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PRINTED ON PROCESS CHLORINE FREE PAPER (PCF)
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The Latin America Investment Facility (LAIF) and the Caribbean Investment Facility (CIF) are two of the EU’s regional blending facilities, innovative financial instruments that use EU development grants to leverage additional investment from European and Regional Development Finance Institutions to implement key infrastructure and private sector support projects in partner countries.

This report, which covers the Facilities’ operational activities in 2015, provides a detailed overview of projects funded in a wide range of sectors, from transport and energy, to water, sanitation and the environment. The report also describes how LAIF and CIF support the EU’s development priorities in their respective regions by engaging with the private sector to ensure that development assistance has the widest possible impact and contributes to poverty eradication and to economic growth and job creation. The Facilities also support policy objectives related to climate goals, with projects that contribute to partner countries’ capacity to adapt to and mitigate the impacts of climate change.

LAIF, which is funded under the EU’s Development Cooperation Instrument (DCI), and CIF, financed from the European Development Fund (EDF), provide various kinds of grant funding for development projects:

- Investment grants, which can finance specific project components (with, for example, social or environmental added-value) or a percentage of the total project cost (thereby reducing the amount of debt for the partner country).

- Technical assistance, which involves the provision of tailored assistance to meet specific project needs, both during project preparation and implementation. This assistance helps ensure the quality, efficiency and long-term sustainability of a project and may address aspects related to the project-enabling environment or other aspects that are key for a project’s successful implementation.

- Risk sharing instruments, such as risk capital and guarantees, which allow the available funds to be used as efficiently as possible by reducing risks and unlocking additional financing.

By mobilising the required investment, LAIF and CIF speed up the implementation of development projects and ensure that their impact is both effective and socially-inclusive. The two Facilities contribute to leveraging the funds needed to finance capital-intensive infrastructure projects in key sectors which might otherwise be too large to finance using market instruments alone, or by Development Finance Institutions or beneficiary governments on their own. This report covers the fifth year of LAIF operations and the second full year of operations for the CIF, following its launch in March 2013.
# LAIF/CIF

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Latin America and the Caribbean have made significant progress over the past decade in promoting inclusive economic growth and implementing programmes aimed at reducing poverty and improving the quality of life for all levels of society. However, despite the undeniable successes that have been achieved, social inequality is still a major challenge, requiring a concerted effort on the part of all stakeholders to achieve a sustainable solution.

For the European Union international cooperation and development strategy, this has resulted in a growing recognition of the importance of social dimension in programmes and projects, and of the fact that economic cooperation between Europe, Latin America and the Caribbean needs to be conducted within a framework that ensures the protection and participation of the most vulnerable in the society. Within this context, when supporting business development and growth in Latin America and the Caribbean, the European Union prioritises investments that contribute to the ongoing process of inclusive growth and fight against inequality. This has resulted in a particular focus on programmes in energy, water and sanitation, transport and the environment, the benefits of which are strongly felt by the most disadvantaged in society. Support for small and medium-sized enterprises is also a priority. The development of this sector will play a key role in poverty reduction and in ensuring wider societal participation in economic growth. Small and medium-sized enterprises will remain a target for support in future projects too.

By underpinning the European Union’s international cooperation and development strategy in these regions, the Latin America Investment Facility (LAIF) and the Caribbean Investment Facility (CIF) provide the institutional framework within which the European Union can better help its partner countries to achieve the objectives of sustainable and inclusive development. Cooperation provided under LAIF and CIF is used to leverage funding from the development finance institutions and from private financiers, thereby increasing the impact in supporting sustainable development and private sector growth.

At the EU-CELAC Business Summit in Brussels in June, I had the opportunity to announce €118 million of new EU funding for concrete projects in Latin America and the Caribbean, of which almost €82 million financed LAIF and CIF projects. In that context we also signed the Caribbean Regional Indicative Programme for the period 2014-2020, foreseeing an allocation to the CIF of €135 million.

LAIF and CIF projects are having a significant positive impact on the lives of people in Latin America and the Caribbean. I have witnessed this myself last October, when I visited an interesting project to expand and improve water supply, sewage, waste water treatment and re-use systems in Lima that we co-finance through LAIF. However, the challenges that lie ahead are immense. By supporting projects that prioritise sustainable and inclusive development and by engaging the private sector, LAIF and CIF will continue to act as drivers of responsible investment, bringing us closer to our common goals of prosperity and economic development, while respecting the principles of environmental sustainability and social equality.

Neven Mimica
European Commissioner, International Cooperation and Development
LAIF is a key instrument by which the EU pursues its goals of poverty eradication and the promotion of sustainable economic and social development in Latin America. An innovative financial mechanism, LAIF combines EU grants with other public and private sector resources, such as loans and equity, in order to leverage additional non-grant financing for investments in infrastructure and to support the private sector.
The primary objective of LAIF is to finance key infrastructure projects in priority areas for sustainable socio-economic development such as transport, energy, water and the environment (including climate change mitigation and adaptation) as well as to support social programmes and private sector development, focussing on small and medium-sized enterprises (SMEs). LAIF’s main purpose is to mobilise additional financing to support investment in Latin America, encouraging beneficiary governments and public institutions to carry out essential investment that could not be otherwise financed either by the market or by Development Finance Institutions alone.

As part of its efforts to achieve this objective, LAIF pursues three cross-cutting and mutually-reinforcing strategic objectives:

- Improving interconnectivity between and within Latin American countries via better energy and transport infrastructure, including energy efficiency, renewable energy systems, and sustainable transport and communications networks.

- Increasing environmental protection and supporting climate change adaptation and mitigation actions in partner countries.

- Promoting equitable and sustainable socio-economic development through the improvement of social service infrastructure and support to SMEs.

LAIF’s total budget for the period 2010-2015 was circa €270 million, made available under the EU’s Development Cooperation Instrument (DCI). The total budget includes €50 million earmarked for Nicaragua and €17.3 million earmarked for specific climate change projects. Since its launch, LAIF has contributed €232 million in grants to projects representing a combined investment of circa €6.9 billion.

LAIF acts as a catalyst to aggregate resources from various sources and improve the coordination and coherence of donor actions, thus conforming to the principles of ownership, partnership and shared responsibilities set out in the Paris Declaration on Aid Effectiveness and the subsequent Accra Agenda for Action. LAIF projects are fully aligned with the economic, environmental and social objectives of the Sustainable Development Goals agreed in September 2015 and help underpin the EU’s role as a driver of socially-inclusive and environmentally-aware development in Latin America.

By delivering on concrete initiatives that have real impacts on people’s lives, LAIF has strengthened the EU’s profile as a leading cooperation and development partner in Latin America. LAIF has provoked a very positive response from partner countries, EU Member States and Finance Institutions.

ELIGIBLE EUROPEAN FINANCE INSTITUTIONS

Multilateral European Finance Institutions: European Investment Bank (EIB) and Nordic Investment Bank (NIB).

Bilateral Development Finance Institutions from EU Member States: Agence Française de Développement (AFD), Agencia Española de Cooperación Internacional para el Desarrollo (AECID), KfW Entwicklungsbank (KfW), Oesterreichische Entwicklungsbank AG (OeEB), Società Italiana per le Imprese all’Estero (SIMEST) and Sociedade para o Financiamento do Desenvolvimento (SOFID).

REGIONAL FINANCE INSTITUTIONS

Regional Development Banks: Central American Bank for Economic Integration (CABEI), CAF - Development Bank of Latin America (CAF) and Inter-American Development Bank (IDB).
LAIF AT A GLANCE AS OF 31/12/2015

LAIF resources allocated to the 28 contributions approved
€232 million

Loans by FIs to approved projects
€5.4 billion

Amount leveraged by LAIF support
€6.9 billion

LAIF portfolio 2010-2015
(percentage of total LAIF funding)

Breakdown by sector
- Water and Sanitation: 37%
- Transport: 12%
- Social Sector: 3%
- Urban Development: 1.8%
- Energy: 25.6%
- Environment: 8.6%
- Private Sector: 9.8%
- Mixed: 2.2%

Breakdown by type of support
- Risk capital: 6%
- Investment grant: 58%
- Technical assistance: 36%
- Investment grant: 58%
- Risk capital: 6%
- Technical assistance: 36%
- Private Sector: 9.8%
- Environment: 8.6%
- Energy: 25.6%
- Mixed: 2.2%
- Water and Sanitation: 37%
- Transport: 12%
- Social Sector: 3%
- Urban Development: 1.8%

Total programme budget (2009-2015)
€270 million

LAIF funds from EU budget for Latin America region
€202.7 million

LAIF funds from EU budget earmarked for Nicaragua
€50 million

LAIF funds from EU budget earmarked for Climate Change Window
€17.3 million
Mexico
€23 million/4 projects

El Salvador
€10 million/2 projects

Honduras
€10 million/1 project

Nicaragua
€57 million/2 projects

Regional
Central America
€6.8 million/2 projects

Peru
€3 million/1 project

Chile
€15 million/1 project

Colombia
€9.5 million/2 projects

Brazil
€1.5 million/1 project

Bolivia
€8 million/1 project

Paraguay
€10 million/1 project

Regional
Latin America
€78.2 million/9 projects¹

¹ The project Geothermal Development Facility Latin America received two LAIF contributions (one for technical assistance in 2014 and one investment grant in 2015)

DCI countries directly eligible under the LAIF

Total volume of LAIF contributions approved
LAIF HIGHLIGHTS 2015

In 2015

Four LAIF contributions were approved for a total value of €45.2 million.

These projects were announced at the EU-CELAC Business Summit in Brussels.

LAIF support leveraged €1.65 billion in investment (an average leverage ratio of over 1:36).

The total EU budget allocated to LAIF is around €270 million.

The first LAIF operation in Honduras was approved.

The LAIF contribution to the eco.business Fund was announced at COP21 in Paris.

Of the four contributions approved in 2015

All contributions can be reported as climate action according to the Rio Convention on Climate Change.

Three contributions support projects with a regional scope.

The project “Cities and Climate Change” will accompany Latin American cities in the definition and implementation of sustainable urban strategies and the financing of climate-friendly investments.

The contribution to the eco.business Fund represents LAIF’s first risk capital operation.

The contribution to the Geothermal Development Facility will support the mitigation of resource risk during exploratory drilling through “contingency grants”.

The transport project in Honduras contains elements of internal and cross-border integration.
The EU is currently the most important development partner and foreign investor in Latin America and is one of its main trading partners. During the last two decades, Latin America has made remarkable achievements in terms of consolidation of democracy, growth and employment creation as well as poverty reduction. The EU has contributed to this progress, and will continue to be a reliable partner for Latin America, supporting the region as it tackles the challenges it faces, including poverty and inequality.

EU development cooperation instruments, targeting inclusive growth, security and rule of law, energy, climate change and sustainable development, have been a crucial building block of the EU relationship with Latin America, alongside political engagement, trade and investment.

Since its launch at the 6th EU-Latin American and Caribbean (EU-LAC) Summit in 2010, LAIF has played an essential role in boosting financial resources for development in Latin America. By adding grant elements to loan funding from leading European Development Finance Institutions and Latin American Regional Development Banks, LAIF has contributed to securing and mobilising funds for major infrastructure and private sector support projects at national and regional level.

LAIF contributes to achieving the objectives of the DCI and its Regional Strategy for Latin America, complementing other regional programmes such as EUROCLIMA, EUROsociAL, RALCEA and AL-INVEST. Its key priorities are to improve interconnectivity between and within the Latin American countries, in particular by establishing better energy and transport infrastructure, increasing environmental protection, combatting climate change and supporting the development of the private sector, especially SMEs.

In 2015, four LAIF contributions for a total amount of €45.2 million were approved, supporting projects with a total investment cost of around €1.65 billion in energy and transport as well as urban and private sector development. These contributions were announced at the EU-CELAC Business Summit in Brussels in June 2015.

Combatting climate change, a major EU policy priority, was a significant cross-cutting theme in 2015. Three of the four LAIF contributions approved in 2015 were reported as Rio Marker 2, which means that their contribution to the climate change mitigation and/or adaptation objectives of the Rio Convention on Climate Change represents their principal objective. The eco.business Fund, aiming to promote sustainable business practices that contribute to biodiversity conservation and the sustainable use of natural resources in Latin America, was launched at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP21) in Paris. The LAIF contribution to Sustainable Cities and Climate Change, a project to assist Latin American cities in defining and implementing low-carbon and climate-resilient urban strategies and financing climate-friendly investments, was signed at the “CAF Day” on the sidelines of the COP21. The Geothermal Development Facility was launched at the COP20 in Lima in 2014.
Moreover, in 2015 the first LAIF operation in Honduras was approved. Though the rehabilitation and upgrading of road sections along the Western Corridor, the Honduras Sustainable Roads project will have positive social and economic impacts and will foster trade and regional integration.

Since its launch, LAIF has made considerable progress in supporting large-scale operations through a range of Finance Institutions, improving donor coordination, harmonising procedures and avoiding duplication of efforts. Its approach is in line with the EU’s commitments to enhance aid delivery as set down in the Paris Declaration and the Accra Agenda for Action. A key factor in the success of LAIF has been the participation of the Latin American Regional Development Banks, which has boosted partnerships and cooperation between them and the European Development Finance Institutions.

### LAIF contributions approved

<table>
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<tr>
<th>Year</th>
<th>Value</th>
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<tr>
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<tr>
<td>2011</td>
<td>€7m</td>
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</tr>
<tr>
<td>2012</td>
<td>€115.8m</td>
<td>10</td>
</tr>
<tr>
<td>2013</td>
<td>€29m</td>
<td>5</td>
</tr>
<tr>
<td>2014</td>
<td>€14m</td>
<td>2</td>
</tr>
<tr>
<td>2015</td>
<td>€45.2m</td>
<td>4</td>
</tr>
</tbody>
</table>

* This is the number of approvals during the year, net of cancellations (three projects were cancelled).

### LAIF contributions signed

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
<th>no. contributions (**)</th>
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<tbody>
<tr>
<td>2010</td>
<td>€12.14m</td>
<td>3</td>
</tr>
<tr>
<td>2011</td>
<td>€16.16m</td>
<td>4</td>
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<tr>
<td>2012</td>
<td>€72.61m</td>
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<tr>
<td>2013</td>
<td>€52.31m</td>
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<tr>
<td>2014</td>
<td>€37.74m</td>
<td>5</td>
</tr>
<tr>
<td>2015</td>
<td>€29.82m</td>
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**These are projects for which an agreement was signed during the year, net of cancellations. In some cases more than one agreement was signed for the same project.

### LAIF payments

<table>
<thead>
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<th>Year</th>
<th>Value</th>
<th>no. contributions (***)</th>
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<td>2011</td>
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<td>2013</td>
<td>€23.66m</td>
<td>5</td>
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<tr>
<td>2014</td>
<td>€43.77m</td>
<td>9</td>
</tr>
<tr>
<td>2015</td>
<td>€23.35m</td>
<td>4</td>
</tr>
</tbody>
</table>

***These are projects where a disbursement took place during the year.
LAIF Operations in 2015

1. OVERVIEW

Four LAIF contributions for a total amount of €45.2 million were approved in 2015, in support to projects with a total investment cost of around €1.65 billion.

In terms of geographical distribution of the LAIF support in 2015, three projects, representing a total LAIF contribution of €35.2 million (almost 78% of the total 2015 LAIF contribution), have a regional focus. The Geothermal Development Facility, to which LAIF contributed with an investment grant in 2015 in addition to a technical assistance grant provided in 2014, focuses on Central America and the Andean region. The countries participating in the Facility are Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua in Central America, and Bolivia, Colombia, Ecuador and Peru in the Andean region. The countries participating in the Facility are Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua in Central America, and Bolivia, Colombia, Ecuador and Peru in the Andean region. The eco.business Fund, which promotes business practices contributing to biodiversity conservation and the sustainable use of natural resources in Latin America, will initially target highly biodiverse countries such as Peru, Colombia, Ecuador and Central America (Costa Rica, Guatemala, Honduras and El Salvador), with the aim of being subsequently extended to all other Latin American countries, if possible. The Sustainable Cities and Climate Change project focuses on several Latin American cities, supporting them in defining and implementing low-carbon and climate-resilient urban strategies and to finance climate-friendly urban investments.

The fourth operation approved in 2015, Honduras Sustainable Roads, is a bilateral project with cross-border components at sub-regional level. This first LAIF operation in Honduras involves rehabilitation, upgrading and implementation of road safety improvements on road sections along the country’s Western Corridor. Among others, the Western Corridor connects Honduras’ second biggest city, San Pedro Sula, with border crossings to Guatemala and El Salvador. The improvement in the transport linkages to those neighbouring countries as a consequence of the project will foster trade and regional integration.

In terms of sectoral distribution, the four operations target four different sectors. The €16 million contribution to the eco.business Fund (36% of the total 2015 LAIF contribution) supports private sector development, the €15 million investment grant provided to the Geothermal Development Facility (33% of the total 2015 LAIF contribution) targets the energy sector, the €10 million contribution to the Honduras Sustainable Roads project (22% of the total 2015 LAIF contribution) targets transport and the €4.2 million grant to Sustainable Cities and Climate Change (9% of the total 2015 LAIF contribution) addresses urban development.
All the projects approved in 2015 can be reported as climate action support according to the Rio Convention on Climate Change. The Geothermal Development Facility, the eco.business Fund and the Sustainable Cities and Climate Change project have climate change mitigation and/or adaptation as their principal objective, while for the Sustainable Roads project in Honduras climate change mitigation and/or adaptation constitutes a significant objective.

Concerning the type of support provided by LAIF in 2015, investment grants accounted for €22 million (48.6%), €10.2 million took the form of technical assistance (22.6%) and €13 million of risk capital (28.8%). Two projects involve a combination of technical assistance with another form of support (an investment grant in the case of the Honduras Sustainable Roads project and a risk capital participation in the case of the eco.business Fund), while the other two operations approved in 2015 involve solely investment grant support (for the Geothermal Development Facility, to which LAIF had provided a grant in the form of technical assistance in 2014) and technical assistance (for the Sustainable Cities and Climate Change project).

Almost all the projects approved in 2015 involve both European Finance Institutions and Latin American Regional Development Banks. The eco.business Fund is in the capitalisation phase and is open to various investors. The financial leverage of the LAIF contributions in 2015 is high, with €45.2 million leveraging around €1.65 billion, which implies that every euro provided by LAIF leveraged over €36 of investment. This figure reflects the large investment foreseen for the Geothermal Development Facility, which has a total budget of over €1 billion.

2. PROJECTS

ENERGY

Geothermal Development Facility Latin America

REGIONAL

Total budget: €1094 million

LAIF contribution: €15 million (in addition to a €5 million Technical Assistance grant approved in 2014)

Lead finance institution: KfW (up to €250 million)

Co-financiers: Project developers (€300 million), EIB (up to €250 million), IDB (€86.3 million), German government (€26 million), AFD (€150 million), World Bank Group (tbc), CAF (tbc), JICA (tbc), others (tbc)

Type of LAIF support: Investment Grant

Economic growth in Central America and the Andean region has resulted in a rising demand for energy resources. This demand has largely been met through an increased use of fossil fuels and, to a lesser extent, through hydro-power which has become increasingly difficult to exploit for a variety of reasons, including climate uncertainty. In this situation, governments across the region are interested in developing geothermal energy.

The Geothermal Development Facility aims to overcome barriers to the exploitation of Latin America’s geothermal energy potential, thereby improving energy security and lowering greenhouse gas emissions in the region. The Facility consists of three components. First, a tailored Geothermal Risk Mitigation Fund will be set up in order to facilitate project preparation through grants for surface and other relevant technical studies. The Geothermal Risk Mitigation Fund will also support the mitigation of resource risk during exploratory drilling in at least seven cases...
The Facility represents the first coordinated multi-donor scheme to support geothermal energy on a regional scale in Latin America. While already counting on the support of a large number of donors and Development Finance Institutions, the Facility is designed to be open to further participation of interested donors and financiers. It is expected to facilitate the development of a minimum of seven geothermal plants with a cumulative generation capacity of at least 350 MW and a total investment volume in excess of €1 billion. In addition to its energy security and emissions benefits, the Facility will also reduce the exposure of economies in the region to fossil fuel price fluctuations and increase the competitiveness of local industries, thereby providing a stronger basis for poverty reduction and social development in the region.

The Facility benefitted from a technical assistance grant from LAIF in 2014, to cover part of the cost of structuring, setting up and managing the Geothermal Risk Mitigation Fund. The LAIF investment grant of €15 million will be used for the provision of “contingency grants”.

The countries participating in the project are Bolivia, Chile, Colombia, Ecuador and Peru in the Andean region, and Costa Rica, El Salvador, Guatemala, Honduras, Mexico and Nicaragua in Central America.

**PRIVATE SECTOR**

**eco.business Fund for SME-development in Latin America**

**REGIONAL**

**Total budget:** €281.8 million

**LAIF contribution:** €16 million

**Lead finance institution:** KfW (€22.7 million)

**Co-financiers:** German government (€21.6 million), other participations in the Fund (debt or notes, subordinated debt or notes, senior and junior shares, Technical Assistance)

**Type of LAIF support:** Risk Capital (€13 million) and Technical Assistance (€3 million)

The eco.business Fund is an investment fund promoting sustainable business practices that contribute to biodiversity conservation and the sustainable use of natural resources in Latin America. In particular, the Fund aims to promote the development of green enterprises in developing and transition countries, with an initial focus on highly biodiverse countries such as Peru, Colombia and Ecuador in South America, and Costa Rica, Guatemala, Honduras and El Salvador in Central America, with the possibility of being extended to other Latin American countries.
As a structured fund, the eco.business Fund aims to attract private and public investors with different risk appetites, offering an efficient structure to make investments that have a visible and direct impact. The first loss-capital from public investors together with the subordinated funds from Development Finance Institutions and International Finance Institutions protect the more senior capital tranches. Through this innovative structure, private capital is leveraged to invest in this new green finance asset class.

The Fund includes a technical assistance component (Development Facility) to provide support and guidance for local finance institutions and cooperatives when introducing new, or improving existing green financial products with a focus on biodiversity protection and resource efficiency. Technical assistance will also provide support to local SMEs and support the realisation of impact studies and the development of common standards in monitoring and evaluation.

Due to the nature of its mission and the characteristics of the region, investment activities will concentrate on the areas of sustainable agriculture and processing, agroforestry, sustainable fisheries and aquaculture, as well as ecotourism.

The Fund’s main target group comprises local SMEs, such as farmers, producers, processing companies and service providers, with the potential to positively influence biodiversity and ecosystem protection. As most of the targeted SMEs are located in rural areas, employment opportunities will arise for rural populations. Overall, the eco.business Fund is expected to extend €1,400 million in loans to SMEs and larger companies as well as to create or improve one million jobs by 2035, thus contributing to poverty reduction in the areas involved.

The €13 million LAIF participation in the first-loss capital is key to attracting third party funds, including private capital, thereby enabling the Fund to reach its target capitalisation. The LAIF grant includes €3 million to be utilised for technical assistance and capacity building services to financial intermediaries and/or SMEs.

The Broader Context

Latin America is characterised by rich biodiversity and an abundance of natural resources. Six of the world’s 17 megadiverse countries are located in the region. The region’s natural richness is being threatened by the economic activity of key sectors such as agriculture, fishery, forestry and tourism. The main pressures on the conservation of biodiversity and natural resources come from land use change, land degradation exacerbated by climate change, pollution from nutrients, the unsustainable use of resources and invasive alien species.

Interventions to revert these trends have been historically limited to public sector initiatives. However, these efforts will not be sufficient unless they are combined with the significant involvement of the private sector. In this regard, the adoption of sustainable consumption and production practices at a significant scale will be an essential requirement for rescuing biodiversity. Such a significant scale can be reached by setting the right incentives for private companies to adopt these principles based on commercial considerations. An important obstacle is the fact that the adoption of sustainable production practices is associated with significant costs and risks for the producer, while the pricing mark-up that can be obtained remains highly uncertain. These challenges are being addressed in a joint effort through this PPP.
Honduras’ Western Corridor (Corredor de Occidente) is part of the country’s Main Road Network (Red Víaaria Principal) and is integrated into the International Mesoamerican Road Network. The Western Corridor connects Honduras’ second biggest city, San Pedro Sula, with international border crossings to Guatemala and El Salvador as well as with the Mayan ruins of Copán, which are listed as a World Heritage Site. Development of the entire Western Corridor in the coming years is a national priority for the Honduran government.

The Honduras Sustainable Roads project comprises the rehabilitation and upgrading of sections of road along the Western Corridor, in addition to the implementation of road safety improvements. By improving the quality, safety and resilience to climate change of these road sections, the project will achieve three main objectives.

First, the quality of life of local communities in one of the poorest and most deprived regions in Honduras will be significantly improved through enhanced, uninterrupted and safer links to the main population centres in the area. Furthermore, improved access to markets will also have a crucial impact on the agricultural development potential of the rural areas affected by the project.

Second, Honduras’ regional integration will be fostered, both internally and internationally. The improvement in transport links to neighbouring countries will provide an opportunity for increased trade.

Third, socio-economic development based on tourism will be promoted as a result of improved access to one of the country’s most important tourist sites. The resulting growth in tourism will bring new livelihood opportunities for people living in the rural areas along the road sections affected by the project and will contribute to increased social cohesion and poverty alleviation in these rural communities.
Latin America is the most urbanised region of the world and Latin American cities are major energy consumers and significant contributors to global greenhouse gas emissions. Cities in the region are also vulnerable to the impacts of climate change. Faced with these challenges, various Latin American cities are implementing ambitious and innovative policies aimed at sustainable urban development.

In 2013, CAF Development Bank launched the programme “Cities with a Future” to support these policies as well as to promote an integrated vision of urban development and a multi-sectorial approach to better respond to the challenges faced by local governments. “Cities with a Future” makes it possible to structure the dialogue in four key areas: inclusive urban development, transformation of production, environmental sustainability, and institutional strengthening and security.

Embedded in “Cities with a Future”, the Sustainable Cities and Climate Change project aims to assist several Latin

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**URBAN DEVELOPMENT**

**Sustainable Cities and Climate Change**

**REGIONAL**

- **Total budget**: €104.7 million
- **LAIF contribution**: €4.2 million
- **Lead finance institution**: AFD (€100 million credit line plus €0.5 million Technical Assistance)
- **Type of LAIF support**: Technical Assistance

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American cities in defining and implementing low-carbon and climate-resilient urban strategies and to finance climate-friendly urban investments. AFD is making available a €100 million credit facility to CAF to finance climate-oriented investments in Latin American municipalities. The credit facility is accompanied by a Technical Assistance Programme, aiming to engage cities on a more resilient development pathway through the definition and implementation of climate change strategies.

The LAIF grant will contribute to the Technical Assistance Programme, which consists of reinforcing CAF capacities on climate change and urban development, strengthening local governments’ knowledge of, and commitment to, climate issues through awareness raising and support in defining local climate change strategies and facilitation in the implementation of these strategies. The Programme also contains a knowledge management and communications component.
Since the Latin American Investment Facility was launched in 2010, 28 contributions have been approved for a total LAIF grant of €232 million in support of projects with a combined investment cost of almost €6.9 billion. In terms of allocation to individual projects, LAIF support has ranged in size from €1.5 million to €50 million. LAIF contributions took the form of technical assistance or investment grants and sometimes a combination of both, with one project receiving support in the form of risk capital.

Geographic breakdown

Twelve of the 28 contributions for a total grant of €85 million (36.7%) support regional projects, ten involving the whole region and two focused on Central America. The other 16 projects concern 10 individual countries. The country that has received the biggest allocation is Nicaragua with a total of €57 million (24.6%) for two projects, followed by Mexico with a total of €23 million (10%) for four projects. Other countries that have benefitted from important contributions have been Chile (6.5%), El Salvador (4.3%), Honduras (4.3%), Paraguay (4.3%) and Colombia (4%).

Sector distribution

Two sectors - water and sanitation and energy - have received most LAIF support in the period 2010-2015. The six water and sanitation projects account for 37% of the total contribution with a total grant of €85.5 million, while the seven LAIF contributions to energy projects amount to €59.5 million, representing 25.6% of the total contribution. Five transport projects account for 12% of the total contribution (€28 million). Three projects providing support to the private sector account for 9.8% of the total contribution (€22.8 million), four environment projects for 8.6% of the total contribution (€20 million) and one project supporting the social sector for 3% of the total contribution (€7 million). One multisector project and one project targeting urban development represent respectively 2.2% (€5 million) and 1.8% (€4.2 million) of the total LAIF contribution. While addressing climate change mitigation and/or adaptation has not been designated as a sector, it represents a principal or significant cross-cutting component in most of the projects approved in the period 2010-2015.

Joint operations

Almost all LAIF operations involve at least one European Finance Institution and at least one Latin American Regional Development Bank, demonstrating the capacity of LAIF to act as a catalyst for concrete EU-Latin America cooperation and its potential for creating constructive synergies.

Financial and qualitative leverage

The 28 LAIF contributions amounting to €232 million will leverage almost €6.9 billion of total investments from other donors or national and international finance institutions. This represents a multiplier effect of almost 30:1. In other words, the LAIF has mobilised, or leveraged, almost €30 for every euro of support that it has provided.

Types of LAIF support

LAIF support to beneficiary countries, enabling them to implement capital-intensive projects, is provided in a number
of ways. Technical assistance provides for functions such as management, expert advice, and market and operational studies. Investment grants can finance specific project components or a part of the total project cost and therefore ease the burden on other funders, raise credit ceilings, improve the concessionality of credits and encourage other investors to participate in the projects. Most LAIF support has been channelled to projects in the form of investment grants, representing 58% of the total LAIF contribution. Technical assistance accounts for 36% and risk capital represents 6% of the total LAIF contribution. Over 80% of the projects benefit from technical assistance support, with more than half of those having received a combination of technical assistance and investment grants and one a combination of technical assistance and risk capital. Five projects received contributions solely in the form of an investment grant.

**Implementation**

By the end of 2015, contracts had been signed for 27 of the 28 approved contributions, representing 93% of the total grant amounts approved. More than €130 million of LAIF funding had been disbursed. Procurement operations have begun for 85% of the projects. Construction is underway in almost 60% of the projects where construction is involved. Support services for beneficiaries have started in nearly 50% of the projects that qualified for these services. The project “Linking REDD+ mechanism with local implementation, the forest component of the Special Climate Change Programme of Mexico (PECC)” has been completed.
Like LAIF, CIF is one of the EU’s regional blending facilities, which combine EU grants with other public and private sector resources to leverage additional non-grant financing to support investments in infrastructure and to support the private sector. The main purpose of CIF is to support investments in strategic economic infrastructure and private sector development, with a focus on small and medium-sized enterprises (SMEs), as well as to contribute to measures that help Caribbean countries to adapt to and mitigate the impacts of climate change.
The main strategic objectives of CIF are:

- Strengthening investments in strategic economic infrastructure, such as renewable energy, transport, information and communication technologies, and interconnectivity.
- Increasing investments in water and sanitation, climate adaptation and sustainable social infrastructure.
- Supporting investments in SME-development, including SMEs which contribute to the green economy.

CIF resources are made available under the European Development Fund (EDF), the EU’s multiannual funding instrument to support countries in the African-Caribbean-Pacific (ACP) group. The EDF earmarked a minimum of €40 million in direct funding for CIF for the period 2012-2015. An additional allocation of €30.2 million was made available from the National Indicative Programme of Guyana in 2013. Since it was officially launched in March 2013, CIF has provided a total contribution of around €68.6 million to finance nine projects with a total investment cost of over €541 million.

In addition to regional programmes, CIF aims to support investments in the 15 Caribbean countries that have signed the ACP-EU Partnership Agreement: Antigua & Barbuda, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St Kitts & Nevis, St Lucia, Saint-Vincent and the Grenadines, Suriname and Trinidad & Tobago.

In supporting projects in the region, CIF is guided by the principles of complementarity and additionality, with CIF projects supporting the priorities of regional and national programmes and avoiding replacing private financing and distorting markets in the region.

Caribbean countries require considerable financial resources to implement large-scale and capital-intensive infrastructure projects. By creating partnerships and pooling EDF resources with funding from European, Regional and International Development Finance Institutions as well as beneficiary countries’ own resources, CIF contributes to the implementation of truly impactful and socially inclusive projects, with long-lasting socio-economic benefits for the populations of the region.

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**ELIGIBLE EUROPEAN FINANCE INSTITUTIONS**

**Multilateral European Finance Institutions:**
European Investment Bank (EIB) and Nordic Investment Bank (NIB).

**Bilateral Development Finance Institutions from EU Member States:**
Agence Française de Développement (AFD), Agencia Española de Cooperación Internacional para el Desarrollo (AECID), KfW Entwicklungsbank (KfW), Oesterreichische Entwicklungsbank AG (OeEB), Società Italiana per le Imprese all’Estero (SIMEST) and Società per il Finanziamento do Desenvolvimento (SOFID).

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**OTHER ELIGIBLE FINANCE INSTITUTIONS**

**Regional Development Banks:**
Inter-American Development Bank (IDB) and Caribbean Development Bank (CDB).

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**REGIONAL CARIBBEAN FINANCE INSTITUTIONS**

**Regional Development Banks:**
Central American Bank for Economic Integration (CABEI) and CAF - Development Bank of Latin America (CAF).
CIF / AT A GLANCE
AS OF 31/12/2015

CIF resources allocated to the 9 contributions approved
€68.6 million

Loans by FIs to approved projects
€375 million

Amount leveraged by CIF support
€541 million

CIF portfolio 2010-2015
(percentage of total CIF funding)

Breakdown by sector
- Energy: 58.2%
- Water and Sanitation: 30.1%
- Transport: 7.3%
- Mixed: 4.4%

Breakdown by type of support
- Investment grant: 86.5%
- Technical assistance: 13.5%

Total programme budget (2012-2015):
€70.2 million

EDF funds from the Intra-regional envelope
€40 million

EDF funds from Guyana’s National Indicative Programme
€30.2 million
Regional
€7.25 million/2 projects

Belize
€5 million/1 project

Dominican Republic
€19.33 million/2 projects

Dominica
€2 million/1 project

Guyana
€30.05 million/2 projects

Suriname
€5 million/1 project

Caribbean ACP countries
€ Total volume of CIF contributions approved
In 2015

Five CIF contributions were approved for a total value of almost €33.6 million.

Those projects were announced at the EU-CELAC Business Summit in Brussels.

CIF support leveraged almost €440 million of investments (an average leverage ratio of around 1:13).

By the end of 2015, five countries had benefitted directly from bilateral CIF projects. Others took part in regional and sub-regional projects.

Of the five contributions approved in 2015

Contributions to four of the five projects can be reported as climate action according to the Rio Convention on Climate Change.

Three projects were signed at the margin of the EU-CELAC Business Summit in Brussels.

The SEEC Programme was launched at the Caribbean Renewable Energy Forum (CREF) 2015 in Miami.

Two projects benefit the Dominican Republic targeting the quality of the service in the sectors of energy and water and sanitation.

The other two benefit Suriname and Belize. The first will improve the sustainability of the electricity service and the second will rehabilitate sections of the George Price Highway.
The EU is one of the most important trading partners for the Caribbean and will continue to be a committed partner of the region in the coming years. The EU support in the region is focussed on sectors such as inclusive growth, security and rule of law, energy, climate change and sustainable development. The countries in the region are classified as Small Island Developing States and confronted with an inherent vulnerability to exogenous shocks including natural disasters.

EU assistance to the Caribbean countries is mainly channelled through the EDF. For the period 2008-2013, approximately €1 billion was provided for the implementation of national and regional programmes in the Caribbean. Remarkable results have been achieved and, for the period 2014-2020, the overall allocation from the EDF to the Caribbean remains stable at around €1 billion.

EU assistance to the Caribbean countries is mainly channelled through the EDF. For the period 2008-2013, approximately €1 billion was provided for the implementation of national and regional programmes in the Caribbean. Remarkable results have been achieved and, for the period 2014-2020, the overall allocation from the EDF to the Caribbean remains stable at around €1 billion.

The significant increase in the resources allocated to the EU regional programme for the Caribbean (€346 million) acknowledges the regional dimension of several of the challenges faced, namely, the inherent vulnerability of the region to natural disasters and the deterioration of security. EU assistance will concentrate on regional economic cooperation and integration, climate change, environment, disaster management and sustainable energy as well as crime and security.

Launched in 2013, CIF is one of the EU’s regional blending facilities aiming to leverage funding for development projects by combining grants from the EDF with loans from other sources, including European and Regional Development Banks. The objective of CIF is to support Caribbean countries in financing key infrastructure in the areas of transport, water and sanitation, energy, disaster prevention and information and communication technology. Operations financed with CIF support will also allow an increase in risk and credit ceilings to the benefit of the Caribbean countries, and promote categories of investments which cannot be funded by the market or by Finance Institutions on their own.

In 2015 five CIF contributions for a total amount of almost €33.6 million were approved to support projects with a total investment cost of almost €440 million. These contributions were announced at the EU-CELAC Business Summit in Brussels in June 2015.

Three of the five contributions were signed in the margins of the EU-CELAC Business Summit. The first two, signed with beneficiary governments, are contributions to projects to be implemented with the IDB, respectively to improve the sustainability of the electricity service in Suriname and to rehabilitate a crucial section of the George Price Highway in Belize. The third contribution was signed with CDB for a sustainable energy project in the Eastern Caribbean, to channel resources to the six independent countries of the Organization of the Eastern Caribbean States (OECS) for technical assistance and investment in energy efficiency and renewable energy.

The other two projects approved in 2015 benefit the Dominican Republic, targeting the quality of service offered to consumers in the energy and water and sanitation sectors. Signature of the two contributions with the government of the Dominican Republic took place in 2015.
In 2015 five CIF contributions for a total amount of almost €33.6 million were approved, to support projects with a total investment cost of almost €440 million.

In terms of geographical distribution of the CIF support in 2015, one of the five projects, the Sustainable Energy for the Eastern Caribbean (SEEC) Programme, has a regional focus. The Programme will channel resources for renewable energy and energy efficiency investments to the six independent countries of the Organisation of the Eastern Caribbean States (OECS): Antigua and Barbuda, Grenada, St. Vincent and the Grenadines, the Commonwealth of Dominica, St. Kitts and Nevis, and St. Lucia. The other four CIF projects approved in 2015 are bilateral and target three countries that will benefit from CIF for the first time. Two projects benefit the Dominican Republic. The first will contribute to the investments programmes of two of the country’s major water and sanitation service providers to ensure the high-quality, efficiency and sustainability of services. The second constitutes a loss reduction programme in the context of electricity distribution.

The other two bilateral projects benefit Belize and Suriname. The George Price Highway Rehabilitation project in Belize aims to repair sections of this transport link, which is critically important for the national economy. In Suriname, the project to improve the sustainability of the electricity service, part of the Sustainable Energy Framework in Suriname (SEFS), will support the
country’s national electricity company in improving its operational procedures and address sustainability issues associated with the electrification of rural areas.

In terms of sectoral distribution, almost €18.6 million (55.3% of the total 2015 CIF contribution) were allocated to three energy projects, €10 million (29.8% of the total 2015 CIF contribution) targeted one project in water and sanitation and €5 million (14.9% of the total 2015 CIF contribution) were allocated to transport.

Climate change represented an important cross-cutting issue for CIF in 2015, with four out of five projects to be reported as climate action support according to the Rio Convention on Climate Change. The SEEC Programme and the project supporting investment programmes in water and sanitation in the Dominican Republic have climate change mitigation and/or adaptation as their principal objective, while for both the George Price Highway rehabilitation project and the project aiming to improve the sustainability of the electricity service in Suriname, climate change mitigation and/or adaptation constitutes a significant objective.

Concerning the type of support provided by CIF, all the projects approved in 2015 have an investment grant component. Investment grants account for €29.3 million (87.3%), while technical assistance support amounts to €4.3 million (12.7%). Two projects consist solely of investment grants, while three combine investment grants with technical assistance.

The financial leverage of the CIF contributions in 2015 is higher than in the 2013-2015 period, with almost €33.6 million leveraging almost €440 million, which implies that every euro provided by CIF leveraged around €13 in investment. This figure reflects the relatively large investments supported by CIF in Dominican Republic.

2. PROJECTS

ENERGY

Sustainable Energy for the Eastern Caribbean (SEEC) Programme

REGIONAL

Total budget: €21.17 million

CIF contribution: €4.25 million

Lead finance institution: CDB (€12.26 million plus €1.5 million CDB risk guarantee facility)

Co-financiers: DFID3 (€3.16 million)

Type of CIF support: Investment Grant (€3.58 million) and Technical Assistance (€0.67 million)

Increasing the uptake of renewable energy and energy efficiency with financially viable, climate-friendly investments represents an opportunity for the six independent countries of the Organization of the Eastern Caribbean States (OECS) to reduce the burden of high electricity costs. For these countries, high fossil fuel import bills are a significant drain on foreign exchange reserves and contribute to higher than prudent levels of indebtedness. High electricity prices have also been identified as a significant contributor to the cost of doing business and are a burden for the majority of consumers. In addition to reducing greenhouse gas emissions, renewable energy and energy efficiency initiatives have the potential to reduce electricity costs and prices as well as the amount of foreign exchange committed to fossil fuel imports.

The SEEC Programme will channel resources to the six independent OECS countries to support investment in renewable energy and energy efficiency programmes. The Programme consists of four components. Two components involve technical assistance aimed at institutional strengthening and capacity building of local and regional actors, as well as to support the development of renewable energy and energy efficiency projects. The other two components provide funding for investments in public sector renewable energy and energy efficiency projects and dedicated financial instruments for financial intermediaries benefitting the private sector. Country allocations have been made for renewable energy and energy efficiency public
sector investments, however, technical assistance will be based on needs and priorities, on-going and completed work, and the extent to which other international, regional, or national initiatives address these needs.

The objectives of the SEEC Programme are threefold. First, the Programme aims to increase the capacity of actors in the public and private sectors to support, plan and implement investments in renewable energy and energy efficiency. Second, it will contribute to the development of an adequately-financed renewable energy and energy efficiency market with a sufficient supply of goods and services. Finally, the Programme will share lessons learned about optimal implementation of energy efficiency measures and renewable energy technologies and raise awareness about these issues.

Suriname’s government strategy towards 2020 aims to establish a sustainable energy sector that offers equitable access to electricity services, including in the sparsely inhabited interior (the hinterland). Renewable energy technologies stand to play a key role in this strategy, by offering the possibility of controlling costs and establishing a reliable service for end-users in more isolated and remote communities.

The support programme to improve the sustainability of the electricity service in Suriname is part of the Sustainable Energy Framework in Suriname (SEFS), currently being implemented with support from IDB. The objective of this framework is to anticipate future growth in electricity demand in the country and to shape the conditions to ensure that this demand is sustainably met, from an economic, financial and environmental viewpoint.

The SEFS will support the government of Suriname and the national electricity company Energie Bedrijven Suriname (EBS) in implementing adequate regulatory and management practices to reduce generation costs, review the current tariff structure, and establish contract models for the purchase of electricity. The Framework will also allow EBS to assess options for power generation using low-carbon technologies and improve access to sustainable energy.

The support programme will support EBS in improving its operational procedures and address sustainability issues associated with the electrification of rural areas in Suriname. These efforts will be supported by the CIF contribution, which will promote the use of renewable energy technologies for rural electrification in the hinterland. Specifically, the CIF contribution will finance the procurement and installation of a small hydro power plant and a solar photovoltaic system in two different locations - the Upper Suriname Resort and the Tapanahony Resort.

**ENERGY**

**Support to improve sustainability of the electricity service**

**SURINAME**

Total budget: €42.77 million

CIF contribution: €5 million

Lead finance institution: IDB (€22.77 million)

Co-financiers: AFD (€15 million tbc)

Type of CIF support: Investment Grant (€4.4 million) and Technical Assistance (€0.6 million)
The electricity sector in the Dominican Republic is characterized by high commercial losses and the subsequent challenging financial situation of electricity distribution companies (EDEs) in the country.

Since 2009, the Dominican government and Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE) have, with the support of multilateral lending institutions such as IDB, World Bank (WB) and the OPEC Fund for International Development (OFID), been implementing a nationwide loss reduction programme. The aim of this programme is to limit commercial losses in electricity distribution, reduce the national power sector’s dependence on financial support from the government and improve the availability of power supply to consumers. The first phase of the programme is nearing completion while the second phase, started in 2015, involves an investment cost of circa $360 million to be financed by IDB, WB, EIB and OFID.

In the context of the programme, the CDEEE loss reduction project comprises the rehabilitation of a number of medium-low voltage electricity networks and metering systems in the country, to reduce their vulnerability to tampering, as well as the strengthening of commercial activities with regard to contracting and monitoring irregular users. Moreover, the project will actively engage with the public to introduce a culture of payment and to promote the safe and efficient use of electricity.

The project is spread across the territory of the Dominican Republic, with circa 60% of the investments concentrated in the outskirts of the capital Santo Domingo. The CIF grant will focus on areas with high poverty rates, and will improve electricity provision with an associated beneficial impact on the quality of life of 13,326 families of which 45% live below the poverty line.
While water production and treatment capacity is adequate in the Dominican Republic, 81% of the population had access to safe drinking water in 2012, compared to 89% in 1990. National sanitation coverage reached 82% in 2012 with disparities in infrastructure within the country and a high share of individual sanitation systems. The sewerage network connectivity is 15% and an estimated 10% of collected wastewater is treated.

Within this context, the project will contribute to the investment programmes of two major service providers in the country, the Instituto Nacional de Aguas Potables y Alcantarillados (INAPA), focusing on peri-urban and rural areas, and CORAASAN, the autonomous corporation responsible for the city and province of Santiago. The project includes investments in water and sanitation infrastructure, capacity building and operational support to ensure the high-quality, efficiency and sustainability of services. Over one million people will benefit from these investments.

The CIF contribution will support the de-concentration of the delivery of urban and peri-urban water and sanitation services from INAPA’s headquarters in Santo Domingo to a maximum of five regional offices serving the provinces of Montecristi, Azua, Hermanas Mirabal, Samana and La Altagracia. The de-concentration process was initiated through an IDB/AECID project in seven provinces. The CIF contribution will make it possible to extend the action to up to five additional provinces.

The CIF contribution will also include a capacity-building component, with training aimed at enhancing the skills of INAPA staff.
network is paved. High quality transport infrastructure is crucial for trade, agriculture and tourism, all key sectors for Belize’s economic growth.

The George Price Highway, which connects the country’s commercial centre, Belize City, with the national capital Belmopan and other major urban centres, is characterised by infrastructure vulnerabilities and it is particularly exposed to the impacts of climate change. The highway is a crucial interconnector between the northern, southern and central regions of Belize, as well as being an important link to Central America and Mexico.

The George Price Highway Rehabilitation project comprises the rehabilitation to national standards of the highway section between miles 47.9 in Belmopan and 67.3 in Santa Elena, including the replacement of the Roaring Creek Bridge. Rehabilitation will decrease travel time and costs, improve user safety and make the infrastructure more resilient to climate change, thus enabling this important evacuation route to remain open during extreme weather events.

Complementary to the rehabilitation work, the project will include an institutional strengthening programme to enhance transport planning capacity and road maintenance management in the country.

Belize is a small tropical country with a population that is 48% rural. The country and its infrastructure, especially in low-lying coastal areas, are particularly exposed to frequent tropical storms and hurricanes, flood damage and rising sea levels. Moreover, only 15% of the country’s road network is paved. High quality transport infrastructure is crucial for trade, agriculture and tourism, all key sectors for Belize’s economic growth.

The George Price Highway, which connects the country’s commercial centre, Belize City, with the national capital Belmopan and other major urban centres, is characterised by infrastructure vulnerabilities and it is particularly exposed to the impacts of climate change. The highway is a crucial interconnector between the northern, southern and central regions of Belize, as well as being an important link to Central America and Mexico.

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Complementary to the rehabilitation work, the project will include an institutional strengthening programme to enhance transport planning capacity and road maintenance management in the country.
Since CIF was launched in 2013, nine contributions have been approved for a total CIF grant of around €68.6 million in support of projects with a total investment cost of around €541 million. In terms of allocation to individual projects, CIF contributions have ranged from €2 million to almost €19.5 million. CIF contributions have taken the form of technical assistance or investment grants and sometimes a combination of both.

**Geographic breakdown**

Two of the nine contributions, for a total grant of over €7.2 million (over 10.5%), support regional projects while the other seven benefit five individual countries. The country that has received the biggest allocation is Guyana with two contributions worth a total of almost €30.1 million (nearly 43.9%), followed by the Dominican Republic with a total CIF contribution of over €19.3 million (28.1%) for two projects. Both Suriname and Belize have benefitted from a CIF contribution of €5 million (7.3%), while Dominica received one contribution worth €2 million (2.9%).

**Sector distribution**

Energy is the sector that has received the most consistent CIF support in the period 2013-2015. The five contributions to energy projects approved since the launch of the Facility account for 58.2% of the total CIF contribution, with a combined grant of over €39.9 million. The two contributions to water and sanitation projects amount to almost €20.7 million, representing almost 30.1% of the total CIF contribution. One contribution to a transport project represents 7.3% of the total contribution (€5 million) and one multisector project accounts for 4.4% of the total contribution (€3 million). While addressing climate change mitigation and/or adaptation has not been designated as a sector, it represents a principal or significant cross-cutting component in eight out of the nine projects approved in the period 2013-2015.

**Joint operations**

Nearly half of the CIF projects involve cooperation between the European Finance Institutions, Regional Development Banks and International Finance Institutions active in the region, as well as national governments. This cooperation demonstrates the capacity of CIF to create constructive synergies between the EU and the Caribbean, both on a bilateral and multilateral level.

**Financial and qualitative leverage**

The nine CIF contributions, totalling around €68.6 million, will leverage around €541 million in investments from other donors or Finance Institutions. This represents a multiplier effect of almost 8.1, which means that the CIF has mobilised, or leveraged, almost €8 for every euro of support that it has provided.
Types of CIF support

CIF contributions have taken the form of investment grants, technical assistance or a combination of both. Technical assistance provides for functions like management, expert advice, and market and operational studies. Investment grants can finance specific project components or a part of the total project cost and therefore ease the burden on other funders, raise credit ceilings, improve the concessionality of credits and encourage other investors to participate in the projects. Most CIF support has been channelled to projects in the form of investment grants, representing almost 86.5% of the total CIF contribution, while technical assistance accounts for over 13.5% of the total contribution. Of the nine CIF projects, four have received support solely in the form of investment grants, two only in the form of technical assistance and three have been supported with a combination of both.

Implementation

By the end of 2015, contracts had been signed for all of the nine approved projects. More than €17 million of CIF funding had been disbursed. Procurement operations had begun for nearly half of the projects. Due to the relatively recent start of the Facility, construction and support services for beneficiaries had started in only one of the projects for which these activities are foreseen.
The expansion of the private sector represents a major reserve for the generation of employment in the developing world and, as such, has the potential to be a powerful driver of sustainable economic development in many EU partner countries. The private sector has a crucial role to play in eradicating poverty and ensuring that development is not only sustainable, but serves to benefit all, including the most disadvantaged sections of society.

In developing countries, private sector companies need to overcome higher obstacles than those faced by their counterparts in developed markets. Access to finance is a major issue, as is a non-conducive business environment, and also a lack of the quality assessment and conformity compliance infrastructure needed for producers in the least developed countries to integrate into global value chains.

The EU provides substantial support across a wide range of activities aimed at creating an enabling environment for private sector engagement, including regulatory reforms and business development services, with a special focus on strengthening micro, small and medium-sized enterprises (MSMEs) which play a particularly vital role in job creation. In its "Agenda for Change", adopted in 2011, the Commission highlighted the need to develop innovative ways of engaging with the private sector, and set out its vision for empowering the private sector as an engine of sustainable development in a Communication from May 2014 - ‘A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries.’

The Commission will continue implementing a set of "traditional" private sector development actions to support local governments and business intermediary organisations in developing countries to allow the private sector harness the opportunities offered by globally integrated markets. In addition, it will look for “new ways of harnessing the potential of the private sector as a financing partner, implementing agent, advisor or intermediary to achieve more effective and efficient delivery of EU support, not only in the field of local private sector development, but also in other areas of EU development cooperation such as sustainable energy, sustainable agriculture and agribusiness, digital and physical infrastructure, and the green and social sectors,” the Communication notes.

Blending is one such ‘new way’ of harnessing the potential of the private sector as a financing partner. Furthermore, the sustainability focus of LAIF and CIF mean that these are fully aligned with European Commission’s objectives as outlined in the Communication. Both of these investment facilities aim at fostering investments which will have a positive impact on socio-economic development in their respective regions, with a particular focus on infrastructure in transport, communication and energy interconnections and the promotion of renewable energies. They also address threats to the environment, with climate change adaptation and mitigation measures, and promote smart, sustainable and inclusive growth, through private sector engagement and support to SMEs.

This focus on private sector engagement as a driver of sustainable development can be seen in LAIF and CIF projects approved in 2015. For example, the eco.business Fund is an investment fund promoting business practices that contribute to the sustainable use of natural resources in Latin America. Historically, interventions to revert the trend of biodiversity loss in this region have been limited to public sector initiatives. However, there is a realisation that national and international public investments alone will be insufficient to achieve these goals unless
they are combined with significant private sector involvement. Consequently, it is a stated aim of the programme to mobilise additional capital by involving the private sector with a fund that minimises risk for private capital.

Likewise the SEEC Programme aims to increase the capabilities of private sector actors to support, plan, and implement investments in renewable energy and energy efficiency projects. The Programme’s implementers have recognised reluctance on the part of the banking sector in the region to finance renewable energy and energy efficiency, mainly due to limited experience and familiarity with the assessment of such projects. The SEEC Programme aims to address these issues by reinforcing CDB initiatives to strengthen capacity in the private sector for renewable energy and energy efficiency project development in the participating countries. The private sector beneficiaries of SEEC loans may also benefit indirectly from technical assistance for energy audits and technical implementation provided to participating government-owned financial intermediaries.

At the end of 2014, the European Council issued conclusions on “A stronger role of the private sector in development cooperation: An action oriented perspective”. In these conclusions, the Council stressed the need to deliver on concrete initiatives and leverage more private finance to implement capital-intensive infrastructure projects in energy, transport and agriculture. The Council noted in particular the importance of blending as a tool to boost economic growth, innovation and job creation. Given their credentials as flexible mechanisms to leverage funding to finance sustainable development, it is clear that LAIF and CIF will remain a key tool by which the EU will pursue its goal of engaging with the private sector to ensure that development assistance is not only effective, but also sustainable and socially inclusive.
LAIF and CIF on the frontline of the battle against climate change

The impacts of climate change are profound, both in developed and developing countries. The world is facing serious challenges due to climate change, requiring timely and appropriate measures that demand significant resources.

In December 2010, developed countries committed to the goal of jointly providing funds, increasing to US$100 billion per year by 2020, to address the needs of developing countries for significant mitigation actions to be implemented in a transparent way. In order for the EU to meet its commitments in terms of climate finance, specific Climate Change Windows (CCWs) were created in the EU regional blending facilities. The CCWs encompass both public and private investments in strategic areas such as transport, energy, environment, water, sanitation and forests.

The main objectives behind the establishment of Climate Change Windows (CCWs) in the EU regional blending facilities are as follows:

1. Establish a tracking system for climate change related operations;
2. Ensure transparency of EU financing of climate change projects, including by making a distinction between programmed funds within geographical instruments and new, additional resources;
3. Guarantee better tracking and EU visibility for all its climate actions;
4. Mainstream the fight against climate change in projects (co) financed by the EU;
5. Attract additional financing for climate change.
The tracking system is based on the contribution of each project to the climate mitigation and/or adaptation objectives of the Rio Convention on Climate Change:

- Rio Marker 1: projects where the contribution to mitigating and/or adapting to climate change represents a significant objective (40% of the LAIF/CIF contribution can be reported as climate action support);
- Rio Marker 2: projects where the contribution to mitigating and/or adapting to climate change represents the principal objective (100% of the LAIF/CIF contribution can be reported as climate action support).

**Mitigation measures include:**

- Limiting the emission of greenhouse gases caused by human activity;
- Improving energy efficiency and increasing energy saving;
- Increasing the production and use of renewable energy;
- Protecting and/or enhancing greenhouse gas sinks and reservoirs.

**Adaptation measures include:**

- Reducing human and environmental vulnerability to the impact of climate change;
- Promoting climate change adaptation technologies, including the related infrastructures;
- Measures for emergency prevention and preparedness to cope with natural disasters.

At the 21st Session of the Conference of Parties to the United Nations Framework Convention on Climate Change (COP21) in Paris in December 2015, countries pledged to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

### Results

#### LAIF

Between 2010 and 2015, 26 of the 28 LAIF contributions target climate actions. Out of the €232 million approved, €180.6 million can be reported as climate action support according to the Rio Convention on Climate Change (Rio Marker 1: 40% of the LAIF grant, Rio Marker 2: 100% of the LAIF grant contribution).

Since its launch, 14 LAIF contributions can be reported as Rio Marker 2, with LAIF contributions totalling €154.2 million to be reported as climate action support. Another 12 projects were reported as Rio Marker 1, with LAIF contributions totalling €26.4 million to be reported as climate action support.

#### CIF

Between 2013 and 2015, eight of the nine CIF contributions target climate actions. Out of the circa €68.6 million approved, almost €33.5 million can be reported as climate action support according to the Rio Convention on Climate Change (Rio Marker 1: 40% of the LAIF grant, Rio Marker 2: 100% of the LAIF grant contribution).

Three CIF contributions can be reported as Rio Marker 2, with CIF contributions of almost €16.3 million to be reported as climate action support. Another five projects were reported as Rio Marker 1, with CIF contributions of circa €17.2 million to be reported as climate action support.

The full list of LAIF and CIF contributions approved up to 2015 is available in the LAIF and CIF annexes at the end of this report. These annexes include detailed amounts per project to be reported as climate action support in accordance with the Rio Markers tracking system.
The European Union has strong historic ties with Latin America and the Caribbean, and these ties are reflected in the position that this region occupies in the EU’s development agenda. While EU development assistance continues to have a positive impact on the lives of people across the region, there has been a change in how this assistance is perceived. In the post-2015 era, development assistance is evolving from a bilateral paradigm involving public sector aid donors and aid recipients to a more multilateral process with space for dialogue, mutual enrichment and exchange of best practice, in which representatives from public sector organisations, business and citizens are all engaged.

Within this context, the Latin America Investment Facility (LAIF) and the Caribbean Investment Facility (CIF) are ideally positioned to deliver on the promise of sustainable and inclusive development. These instruments are complementary to other aid modalities for implementing EU-funded development programmes in the region to kick-start investment in capital-intensive projects and support policies that are crucial to the sustainable development of the countries in question.

Since its launch in 2010, LAIF has contributed €232 million in grants to finance investments worth almost €7 billion. The impact of CIF, established in 2012, has been equally significant. Grant contributions worth almost €70 million have leveraged investments of about €541 million.

The LAIF and CIF projects approved in 2015 reflect the instruments’ ongoing focus on environmental sustainability and the engagement of the private sector as a driver of development, with projects aiming to improve access to electricity, water and transport, and to support the development potential of small and medium-sized enterprises. By supporting projects that will reduce poverty and promote environmental sustainability, LAIF and CIF are fully aligned with the economic, environmental and social ethos of the Sustainable Development Goals agreed in September 2015 and will help create strong foundation for sustainable and inclusive economic growth in Latin America and the Caribbean.

The European Commission remains committed to deepening its partnership with Latin America and the Caribbean and to upholding the EU’s role as a global driver of poverty eradication and environmentally-aware development. Through LAIF and CIF and other EU actions supporting development cooperation, the European Commission will continue to support efforts undertaken by Latin American and Caribbean counties to improve transport, energy, and water infrastructure, develop small and medium-sized business and reduce social inequalities in the region.

Marjeta Jager
Deputy Director-General, International Cooperation and Development
EU Blending Frameworks

A new governance structure for blending instruments was agreed with the EU Member States in 2014. Within this new structure, the EU implements blending operations under the DCI, EDF, ENI (European Neighbourhood Instrument) and IPA (Instrument for Pre-Accession Assistance) Blending Frameworks, corresponding to the financing instruments supporting the Union’s external policies. The Blending Frameworks, through their corresponding facilities, cover the countries and thematic operations concerned.

LAIF is covered by the DCI Blending Framework. CIF, as of 2016, will be covered by the EDF Blending Framework.

Project assessment and Board opinion

A blending operation needs to be developed by a Finance Institution, as it involves the provision of a loan or other type of financing from one or more Finance Institutions.

The Lead Finance Institution is in charge of submitting a project proposal using a project application form for discussion and assessment at a Technical Assessment Meeting. These meetings are chaired by the Commission with the participation of the European External Action Service (EEAS) and Finance Institutions.

Based on the results of the discussions at the Technical Assessment Meeting, proposals may either be considered mature enough for submission to the Board, or may be returned for re-submission at a subsequent meeting or may be rejected.

The Board is responsible for formulating opinions on individual blending operations. It is chaired by the Commission with the participation of the EEAS and the EU Member States, as voting members, and the Finance Institutions as observers. Based on Board decisions for the selected proposals, a complementary decision is adopted by the Commission.

Secretariat

The Secretariat of the EU Blending Frameworks is run by the Commission. The Secretariat supports the management of the EU Blending Frameworks by providing support, including in the assessment process and formulation of opinions by the Board, coordination of consultations and organisation of technical assessment and Board meetings, reporting, dissemination of information, sharing of best practices and training. The Directorate-General for International Cooperation and Development (DG DEVCO) provides support to the DCI and EDF Blending Frameworks.
<table>
<thead>
<tr>
<th>Country</th>
<th>Year of approval</th>
<th>Title of the project</th>
<th>Climate Change Window</th>
<th>Consortium of Finance Institutions</th>
<th>Sector</th>
<th>Total project cost (£ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolivia</td>
<td>2013</td>
<td>Road F-21 Tranche Uyuni-Tupiza</td>
<td></td>
<td>EIB, CAF</td>
<td>Transport</td>
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<tr>
<td>Brazil</td>
<td>2012</td>
<td>Improving Service Delivery and Investment Planning in the Power Sector</td>
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<td>Chile</td>
<td>2012</td>
<td>Chilean Solar Energy Programme</td>
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<td>'Bridging the gap': towards a sustainable development of cities and regions</td>
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<td>2014 &amp; 2015</td>
<td>Geothermal Development Facility Latin America (technical assistance and investment grant)</td>
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<td>KFW, others (open funds)</td>
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Three projects have been cancelled:
- Latin America Carbon Finance Facility (KFW, CAF)
- Bii Stipa II Wind Power Plant in Mexico (SIMEST, IDB)
- Compact cities in Mexico: Housing and Urban Development (AFD, IDB)

TOTAL 6876.7
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<th>LAIF contribution (€ million)</th>
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<th>Type of LAIF support</th>
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<th>Construction of the project started?</th>
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| 232.0                         | 180.6                                                   |                       |             |                  |                  |                           |

<p>| 281.8                         | 1094.0                                                  |                       |             |                  |                  |                           |</p>
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<tr>
<th>Country</th>
<th>Year of approval</th>
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<th>Climate Change Window</th>
<th>Consortium of Finance Institutions</th>
<th>Sector</th>
<th>Total project cost (€ million)</th>
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<tbody>
<tr>
<td>Belize</td>
<td>2015</td>
<td>George Price Highway rehabilitation for Belize integration</td>
<td>IDB</td>
<td>Transport</td>
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<td>Dominica</td>
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<td>AFD</td>
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<td>Dominican Republic</td>
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<td>CDEEE electricity distribution loss reduction project</td>
<td>EIB, WBG</td>
<td>Energy</td>
<td>219.2</td>
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<tr>
<td>Guyana</td>
<td>2013</td>
<td>Power Utility Upgrade Programme</td>
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<td>Year of approval</td>
<td>Title of the project</td>
<td>Sector</td>
<td>CIF contribution (€ million)</td>
<td>Total project cost (€ million)</td>
<td>CIF contribution (€ million)</td>
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<td>Belize</td>
<td>2015</td>
<td>George Price Highway rehabilitation for Belize</td>
<td>IDB Transport</td>
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</table>

**TOTAL** | | | | | **541.37** | **68.63** | **33.47** |

*Contracts signed with the beneficiary countries, negotiation of the management agreement between the EU and IDB is ongoing.*
Established in 2012, the Caribbean Investment Facility (CIF) is one of the EU's regional blending facilities, aiming to mobilise funding for development projects by combining grants from the European Development Fund (EDF) with loans from other sources, including European and Regional Financial Institutions. The purpose of CIF is to support Caribbean countries in financing key infrastructure projects in the areas of transport, water and sanitation, energy, disaster prevention and information and communication technology. CIF contributions can support investments in the 15 Caribbean countries: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Kitts and Nevis, Saint Lucia, Saint-Vincent and the Grenadines, Suriname, and Trinidad and Tobago. CIF also supports regional operations.

Considering the challenges faced by Caribbean countries to finance and implement key strategic infrastructures that require considerable financial resources, CIF aims at creating partnerships, pooling grant resources from the EDF with funding from European and International Development Finance Institutions, the private sector and the beneficiary countries' own resources. Operations to support access to credit for small and medium-sized enterprises (SMEs) are also possible through CIF.

As of May 2015, 9 projects have been approved, representing a total investment cost of about EUR 535 million with a total CIF grant contribution of almost EUR 70 million, entailing a leverage of almost EUR 8 for every Euro of support provided.

The projects approved so far allowed for a wide geographical coverage and have targeted energy (5 projects), water and sanitation (2 projects) and transport (1 project). Only one project was multi-sector.

The Latin America Investment Facility (LAIF) is one of the EU's regional blending facilities, aiming to mobilise funding for development projects by combining EU development grants with loans from other sources, including European and Regional Financial Institutions. The purpose of LAIF is to support Latin American countries in financing key infrastructure projects in selected sectors, such as transport, energy, environment and social sector, as well as private-sector growth especially via small and medium-sized enterprises (SMEs).

LAIF pursues three interconnected and mutually-reinforcing strategic objectives:

• Improving interconnectivity between and within Latin American countries via better energy and transport infrastructures, including energy efficiency, renewable energy systems, and sustainable transport and communication networks.
• Increasing environment protection and supporting climate change adaptation and mitigation.
• Promoting equitable and sustainable socio-economic development through the improvement of social service infrastructure and support to SMEs.

Since its launch at the sixth European Union-Latin American and Caribbean (EU-LAC) Summit in 2010 until end 2014, 25 projects were approved, representing a total investment cost of about EUR 1000 million with a total LAIF grant contribution of almost EUR 100 million, entailing a leverage of almost EUR 10 for every Euro of support provided.

The European Union has joined forces with EU Delegations and European, Multilateral and Regional Finance Institutions in their use of communication tools to ensure that our partner countries and their populations are fully aware of LAIF and CIF opportunities and their results. The EU uses the various means of communication at its disposal to publicise EU contributions when the projects and programmes are formally agreed.
Signature ceremony
Sustainable Energy for the Eastern Caribbean (SEEC) Program

Signature ceremony
Support to improve Sustainability of the Electricity Service

Signature ceremony
George Price Highway rehabilitation for Belize integration

Signature ceremony of “Sustainable Cities and Climate Change”

Visit of Commissioner Mimica to the project Water supply, Sewage, Wastewater Treatment and Reuse in Lima

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