



## CCREEE (PPF) Informational Session

4<sup>th</sup> February 2021



# CREDIT RISK • ABATEMENT FACILITY •

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## CHALLENGES

**Lack of access to finance.**

Traditional financial products have limited appeal.

Lack of understanding of RE/EE solutions.

Need for training of financial institutions, services providers and SMEs.



## Background

- **The Credit Risk Abatement Facility (CRAF)**
- **Developed by the CDF in collaboration with**
  - The CARICOM Secretariat; and
  - The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)
- **Designed to**
  - Facilitate access to financing for renewable energy (RE) and energy efficiency (EE) projects;
  - Developed and implemented for small and medium-sized entities (SMEs);
  - Unlock financial resources of local financial institutions in the Caribbean.



## Background

- Market scan and consultation (five countries: Barbados, Belize, Jamaica, Saint Lucia, Suriname)
  - significant unmet demand for RE and EE financing as well as for credit enhancement
  - Need for TA to boost demand, develop the sector and build capacity
  - wide range of key stakeholders and implementation partners
- Preliminary design (approved by stakeholders)
  - Credit Risk Instrument (CRI) – partial risk guarantees
  - Technical Assistance Programme (TAP)
  - Monitoring & Evaluation (M&E) Framework



## FINDINGS

- Significant potential for renewable energy (RE) and energy efficiency (EE) in CDF countries
- **RE and EE has multiple benefits including**
  1. Contribution to SME growth and cost reduction
  2. Green recovery from Covid-19
  3. Decreased exposure to oil market volatility and FX drain
- Access to credit is a key barrier for SMEs. CRAF is designed to unlock additional financing for SMEs that want to benefit from RE and EE
- **Three key pillars to CRAF:**
  1. Credit Risk Instrument (CRI)
  2. Technical Assistance Programme (TAP)
  3. Robust Monitoring & Evaluation
- **An “ecosystem” approach: supporting**
  1. Funders: public and private financiers, funds, ESCOs, aggregators;
  2. Industry participants: energy and other service providers; and
  3. SMEs
- Availability in all CDF Member States (Goal)

# Market Overview

## FINDINGS

**CDF Member States**  
 17.5m people  
 \$81.9b GDP

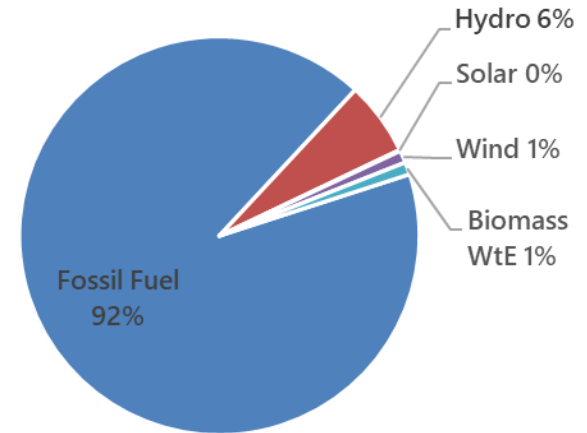
**87% of all primary energy is imported**

**Power sector**  
 Generating capacity: 5.6 GW

- 8% is renewable

Annual generation: 19.8 TWh  
 Average regional tariff: \$0.36/kWh

Power generation  
 Installed capacity breakdown



**Large cost-saving opportunities for renewables and energy efficiency**

**Co-benefits include climate change mitigation and macroeconomic advantages**



# Regional Climate Change Targets and Opportunities

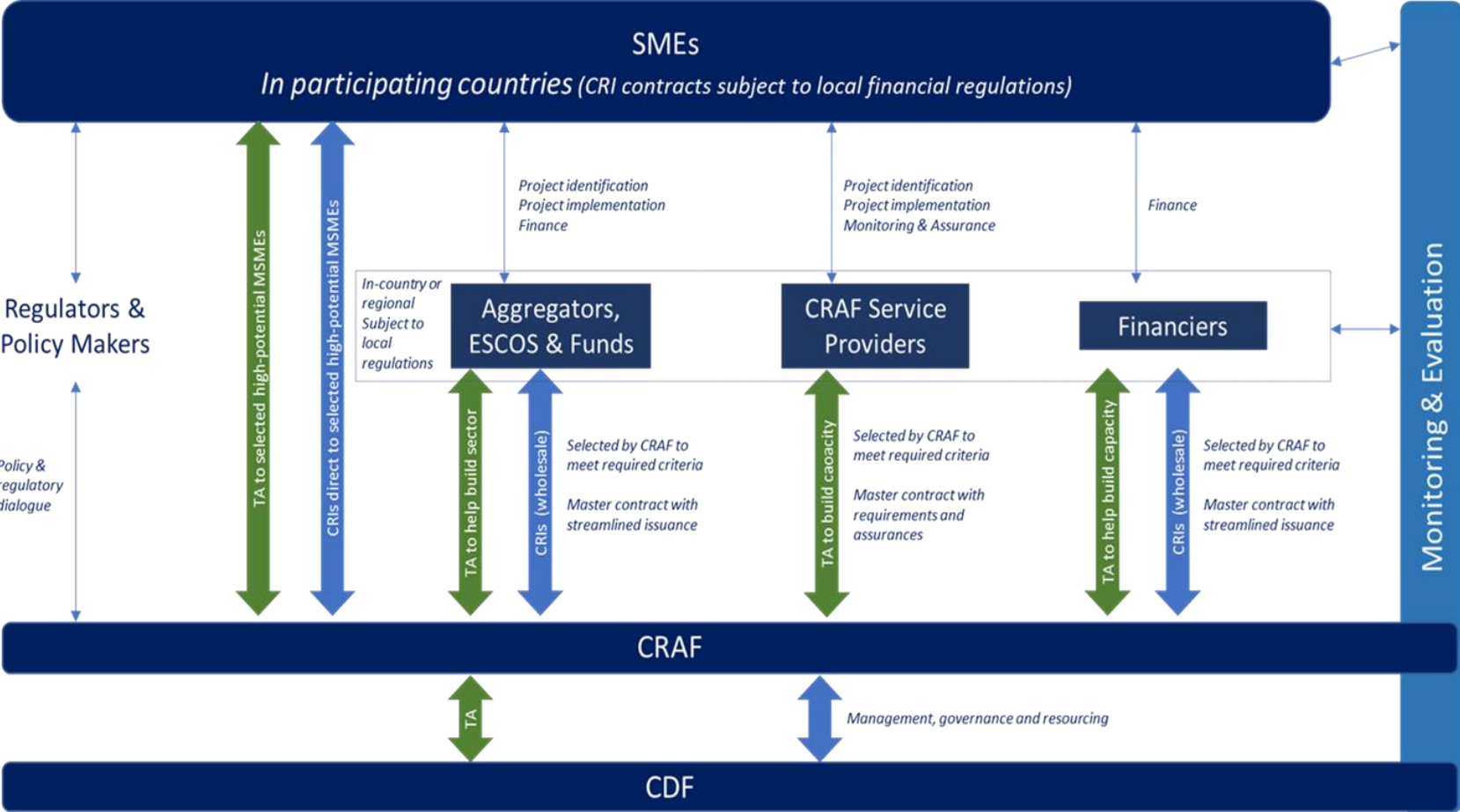
## Renewable Energy

- CARICOM target of 28% renewables in the energy matrix by 2022.
- CO<sub>2</sub> emissions target of 32% reduction from 2012 by 2022.
- Renewable energy potential of 21 GW already identified

## Energy Efficiency

- As much as 85% of all energy efficiency interventions in the region come at a negative cost/with cost saving.
- An investment of \$172m in energy efficiency undertakings in the commercial sectors of 12 countries can result in abatement of 1,027 GWh/y and cost savings of \$616m per year

**Design**







# Key differentiating features

## Design

### Building a RE and EE ecosystem

- ✓ The formation of a **CRAF “ecosystem”** of service providers, aggregators, ESCOs and funds, thereby providing an extended “ring of assurance” to CRAF as well as helping to build the market as a whole;
- ✓ The **integration of technical assistance via the TAP** into this “ecosystem”, thus providing further market-building;
- ✓ **Availability of CRAF services (both TAP and CRI)** to entities other than financial institutions, for example, aggregators, ESCOs and other funds. This will allow broader impact and development of the industry;
- ✓ Efficient and easy-to-use **online CRAF IT Portal**, to facilitate processing of applications, approvals, claims and administration. This explicitly will allow for automated decision-making in certain cases;
- ✓ A **focus on additional lending** (as opposed to enhancing banks’ credit quality of lending they would make in the normal course of business); and
- ✓ Specific **CRI design parameters** to support local conditions, captured in the Master Guarantee Agreement

## Design

### Key design features (validated by stakeholders)

#### Credit Risk Instrument

- Partial cover to overcome moral hazard but with up to 80% coverage to stimulate additional lending
- Allows savings from conversion to generate **cash flow** to meet loan obligations
- Available to all eligible financiers
- CRI is creditworthy

#### Technical Assistance

- Comprehensive but targeted support programme
- Integrated into CRAF
- Aims at *building industry/eco-system* by providing support to CRAF partners and stimulating demand

#### Monitoring & Evaluation

- Ongoing monitoring and function to:
  - Measure and report on KPIs
  - Assess performance and impact
  - Provide feedback at all levels in CRAF



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**LAUNCHED ON  
NOVEMBER 25, 2020**



# CRAF

## Key Impacts Summary

Impact Indicators *			Pilot Phase (2020-21)	Full-Scale Roll- Out (2022-2032)
Loans supported	Count	EE	21	238
		RE	83	952
		<b>TOTAL</b>	<b>104</b>	<b>1,190</b>
	US\$m	EE	5.2	59.5
		RE	20.9	238.1
		<b>TOTAL</b>	<b>26.1</b>	<b>297.6</b>
Cost savings (US\$m; EE)		3.3	38.2	
Emission reductions (tCO2e p.a.)		2,722	205,000	



# CRAF

## Capitalizing CRAF

	Pilot Phase (2020-21)	Full-Scale Roll- Out (2022-2032)
<b>Impact Indicators *</b>		
Credit Risk Instrument	US\$10 Million	US\$100 Million
Technical Assistance Program	US\$ 2 Million	US\$20 Million
Operations (including M&E)	US\$500 Thousand	US\$3 Million
<b>Total</b>	<b>US\$12.5 Million</b>	<b>US\$123 Million</b>



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Thank You  
&  
Questions