

SUMMARY

Annual Action Programme 2017 part I in favour of the Caribbean Region to be financed from the 11th European Development Fund

1. Identification

EDF allocation	11 th European Development Fund – EUR 20 million
Total cost	EUR 20 million
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 these countries are classified as Small Island Developing States (SIDS). As such, they are confronted with an inherent vulnerability to exogenous shocks including natural disasters caused by natural events 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 15 October 2008 an Economic Partnership Agreement (EPA) was signed between the EU and the 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 Strategy², 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 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

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

² https://eeas.europa.eu/sites/eeas/files/partnership_strategy.pdf

overall cost or perceived risk of a 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 Caribbean Investment Facility (CIF) 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.

In recognition of the fact that blending can be a very useful tool to attract "hard" investments across the areas covered, an indicative allocation of EUR 135 million has been expressly reserved under the CRIP for the CIF. The annual EU contributions to the CIF are drawn from this indicative allocation and can be complemented by funds from other sources such as bilateral envelopes, Intra-ACP funds or Development Cooperation Instrument Thematic Programmes.

Thus, this Financing Decision concerns the 2017 EU contribution to CIF.

3. Summary of the action programme

1) Background: 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.

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 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.

3) 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

4) 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 more proactive role of EU Delegations, to simplify the decision making process, improve the Commission's monitoring of the 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 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.

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 also seek complementarity with past and current DG ECHO funding in the region, especially in the area of Disaster Risk Reduction. 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 European Investment Bank (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 development³.

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 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.

5. Cost and financing

Caribbean Investment Fund	EUR 20 million
Total EU contribution to the programme	EUR 20 million

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0263&from=EN>.



EN

ANNEX

to the Commission Decision on the Annual Action Programme 2017 in favour of the Caribbean region to be financed from the 11th European Development Fund

Action Document for the 2017 Caribbean Investment Facility (CIF)

1. Title/basic act/ CRIS number	Caribbean Investment Facility (CIF) under the European Development Fund (EDF) blending framework CRIS number: 2017/040-135
2. Zone benefiting from the action/location	The action shall be carried out at the following location: Caribbean countries
3. Programming document	11 th 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 20 000 000 Total amount of EDF contribution: EUR 20 000 000 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 - Procurement of services will be used for communication/visibility and complementary technical assistance activities (see point 5.5 below)
7. DAC code(s)	<ul style="list-style-type: none"> – 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	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>		<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	n/a			
10. SDGs	Goals 6, 7 and 8			

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 out¹.

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, information and communication technologies, 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

¹ https://ec.europa.eu/europeaid/sites/devco/files/evaluation-blending-executive-summary_en_0.pdf

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 2017 EU contribution to the Facility. The annual EU contributions to the CIF will be drawn from the specific allocation earmarked (EUR 135 million) 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 second 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, exacerbated by climate change.

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)².

On 15 October 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 was 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 Countries³. 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 Change⁴, 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 EU Council conclusions in 2014. The CIF is in line with the objectives of these communications and conclusions.

² The latest Cotonou Agreement was revised in 2010. http://www.eeas.europa.eu/acp/cotonou_en.htm.

³ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0263&from=EN>.

⁴ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A52011DC0637&qid=1412922281378&from=EN>

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 2015/323⁵, 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.

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

⁵ COUNCIL REGULATION (EU) 2015/323 of 2 March 2015 on the financial regulation applicable to the 11th European Development Fund

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 (CARICOM⁶/OECS⁷ 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, especially in the context of advancing the transition to a green economy.

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, and 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.

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,

⁶ Caribbean Community and Common Market

⁷ Organisation of Eastern Caribbean States

- 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 and low carbon 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 geothermal, 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 a priority under the 11th EDF Caribbean Regional Indicative Programme for 2014-2020.

The EU-CARIFORUM Sustainable Energy Conference⁸ held in Barbados in October 2016 was a remarkable success at all levels and marked a new step in EU-Caribbean bilateral cooperation. The conference built critical political momentum and broad consensus for a step change towards sustainable energy in the Caribbean and positioned the EU as an attractive partner to support the region's efforts. It reflected the two regions' joint commitment towards the achievement of the Paris Agreement on Climate Change and the Sustainable Development Goals (SDGs). The conference was effective in bringing together key players from the EU and the Caribbean in view of stepping-up the political momentum and consensus towards the transformation of the Caribbean energy matrix.

The Conference served as a catalyst and “launching pad” for a solid and long-term cooperation between the Caribbean and the EU in the sustainable energy arena. It also demonstrated the specific added value of the EU in supporting this energy transition based on its own experience and cooperation tools put a disposal under the 11th EDF. Further, 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 particularly concerned by rising sea levels. Approximately 70 % of the Caribbean population lives in coastal cities and more than half of population lives within

⁸ <http://eu-caribbeanenergyconference.eu/>

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 Strategy⁹ 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 %)¹⁰. 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 is particularly challenging and 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

⁹ https://eeas.europa.eu/sites/eeas/files/partnership_strategy.pdf

¹⁰ http://www.ppiaf.org/sites/ppiaf.org/files/publication/PPIAF_CaribbeanPPP_Report.pdf

international standards. Furthermore, micro and informal enterprises as well as cooperatives' financing needs are even higher than the needs faced by formal SMEs.

The CIF could contribute to 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 investment vehicles responding to micro, small and medium sized enterprises (MSMEs) as well as cooperatives effective financial needs.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Caribbean countries are characterised by high indebtedness and vulnerability to external economic and climatic 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 partner countries, also stemming from capital markets situation	L	Due diligence of local financial intermediaries is performed by the IFI's 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 November 2016, 9 projects for a total CIF grant contribution of almost EUR 68.7 million and leveraging total investments for around EUR 541.4 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 coverage¹¹ 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.

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.

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 above ex-ante evaluation and on the good results achieved by the CIF so far, it is expected that blending is become an increasingly important tool for EU cooperation with the Caribbean ACP during the period 2015-2020¹².

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. The CIF will also be complementary to past and present DG ECHO funding in the region, regarding Disaster Risk Reduction. While the CRIP and DG ECHO can finance "soft" actions such as regulatory approximation and reforms, capacity building, institutional strengthening and policy

¹¹ 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

¹² https://ec.europa.eu/europeaid/sites/devco/files/evaluation-blending-volume1_en.pdf

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, under the DCI thematic programmes in the areas of energy (Energy4All) and environment as well as thematic facilities (Agrifi, Electrifi). Further, CIF remains open to develop more effective partnerships in the Caribbean region with the recently proposed External Investment Plan.

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 11th 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 development¹³.

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.

¹³ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52014DC0263&from=EN>.

All interventions will be screened for their environmental impact and climate risk, in accordance with the screening procedure in the EU guidelines "Integrating the environment and climate change into EU international cooperation and development", or equivalent screenings for the lead financial institution. Environmental impact assessments and climate risk assessments will be prepared as required to ensure the interventions' environmental sustainability and climate resilience.

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 principles¹⁴. 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 applied¹⁵.

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.
- (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.

¹⁴ 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.

¹⁵ 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.

Council Regulation (EU) 2015/323 on the financial regulation applicable to the 11th EDF¹⁶ as well as 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, SME development and social enterprises:

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

B) Sustainable energy, notably:

- Increasing availability and access to renewable energy
- 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

¹⁶ Art 40 Council Regulation which refers to Budget Financial Regulation.

- 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 in section 4.1 will be carried out and the corresponding contracts and agreements implemented, 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 contribution may be implemented under indirect management with the entities, called Lead Financial Institutions, and for amounts identified in the appendix of this action document, in accordance with Article 58(1)(c) of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015. The entrusted budget-implementation tasks consist in the implementation of procurement, grants, financial instruments and payments. The entrusted Member State agency or international organisation 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 to determine the Lead Financial Institutions definitively.

Certain entrusted entities are currently undergoing the ex-ante assessment in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 EDF applicable by virtue of Article 17 of the Regulation (EU) No 323/2015. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002, they can be entrusted with budget-implementation tasks under indirect management.

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.

5.4 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 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

	EU contribution (amount in EUR)	Third party contribution (where known)
Contribution to the Caribbean Investment Facility	20 000 000	
Totals	20 000 000	

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 services. 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 services, the EEAS and the voting 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 services 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 concerned Commission services and the EEAS. If appropriate, such meetings may include or be complemented by virtual 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. 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 services and the 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

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) or the list of result indicators (for budget support). The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

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

SECTOR INDICATORS			
OUTPUTS		OUTCOMES	
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 benefitting 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	<u>For direct operations:</u> Access to finance: number of units served among relevant target group	4.4	<u>For indirect operations:</u> Access to finance: number of units served among relevant target group
4.2	<u>For direct operations:</u> Access to finance: Amount of outstanding loans to relevant target group	4.5	<u>For indirect operations:</u> Access to finance: Amount of Outstanding Loans to relevant target group
4.3	<u>For indirect operations:</u> Access to liquidity/capital: volume of new loans made available to financial intermediaries (e.g. banks, microfinance institutions, funds)	4.6	<u>For direct operations:</u> Number of MSMEs reporting increased turnover (as a result of <u>direct</u> 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)			

SECTOR INDICATORS			
OUTPUTS		OUTCOMES	
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

Having regard to the nature of the action, no evaluations will be carried out for this action or its components.

The Commission may, during implementation, decide to undertake an evaluation for duly justified reasons either on its own decision or on the initiative of the partner.

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.

Indicatively, one (1) contract for evaluation services shall be concluded under a framework contract in 2023.

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.

Indicatively, one (1) contract for audit services shall be concluded under a framework contract in 2024.

5.10 COMMUNICATION AND VISIBILITY

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 5.6 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.

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.
