

Regional First: Caribbean Countries Come Together to Scale-Up Private Sector Financing for Renewable Energy

Highlights

- **Combining Projects for Scale:** The transaction creates the first Facility to pool renewable energy projects across Caribbean countries to achieve the scale required for private financial sector interest.
- **Mobilizing Commercial Financing:** The Facility in its first phase establishes a \$30 million Risk Mitigation Fund that will mobilize \$120 million in commercial financing by providing partial credit guarantees.
- **Improving Financial Terms:** As the guarantees will cover 50-75% of loans that banks provide to project developers, this will translate to lower interest rates and longer maturities for renewable energy projects.

Background

Caribbean countries face severe energy security challenges. On average, they depend on imported fossil fuels for over 90% of their electricity generation, creating major fiscal vulnerabilities when international oil prices change.

Despite receiving approximately 200 days of annual sunshine with significant offshore wind and geothermal potential, renewable energy development has stagnated in the Caribbean region. Key barriers include small individual project sizes preventing economies of scale for developers, and high perceived risks by commercial banks for renewable energy projects.

Financial Objective

Mobilize commercial financing for renewable energy infrastructure investments in the Caribbean through a regional risk mitigation facility.

Financial Solution and Outcome

The World Bank Group structured a \$235 million [Caribbean Resilient Renewable Energy Infrastructure Investment Facility \(RREIIF\)](#) together with the Eastern Caribbean Central Bank (ECCB) to accelerate resilient renewable energy development through economies of scale, risk mitigation, and investments in resilient grid infrastructure.



Photo credit: St. Lucia Electricity Services Limited (LUCELEC)
3MW Solar Farm, La Tourney, Vieux-Fort, Saint Lucia

This financial solution (Figure 1) pools renewable energy project procurement across participating countries, enabling projects to reach the 15+ MW scale required for significant cost savings and private developer interest across three countries in the first phase– Grenada, Saint Lucia, and Saint Vincent and the Grenadines.

The Facility (RREIIF), through a \$30 million Fund, will provide partial credit guarantees to commercial banks, enabling them to reduce risks, real and perceived, of new loans to the renewable energy sector, extend longer-tenor financing, and do so efficiently at lower market rates than would otherwise be possible.

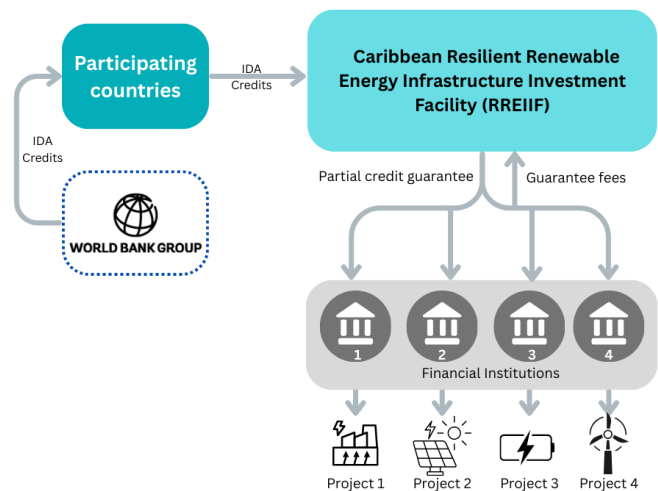


Figure 1: Project Financing Structure

These guarantees will cover 50-75% of the principal and interest of eligible loans, addressing issues like non-payment, delayed payments, or defaults. This partial guarantee will then mobilize an estimated \$120 million in total private sector credit, using a conservative 1:3 leverage ratio¹.

To ensure its financial sustainability, the Fund in RREIF will charge a 1.5% fee for partial guarantees and invest in financial markets to earn investment income.

The RREIF will be managed through the Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC). The Facility's current capitalization will be sufficient for priority projects in the pipeline of the first phase participating countries – Grenada, Saint Lucia, and Saint Vincent and the Grenadines. As more capital is raised, the RREIF can similarly expand the pipeline of renewable energy projects in participating phase 1 countries and more. For the second phase, Dominica and Saint Kitts and Nevis are being added and discussion with more countries are underway.

RREIF agreements have been successfully signed by all participating countries and the regional implementing entity, with strong regional and donor support. The project is under implementation, supported by a clear action plan and high-level government commitment. It is well-positioned to deliver transformational impacts on renewable energy and resilience in the Caribbean.

World Bank Group's Roles

The World Bank Group Treasury, under the leadership of the Energy & Extractives Global Practice, supported the establishment of the RREIF. The Energy team led the design and implementation of the project, and the Treasury team:

- **Conceptualized and designed the financial structure** of the RREIF, including the capitalization structure using IDA credits, the financial terms of the RREIF, and the governance of the fund.
- **Pushed the creative use of scarce IDA funding to leverage** domestic private sector commercial lending into the renewable energy projects.

- **Collaborated with all stakeholders**, including country clients, banks, the central bank, and project developers, to do market sounding and assess the feasibility of the RREIF design and financial arrangements.
- **Developed a concept for parametric insurance** to cover damages to renewable energy equipment from hurricanes. Technical assistance will support the development of new insurance products to cover climatic risks. This insurance will be offered by the regional Caribbean Catastrophic Risk Insurance Facility (CCRIF-SPC).
- **Supported the project team and the client throughout the cycle**, on all aspects of the RREIF design, including participation in the project appraisal and negotiations.
- **Advised the Facility on the investment policy for the RREIF capital** and the approach (along with the World Bank Group RAMP Program).

Summary of Financial Structure	
Board Approval	4/17/2025
Total Project Cost	\$235.17M: \$90M IDA Credits \$25.17M Grants \$120M Commercial Loans
World Bank Group Financing to RREIF	\$30M IDA credit to 3 countries \$2.5M IDA grant to ECPCGC
World Bank Group Financing Terms to RREIF	\$30M IDA: Small Economy terms for IDA credits: 10-year grace, 40-year final maturity, 1.42% fixed interest, principal repayable: years 11-20 -> 2%, years 21-40 -> 4%
Guarantee Coverage to Participating Banks from RREIF	50-75%
Expected Leverage Ratio of RREIF Capital	1:3
Expected Commercial Financing Leveraged from RREIF	\$120 M

¹ The leverage ratio assumes 75% guarantee coverage by RREIF to the participating banks.