommendations were made, notably in terms of improvements to the decision making structure and in particular the role of EU Delegations and partner countries, further exploring the involvement of the private sector, as well as the use of specific financial instruments such as risk mitigation instruments, and finally the implementation of a results measurement framework.

These findings have been used, with other reports, by the EU Platform for Blending and External Cooperation (EUBEC), set up in December 2012, to produce deliverables and make concrete recommendations for further increasing the effectiveness of aid delivered by the EU through blending. At the same time, the Court of Auditors published a special report on blending in October 2014. The conclusions were very much in line with the above. Blending the regional investment facility grants with loans from finance institutions to support EU external policies was found generally effective and projects were relevant. The recommendations covered the following aspects: need to improve the documentation on additionality of the grant and its level, ensure the maturity of projects submitted to executive boards, produce guidelines, ensure more proactive role of EU Delegations, simplify the decision making process, improve the Commission's monitoring of the EU grant implementation and ensure appropriate visibility of EU funding.

A part of these recommendations has already been dealt with by the EU Platform for Blending and External Cooperation (EUBEC) with the development of a harmonised and improved project application form and its guidelines as well as the development of a results measurement framework including standard indicators.

Finally the Neighborhood Investment Facility (NIF), Latin American Investment Facility (LAIF), Investment Facility for Central Asia (IFCA), and Asian Investment Facility (AIF) are working since 2014 in the context of a revised and harmonised governance framework that improves the accountability of the decision making process while reducing transaction costs. The governance structure of the CIF is in line with all these recommendations.

Additionally, following the requirement of Article 140 of Regulation (EU, Euratom) 966/2012, also applicable by virtue of Article 17 and Article 40 of Council Regulation (EU) 2015/323, an ex-ante evaluation of the CIF has been carried out. The recommendations of this evaluation have been and will be taken into account.

An ex-ante evaluation of the CIF has been carried out as required by Article 140 of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union applicable by virtue of Articles 17 and 40 of Council Regulation (EU) 2015/323.

In particular, the ex-ante evaluation highlighted the importance of extending access for SMEs in the Caribbean, the need to develop regional economic integration and intra-regional trade through inter-connectivity and other infrastructure projects. It emphasized the significant potential for renewable energy yet to be exploited as well as the need of increasing investment in infrastructure that must be climate-smart and resilient to extreme weather conditions for being sustainable. It also recommended considering the debt of individual countries on a case-by-case basis when analysing investment projects under the CIF.

Based on the ex-ante evaluation and on the good results achieved by the CIF so far, it is expected that blending will become an increasingly important tool for EU cooperation with the Caribbean ACP during the period 2015-2020.

3.2 COMPLEMENTARITY, SYNERGY AND DONOR COORDINATION

The CIF is complementary to regional and national bilateral programmes. Complementarity will be sought between the CRIP and the other focal areas of the CRIP, especially with 1) Climate change, disaster management, environment and sustainable energy and 2) Regional economic integration, including EPA implementation and private sector development. While the CRIP can finance "soft" actions such as regulatory approximation and reforms, capacity building, institutional strengthening and policy development, the CIF should focus at mobilizing investments for "hard" infrastructure or in the case of SMEs, cooperatives and other forms of social economy, for access to finance.

The CIF will be also complementary to the interventions planned under the INTRA-ACP Programme in the field of Climate Change Adaptation (GCCA+) and in the field of private sector development as well as under the DCI thematic programmes in the areas of energy (Energy4All) and environment.

In the implementation of the CIF, appropriate coordination mechanisms will be set up to facilitate the use of resources from the EDF and other instruments (including DCI and ERDF) for the benefit of joint strategic interconnectivity projects between Caribbean ACP countries, Overseas Countries and Territories and Outermost Regions. Whenever relevant, the use of the bridging clause under the 11^{th} EDF to extend the geographical eligibility to countries not covered under the CRIP may be considered.

Building on past experience in this and other regions, the CIF governing bodies will provide the forum for coordination amongst European finance institutions –and other finance institutions, and with and amongst EU Member States, allowing regular discussions on project pipelines, priority projects and synergies between them.

By enabling joint European operations (combining bilateral and EU grant funding with finance institutions loan operations), the CIF will generate greater coherence and better coordination between the donors, in line with the Paris Declaration principles and in compliance with the EU Financial Regulation. The instrument is open to the participation of other EU Member States, thereby potentially further enhancing co-ordination and synergies and bring greater visibility for the European dimension of external cooperation.

Co-financing with non-EU financial institutions will further improve donor coordination.

Special attention will be given to ensure the complementarity to other existing EU instruments, notably the African, Caribbean and Pacific Investment Facility (ACP IF) and with other EU funded programmes and their lessons learnt. This will be ensured through close cooperation with the EIB in the context of its operations under the ACP Investment Facility, including on the ACP IF business plan. Complementarity will also be ensured with the operations financed under the Sustainable Energy for All initiative and the different approaches implementing the Commission Communication on Private Sector development[8].

In order to ensure complementarity, extensive information is provided in the grant application form of each project to ensure coherence with relevant EU policy objectives, the general policy framework, basic principles for blending as well as the remaining existing support programmes in the relevant field. Furthermore, additionality and complementarity with other EU measures are ensured in the preparatory process, by close coordination of finance institutions with the partner(s), European Commission and the EEAS, as well as during the decision making process.

3.3 CROSS-CUTTING ISSUES

Partner countries and financial institutions will ensure that all projects financed with EU resources respect EU principles in terms of environmental and social impact as well under the rights-based approach to Development (e.g. gender issues, indigenous people rights, etc.), public procurement, state aid, equal opportunities and will also respect the principles of sound financial management with effective and proportionate anti-fraud measures.

Synergies between the blending facilities and EU funded (regional) climate change capacity building programmes and, where applicable, policy reform instruments including sector budget support should be strengthened. Capacity building programmes should facilitate the identification and formulation of climate relevant projects at country and/or regional level, and support local and regional climate policies. This will strengthen the already ongoing processes of pipeline development and securing local ownership.

As mentioned by the Commission Communication on Private Sector Development approved in May 2014, EU support for private sector development is guided by a set of clear principles[9]. In the case of direct support to finance institutions or private businesses, or subsidised business development services, the set of defined criteria will have to be applied[10].

4 DESCRIPTION OF THE ACTION

4.1 OBJECTIVES/RESULTS

The CIF overall objective is to contribute to inclusive economic development and growth, integration at regional level through the mobilization of resources for strategic economic infrastructure projects and for the support to the private sector.

The objectives of the CIF are inter alia to:

(i) Mobilize investments in strategic economic infrastructure such as transport, ICT, renewable energy and energy efficiency, and interconnectivity.

(ii) Mobilize investments in water & sanitation, sustainable social infrastructure and resilience to climate change.

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[8] http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0263&from=EN.

[9] See 2.1 of the Commission Communication on "A stronger role of the private sector in achieving inclusive and sustainable growth in Developing Countries" – 13.5.2014 - COM(2014)263.

[10] See box 1 under 2.1 of the Commission Communication on "A stronger role of the private sector in achieving inclusive and sustainable growth in Developing Countries" – 13.5.2014 - COM(2014)263.

(iii) Increase access to finance and investments for SMEs and cooperatives creating employment and reducing poverty, notably those which contribute to a green economy.

The CIF will also include a Climate Change Window (CCW) aimed at supporting the implementation of projects helping partner countries tackle climate change through mitigation and/or adaptation measures. Its main purpose is to promote additional investments and provide visibility to projects which have climate change as their principal objective. The CCW shall be managed in a streamlined way and have the same rules and the same financing and implementation modalities as the CIF.

In translating policy into action, CIF contributions will ensure promotion of gender equality and enhancement of the role of women.

Council Regulation (EU) 2015/323 on the financial regulation applicable to the 11th EDF[11] as well as Regulation Regulation (EU, Euratom) No 966/2012 foresee that the Union contribution to a financial instrument shall aim at mobilising a global investment exceeding the size of the Union contribution. In practice and based on past experience with blending operations in this and other regions, the leverage effect of the operations financed under the CIF is expected to reach a significant multiplying factor.

Operations financed by financial institutions combining their loan resources with the ones from the CIF can lead to increasing risk and credit ceilings to the benefit of the partner countries. It can result in the financing of categories of investments which at present cannot be financed either by the market or by single development finance Institutions. Support provided by the CIF can make the project happen, make it happen faster or at a greater scale. It can also result in greater quality and development impact of projects, improvements in terms of sustainability, implementation of policy reforms or use of innovative technologies.

4.2 MAIN ACTIVITIES

Relevant sectors for blending as an implementation modality are identified in the Caribbean Regional Indicative Programme and other relevant supra-regional or national programming documents, in close dialogue with partner countries and regional organisations involved.

The expected results of CIF interventions will focus, indicatively, on the following sectors contributing to:

A) Private sector development - Access to finance and SME development:

- Improving financial inclusion and access to finance for MSMEs and underserved populations (households, micro and SMEs, cooperatives, social economy)
- Supporting the development of local financial services and functioning of local financial markets
- Supporting "green" investments in, inter alia, tourism, sustainable agriculture and fisheries.
- Supporting women entrepreneurship.

B) Sustainable energy, notably:

- Increasing availability and access to renewable energy

[11] Art 40 Council Regulation which refers to Budget Financial Regulation.

- Promoting, through investment projects, the establishment of the enabling market, regulatory and political framework for deployment of sustainable energy technologies
- Improving energy efficiency and energy savings including in rural/urban areas
- Energy loss reduction measures
- Supporting the expansion/improvement of regional energy infrastructure and interconnectivity

C) Better and more sustainable transport infrastructure, notably:

- Reducing the transport operating cost and improving the quality of infrastructure and services by promoting the optimum use of existing multimodal transport systems and supporting adequate maintenance of the existing infrastructure including at municipal level
- Contributing to the improvement of regional transport corridors (ports, airports, roads, railways, waterways, intermodal facilities) in order to enhance transportation flows and to promote closer regional integration by strengthened trade exchange
- Improving road conditions, reducing the number of road blocks and avoiding delays at custom posts in order to reduce travel times and, more importantly, transport costs to ports and regional hubs
- Improving transport services (thereby improving access to markets, increasing access to health care/education services)
- Improving rural connectivity
- Increasing intermodality

D) Climate Change financing, notably:

- Supporting investments in climate-resilience infrastructure
- Supporting adaptation strategies through investments in flood control, sea defences, watershed-management and conservancy
- Fighting against deforestation
- Disaster risk reduction
- Reduction of climate change carbon emissions

E) Water and sanitation and increased protection of the environment, notably:

- Integrating waste management including necessary related infrastructures
- Introducing integrated water management, including the necessary related infrastructure
- Promoting low carbon and cleaner production and other environment friendly techniques
- Promoting sustainability measures regarding a better management of the urban areas
- Reducing air, soil and water pollution including monitoring infrastructure when needed
- Supporting access to safe drinking water and sanitation in both urban and rural areas

F) ICT

- Increasing broadband penetration at reduced costs focusing on physical interconnections and internet exchange points and cyber-security (including regional public key infrastructure)

G) Improved social/urban services and infrastructure, including:

- Promoting better access to health care and improved and safer health services installations
- Supporting better and safer education facilities, increased access to education
- Urban development

- Local/municipal development

The types of operations that can be financed under the CIF are the following:

- Direct investment grants
- Interest rate subsidies
- Guarantees
- Technical assistance
- Risk capital operations
- Any other risk sharing mechanisms

4.3 INTERVENTION LOGIC

To be developed at project level.

5 IMPLEMENTATION

5.1 FINANCING AGREEMENT

In order to implement this action, it is foreseen to conclude a financing agreement with CARIFORUM, referred to in Art. 17 of Annex IV to the ACP EU Partnership Agreement as a Regional Authorising Officer (RAO).

5.2 INDICATIVE IMPLEMENTATION PERIOD

The indicative operational implementation period of this action, during which the activities described herein before will be carried out, is **84 months** from the date of entry into force of the financing agreement

Extensions of the implementation period may be agreed by the Commission's responsible Authorising Officer by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute EDF non-substantial amendments in the sense of Article 9(4) of the Annex to Regulation (EU) No 566/2014.

5.3 IMPLEMENTATION MODALITIES

5.3.1 CONTRIBUTION TO THE CARIBBEAN INVESTMENT FACILITY

This action may be implemented under indirect management as per Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012, applicable by virtue of Article 17 of Council Regulation (EU) 215/323. For that purpose, the Commission will conclude indirect management delegation agreements with the Lead Financing Institutions and/or agreements with the partner countries. The entrusted budget-implementation tasks consist in the implementation of procurement, grants, financial instruments and payments.

The entrusted Lead Financial Institutions shall also monitor and evaluate the project and report on it. The Lead Financial Institutions are not definitively known at the moment of adoption of this Action Document but are indicatively listed in its appendix. A complementary financing decision will be adopted under Article 84(3) of Regulation (EU, Euratom) No 966/2012, also applicable by virtue of Article 26 of Council Regulation (EU) 2015/323, to determine the Lead Financial Institutions definitively.

The Commission will entrust budget implementation tasks to Lead Financial Institutions which have been assessed through a pillar assessment pursuant to Article 60 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 40 of Council Regulation (EU) 2015/323 and have transparent, non-discriminatory, efficient and effective review procedures in place. Certain entrusted entities are currently undergoing the ex-ante assessment in accordance with Article 61(1) and 140.13 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of Council Regulation (EU) 2015/323. The Commission's Authorising Officer responsible deems that, based on the compliance with the ex-ante assessment based on Article 140 of Regulation (EU, Euratom) No 966/2012 and also applicable by virtue of Article 40 of Council Regulation (EU) 2015/323, they can be entrusted with budget-implementation tasks under indirect management.

The EU Members States will have the opportunity to channel additional contributions to blending operations through a dedicated fund managed by EIB and operating under the governance of the EDF blending framework. Such fund shall be created by the participating Members States in a dedicated agreement. Decisions on the projects to be funded out of the fund will be taken in the Board, based on the proposals made by the Secretariat of the EDF blending framework, taking into account earmarking of donor's contributions. The voting rules for the donors to the fund shall be established in the Fund Agreement and will reflect donor's contributions. The donors to the fund will have a possibility to earmark their contributions to support blending projects in particular region, sectors or countries.

The CIF is open to contributions from other relevant supra-regional (Intra-ACP), regional, national or thematic programmes. Once allocated in the respective Annual Action Programmes, the funds will follow the CIF governance process described in point 5.6 below.

5.3.2 PROCUREMENT (DIRECT MANAGEMENT)

Subject	Type	EUR	Indicative number of contracts	Indicative trimester of launch of the procedure
Technical assistance	Services	700 000	2	2017
Communication and visibility	Services	300 000	1	2017

The Commission will be the Contracting Authority for the activities related to technical assistance, monitoring, evaluation, audit, communication and visibility. The technical assistance and communication activities are complementary and will aim to increase awareness and visibility on CIF among Caribbean stakeholders, facilitating the development of a quality pipeline of projects. Monitoring, evaluation and audit activities can also be supported through this TA provision.

5.4 SCOPE OF GEOGRAPHICAL ELIGIBILITY FOR PROCUREMENT AND GRANTS

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The responsible Commission's Authorising Officer may extend the geographical eligibility in accordance with Budget Article 9(2)(b) of Regulation (EU) No 236/2014 and EDF-ACP States Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 INDICATIVE BUDGET

	Amount in EUR (thousands)	Third party contribution (where known)
Contribution to the Caribbean Investment Facility	29 000	
Technical assistance[12]	700	
Communication/Visibility[13]	300	
Totals	30 000	

5.6 ORGANISATIONAL SET-UP AND RESPONSIBILITIES

EDF Blending Framework

The CIF will operate under the governance of the **EDF blending framework** which reflects the recommendations of the EU Platform for Blending and External Cooperation (EUBEC) aiming at improving the effectiveness of blending operations in meeting their policy objectives of poverty reduction and socio-economic development as well as the efficiency of their management including a reduction of transaction costs.

The **decision-making process** for individual investments will be organised in a two level structure:

- Opinions on projects will be formulated by the Board, held whenever possible back to back with EDF committee meetings;
- Such opinions will be prepared during dedicated Technical Meetings.

Rules of procedure will further detail the decision making process and will be approved in the first meetings of the Board.

The **Board** is chaired by the European Commission, EEAS participates. It includes the EU Member states as the voting members and FIs as observers. The opinion of the Board can be positive, negative or recommend re-submission of the project proposals. FIs will be present mainly for the purposes of presenting their proposals and responding to any request for clarifications on proposals submitted but they will not be present during the formal formulation of opinions by the Board. The part of the meeting where opinions on requests for EU contributions are expressed will be restricted only to the Commission, the EEAS and the voting

[12] Managed by the EU Commission
[13] Managed by the EU Commission

members. The conclusions including their justifications will be subsequently communicated to the FIs in writing.

The Board will also be responsible for:

- Providing strategic guidance to participating institutions on appropriate future financing proposals (based on strategic priorities defined in the context of the regional programming process and in relevant strategic discussions with regional organizations),
- Monitor and review the pipeline of projects, based on the results of the discussions at the technical level,
- Examining project related results (including the annual reports), monitor the portfolio of approved projects and feed the discussions on the set-up of EU blending framework based on results,
- Promoting exchanges of best practices,
- Drawing upon the specific expertise of the Finance institutions as appropriate and respect the appropriate division of labour,
- Adopting the Board's Rules of Procedure and amending them as necessary,
- Examine the involvement of non-European FIs as lead financiers on a case by case basis following a targeted approach, based on the specific added value as a lead financier brought in a particular project or region.

The Board would meet two to four times a year, depending on the need and back to back with the respective EDF Committee meetings whenever possible. When duly justified by time constraints, opinions on projects could be requested by written procedure.

In the Board, opinions on EU grant requests will be taken by consensus, but if needed for the formulation of the opinion, regular voting rules of the EDF Committee shall apply (when DCI resources are being used, the voting rules of DCI will apply). The conclusions of the Board must be incorporated in relevant Commission decisions for the EU budget and EDF as mandated by the relevant Financial Regulations and their Implementing Rules/Rules of Application.

Technical meetings chaired by the Commission with the participation of EEAS and Finance Institutions will be held to:

- Review and discuss the pipeline to ensure coordination at an early stage, including in relation to geographical balance and agreed EU political objectives. Results of the pipeline discussion shall be transmitted to the Board,
- Assess project proposals submitted by a Lead Financial Institution based on the appropriate application form. The proposal will also be shared with other Financial Institutions for peer review and possible written comments. In particular, such assessment will include alignment to EU policy objectives, the justification of the added value of the grant contribution, social and environmental aspects, appropriate financial structure and other issues such as debt sustainability,
- Facilitate exchanges on best practices across regions, including the possible development of selected blending operations or financial instruments that extend across geographical regions.

The Chair will summarise the main outcomes of the discussion and recommendations as to the way forward. Such meetings will be held on a regular basis depending on the needs and will be organised pragmatically bringing together appropriate experts from the FIs, the Commission[14] and the EEAS. If appropriate, such meetings may include or be complemented by virtual

[14] DG DEVCO, DG ECFIN, DG BUDG,DG SJ, DG SG, DG NEAR if relevant as well as all relevant line DGs.

meetings and/or written exchanges facilitated by the Secretariat. The Lead Financial Institution, on the basis of and depending on the comments made, will then be able to submit a revised proposal for further technical discussions at a later technical meeting or a final revised application form in view of the submission to the Board.

The Commission will ensure the Secretariat of the EDF blending framework, supporting the Board in all its tasks (opinions on individual blending operations, internal Commission/EEAS consultation including Directorate General for Budget, the Legal Service, Directorate General for Economic and Financial Affairs and the Secretariat General, monitoring, consolidation of the pipeline on the basis of the information provided by the Financial Institutions including a short project description, production of regular up-to-date information and annual reports on the facility, preparation of exchanges on best practices). It will also support in the organisation of communication events and the general implementation of the communication strategy (websites and other communication tools), thereby contributing to the visibility of the EU. The Secretariat also organises the Technical Meetings and is the central contact point for all stakeholders involved in the blending frameworks.

Strategic Orientations

Strategic orientations will be discussed with CARIFORUM and beneficiary countries in dedicated strategic meetings under the ownership principle of EU development cooperation.

These strategic discussions will cover priorities for action, infrastructure investment and MSMEs access to finance needs and will provide strategic and policy guidance on the consistency and relevance of the interventions with the regional programming documents and strategies.

Discussions will also cover a review of the pipeline and exchanges on the definition of the programming documents.

The strategic orientations will stem from existing meetings foreseen under the governance architecture of the CRIP. Recommendations and strategic guidance shall be reflected in the identification preparation and monitoring of blending operations in the context of the CIF.

In addition, the Commission and EEAS may conduct and co-chair strategic discussions with EU Member States, where Financial Institutions participate as observers to review the Facility's relevance, progress and effectiveness at strategic level.

5.7 PERFORMANCE MONITORING AND REPORTING

In accordance with Article 40 of the Council Regulation (EU) 2015/323, financial instruments may be grouped into facilities for implementation and reporting purposes. The Commission will report annually to the European Parliament and the Council on the activities relating to the CIF following the requirements set out in Article 140.8 of Regulation (EU, Euratom) No 966/2012 and applicable by virtue of Article 40 of the Council Regulation (EU) 2015/323. Reporting will also be carried out at an individual operational level by the entrusted entities, in line with the contractual provisions of the bilateral agreement that the Commission will sign with these entities. The entrusted entities should provide all the relevant information on the execution of the projects in order to enable the European Commission to carry out the required follow up of the actions. As per the recommendation of the EU Platform for Blending and External Cooperation (EUBEC), the Commission will monitor the performance of the projects benefiting from CIF grants based on the minimum set of results indicators listed below or any further indicator agreed. The reporting shall also enable the Commission to report on the performance indicators defined in the EU Results Framework as well as in the context of the different regional and national programmes.

SECTOR INDICATORS			
OUTPUTS		**OUTCOMES**	
1 TRANSPORT			
1.1	Length of new or upgraded roads	1.7	Traffic on new or upgraded roads/ reduction in transportation time/cost
1.2	Length of new or upgraded railways	1.8	Traffic on new or upgraded railways reduction in transportation time/cost
1.3	Length of new or upgraded public transport lines.	1.9	Passengers in new or upgraded public transport lines
1.4	Port terminal capacity (passenger, container or cargo)	1.10	Ports: Terminal(s) user traffic (passenger, container or cargo)
1.5	Airport terminal capacity	1.11	Airport traffic
1.6	Connections with secondary networks	1.12	Reduction in transport time/cost for local population benefitting from increased connectivity
2 ENVIRONMENT / Water and Sanitation			
2.1	Length of new or rehabilitated water supply pipes	2.6	Population benefitting from safe drinking water
2.2	Length of new or rehabilitated sewer pipes installed	2.7	Population benefitting from improved sanitation services
2.3	New connections to water supply	2.8	Potable Water Produced
2.4	Water treatment capacity	2.9	Wastewater Treated
2.5	Wastewater treatment capacity	3.0	Financial gap between expenditure and cost recovery and/or between water price and supply cost reduced
3 SUSTAINABLE ENERGY			
3.1	Transmission and distribution lines installed or upgraded	3.6	Population benefitting from electricity production and reduction of waste
3.2	New connections to electricity	3.7	Power production and reduction of energy waste
3.3	Additional capacity from sustainable electricity production	3.8	Population benefiting from sustainable electricity
3.4	Additional capacity from renewable energy sources	3.9	Reduction in CO2 emissions
3.5	Additional investment in Energy efficiency	3.10	Amount of savings generated / reduction in CO2 emissions
			For both direct and, where feasible, indirect operations: reduction in energy costs and dependency on fossil fuels
4 INCLUSIVE PRIVATE SECTOR DEVELOPMENT			
4.1	For direct operations: Access to finance: number of units served among relevant target group	4.4	For indirect operations: Access to finance: number of units served among relevant target group
4.2	For direct operations: Access to finance: Amount of outstanding loans to relevant target group	4.5	For indirect operations: Access to finance: Amount of Outstanding Loans to relevant target group

SECTOR INDICATORS			
OUTPUTS		**OUTCOMES**	
4.3	For indirect operations: Access to liquidity/capital: volume of new loans made available to financial intermediaries (e.g. banks, microfinance institutions, funds)	4.6	For direct operations: Number of MSMEs reporting increased turnover (as a result of direct support received from the FIs)
		4.7	For both direct and, where feasible, indirect operations: Number of jobs sustained (resulting from the project)
5 SOCIAL SECTOR (social housing, health, education)			
5.1	New and/or refurbished habitable floor area	5.4	Population benefitting from improved housing conditions
5.2	New and/or refurbished health facilities	5.5	Bed occupancy rate
5.3	New and/or refurbished educational facility	5.6	Inpatients
		5.7	Outpatient Consultations
		5.8	Students benefitting from new and/or refurbished educational facility

CROSS-SECTOR INDICATORS	
1	Total number of beneficiaries
2	Amount of additional funding leveraged
3	Variation CO_2 / Greenhouse gases
Application subject to current practices and methodologies by Financial Institutions:	
4	Jobs sustained / created

5.8 Evaluation

At the level of the individual operations, evaluation tasks will be carried out under the responsibility of the Lead Financial Institution and will be organised according to the requirements of each project.

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, having regard to the importance of the action, mid-term, final ex-post evaluations may be carried out for this action or its components via independent consultants contracted by the Commission or through a joint mission.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

5.9 AUDIT

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

Operations can be the subject of financial control by the Commission (including by the European Anti-Fraud Office) as well as by the European Court of Auditors.

5.10 COMMUNICATION AND VISIBILITY

The European Commission and its implementing partners will abide the visibility rules for European Union financing as per relevant provisions in the respective project agreements and contracts. For each individual project, a communication plan will be prepared by the Lead FI, allowing the involvement of the EU Delegations at key stages of the projects having visibility potential. Additional communication measures might be taken if necessary.

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 5.5 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

In any event, even in cases where non-European FIs would assume the lead financier role, the European added value and European visibility in each project should be ensured and maximised as much as possible.

In this context, operational/technical coordination and co-operation among European and non-European FIs remains of critical significance, so as to ensure synergies and complementarity of capacities, knowledge and expertise.

ANNEX

BUDGETARY IMPACT STATEMENT

POLICY AREA(S): INTERNATIONAL COOPERATION AND DEVELOPPEMENT **ACTIVITY (-IES): COOPERATION WITH CARIBBEAN COUNTRIES**
COUNTRY: CARIBBEAN REGION **TITLE OF THE PROJECT: CARIBBEAN INVESTEMENT FACILITY ANNUAL ACTION PROGRAMME 2016** **PROJECT N°: FED/2016/038-929**

1. BUDGET LINE(S) CONCERNED + HEADING(S)

FEDF-BFEDF-02.40.10-11-RCA RCA

2. LEGAL BASIS

Annex IV to the Partnership Agreement between the members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part, signed in Cotonou on 23 June 2000 as amended in Luxembourg on 25 June 2005 and in Ouagadougou on 22 June 2010. Reference is made to Annex IV as revised by Decision 1/2014 of the ACP-EU Council of Ministers of 20 June 2014.

3. OVERALL FIGURES FOR THE FINANCIAL YEAR (IN EUROS)

3.a. - Current year

		Commitments	**Payments*)**
Initial appropriation for the financial year (budget)		135,000,000 EUR	
Transfers			
Additional appropriation			
Total appropriation			
Appropriations already set aside by another work programme	*Date*		
Balance available			
Total for the measure proposed		30,000,000 EUR	5,000,000 EUR

*) Total payment appropriations for proposed measure should match the amount shown for year N in the payment schedule

3.b. – Carryovers
Not applicable

3.c. - Following year
Not applicable

4. DESCRIPTION OF THE ACTION

The CIF overall objective is to contribute to inclusive economic development and growth, integration at regional level through the mobilization of resources for strategic economic infrastructure projects and for the support to the private sector.

The objectives of the CIF are inter alia to:

(i) Mobilize investments in strategic economic infrastructure such as transport, ICT, renewable energy and energy efficiency, and interconnectivity.

(ii) Mobilize investments in water & sanitation, sustainable social infrastructure and resilience to climate change.

(iii) Increase access to finance and investments for SMEs and cooperatives including those which contribute to a green economy.

(iv) Create jobs and reduce poverty.

The CIF will also include a Climate Change Window (CCW) aimed at supporting the implementation of projects helping partner countries tackle climate change through mitigation and/or adaptation measures. Its main purpose is to promote additional investments and provide visibility to projects which have climate change as their principal objective. The CCW shall be managed in a streamlined way and have the same rules and the same financing and implementation modalities as the CIF.

This action concerns the 2016 EU contribution to the Facility.

5. METHOD OF CALCULATION ADOPTED

Calculation based upon the indicative project pipeline.

6. SCHEDULE OF PAYMENTS (IN EURO)

Line(s)	Commitments		Payments				
			Year n 2016	Year n+1 2017	Year n+2 2018	Year n+3 2019	Subsequent years
	Year n		5,000,000 EUR	20,000,000 EUR	5,000,000 EUR		
	Year n+1						
	Subse.						
	Year n						
	Year n+1						
	Total						