



CDB's Support for MSMEs

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Reunión Regional sobre Mecanismos Novedosos de Financiamiento y Garantías para las MIPYMES en América Latina y el Caribe

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CDB's Support for MSMEs



Presentation at SELA Sponsored Regional Meeting on Innovative Mechanisms for financing and Guarantees for MSMEs in LAC

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Presentation Outline

- Overview of CDB
 - Key Functions of CDB
 - Key programmes to support sustainable growth
 - Investment Products
- CDB's relationship with Financial Institutions and the Private Sector



Our Mandate

- *“ to be the leading catalyst for development resources in the Region, working in an efficient, responsive and collaborative manner with our borrowing member countries (BMCs) and other development partners, towards the systematic reduction of poverty in their countries through social and economic development”.*





CDB Profile

- Charter signed in 1969, began operations in 1970.
- CDB's Charter *"...to Contribute to the harmonious economic growth and development of its member countries in the Caribbean and to promote economic cooperation and integration among them, having special and regard to the needs of the less developed members of the Region"*.
- Charter envisages lending to private sector and assisting in development of Region's financial sector and its systems, including stimulation and development of capital markets.





CDB's Membership Profile

- BMCs comprising 17 English speaking Caribbean territories including the British Overseas Territories Anguilla, British Virgin Islands, Cayman islands and Monserrat and the Turks and Caicos Islands, along with two non-English speaking Haiti and Suriname.
- Non-Borrowing Regional Members comprising Columbia, Mexico, Venezuela and Brazil.
- Non- Regional Members comprising Canada, China, Germany, Italy and United Kingdom (primary contributors to concessionary financing window).



Priority Areas of Focus to Support MSMEs

- Increasing flow of investment capital to business enterprises mainly through financial intermediary lending to address access to finance constraints, with a focus on areas where gaps exist.
- Business advisory services and institutional capacity building.
- Improving enabling environment and investment climate.
- Financing infrastructure for economic and human capital development within the public and private sectors.





Important Prerequisites for Growth of MSMEs

- Strong financial sector is critical to growth, poverty reduction and to stimulate private sector through investment and job creation.
- A good business climate is critical to supporting private sector development.
- Increasing the flow of investment to MSMEs is critical to addressing access to finance constraints.





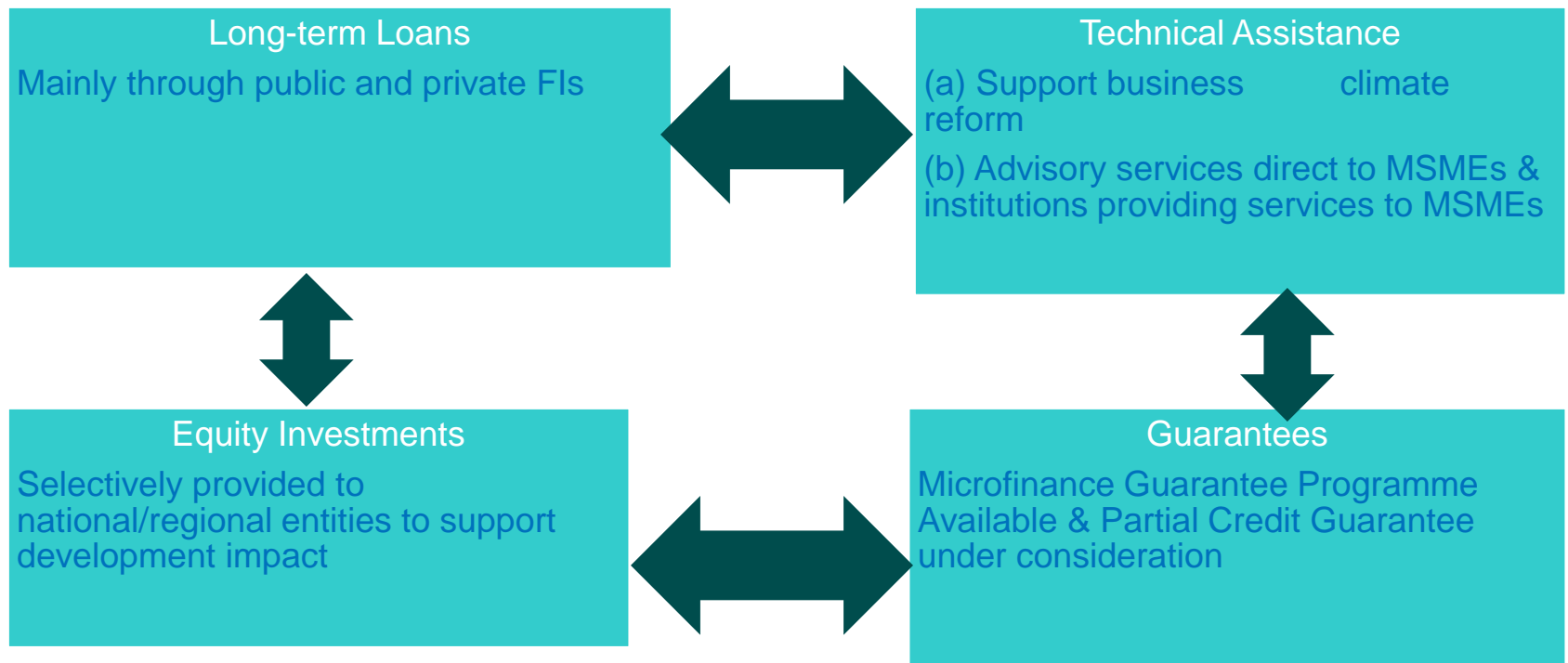
Guiding Principles For Interventions

- **Additionality:** CDB does not seek to displace private capital but add to the existing pool.
- **Catalytic Role:** Being a catalyst for involvement by other development partners and contributing to enhanced intermediation.
- **Selectivity and Focus:** Selective in interventions given presence of others, and seeking to achieve development impact.
- **Alignment to strategic priorities:** Interventions to reflect CDB's priorities and core competencies
- **Partnerships:** CDB's small size and resource base requires a focus on prudential exposure leading to use of partnerships with other development partners.



Investment Instruments

Range of operational modalities employed to support outreach and support for MSMEs.





CDB's Relationship with FIs

- FIs are important line of business for reaching MSMEs on cost effective basis.
- FIs are considered where effective demand for credit from potential sub-borrowers exists, which cannot be efficiently met through existing domestic financial system due to market failure and other structural problems.
- Involvement with FIs dates back to 1971 as part of support to develop financial sectors and improve access to affordable finance in BMCs.
- FI lending provided to both state-owned and private FIs, but mainly through stated-owned development banks.
- Current relationship with 22 FIs across BMCs.





CDB's Relationship with FIs

- Provides medium to long-term funding through lines of credit.
- Support to FIs includes institutional strengthening to build their internal capacity to help promote sustainability.
- CDB has extended, through DFIs and other FIs, \$432 mn in lines of credit to support activities in a number of sectors including RE/EE.
- Lending to FIs places emphasis on ensuring such institutions have sound management, adherence to good corporate governance practices, profit orientation, adequate policies and procedures
- Contributed to private equity fund to support business expansion in key economic sectors as additional option for business development.



Support for Business Climate Reform

- A good business climate is critical to supporting MSME development through policy, institutional reforms and enhanced governance.
- Strategy is to support efforts of Governments and the private sector to address institutional and regulatory reform and governance constraints.
- Focus on addressing competitiveness constraints, build export capacity to take advantage of trading opportunities and improving access to market opportunities, supporting cluster development.
- Strengthening financial sector and capital market development through reforms to collateral registries and venture capital ecosystem, strengthening capacity of FIs to be more effective in credit delivery.



Strengthening Enterprise Development

- Institutional development programmes targeted at institutions that provide services to MSMEs (FIs, SBAs, Line Ministries with responsibility for small business development etc.) through conduct of capacity building workshops, diagnostic assessments, enhancing governance practices.
- Special programmes to support innovation, entrepreneurship, software development and creative industries.



Strengthening Enterprise Development

- Provide TA at enterprise level to build capacity and technological capability among MSMEs through transfer of knowledge and skills - (Caribbean Technological Consultancy Services Network (CTCS)).
- CTCS brokers and finances TA providing short-term assistance to individual MSMEs and groups.
- Cost of CTCS services highly subsidised.
- Services delivered with the assistance of in-country cooperating institutions.



Strengthening Enterprise Development

MODES OF CTCS DELIVERY

Workshops

- Groups training in country to address common problems and technical needs.

Job Attachments

- onsite training to improve managerial and technical skills to improve quality and production capacity.

Direct Hands-on Interventions

- Assignment of technical expertise to MSME business enterprises to resolve specific technical and operational problems.



New and Emerging Areas Under Consideration/Implementation with Strategic Partners

- SME Partial Credit Guarantee Facility
- De-risking
- Venture Capital
- Angel Investing
- Green Climate Initiatives
- Financial Inclusion
- Women and Youth Entrepreneurship



Thank you

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