

Putting the Caribbean on the Global VC & Private Equity Map

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Supply and Demand Side Assessment of Impact Investment within the Caribbean

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The Caribbean Region



□ The report examined the supply of and demand for capital in 5 countries:

- Jamaica
- Barbados
- DR
- Haiti
- T&T

The Caribbean as an oft-overlooked investment destination

Several factors have made the region less attractive to both public and private impact investors:

- ❑ A historic preference for debt instruments over equity instruments in the region.
- ❑ “Low hanging fruit” in other high population, low-income economies.
- ❑ A high level of socio-economic development
- ❑ Small “Base of the Pyramid” populations
- ❑ Lack of economics of scale

Impact Investment Destination

	# of deals	Notional (\$ mm)
US and Canada	411	1,381
Latin America	268	223
South and Southeast Asia	107	130
Sub-Saharan Africa	99	154
E. Europe, Russia & Central Asia	92	184
Global	63	239
Western Europe	52	129
Emerging markets	7	35
Middle East and North Africa	6	5
Australia & New Zealand	0	0
South Pacific	0	0
	1,105	2,481

Source: GIIN, J.P. Morgan.

It is important not to make sweeping generalizations about the Caribbean

❑ The economies are highly disparate:

	GDP (US\$ bn)	Population (mn)	% Population below poverty line	World Bank Income Classification	Unemployment (%)	Internet usage (per 100)	Life Expectancy	Agriculture Land Mass (sq km)	# MFIs/ borrowers
Jamaica	14.4	2.7	17.6	Upper Middle Income	13.7	33.8	73	4,490	4 / 32,808
Barbados	4.2	0.28	N/A	High Income: Non-OECD	11.6	73.3	75	150	N/A
Dominican Republic	55.4	10.4	40.9	Upper Middle Income	13.0	41.2	73	24,470	12 / 314,094
Haiti	7.5	10.3	58.7	Low Income	7.0	9.8	62	17,700	5 / 137,907
Trinidad & Tobago	24.6	1.3	N/A	High Income: Non-OECD	5.8	59.5	70	540	1 / 6,092

Despite the differences in the economies, commonalities exist

- ❑ Agriculture and agribusiness
 - Low productivity
 - High import costs
 - Focus currently on export cash crops
- ❑ Transportation including ports, island roads, and inter-island transport
 - Vulnerability to natural disaster
 - Most funds going to repair rather than improve infrastructure
- ❑ Tourism
 - Mainstay of Caribbean economies (except Trinidad & Tobago)
 - Sensitive to global financial crisis

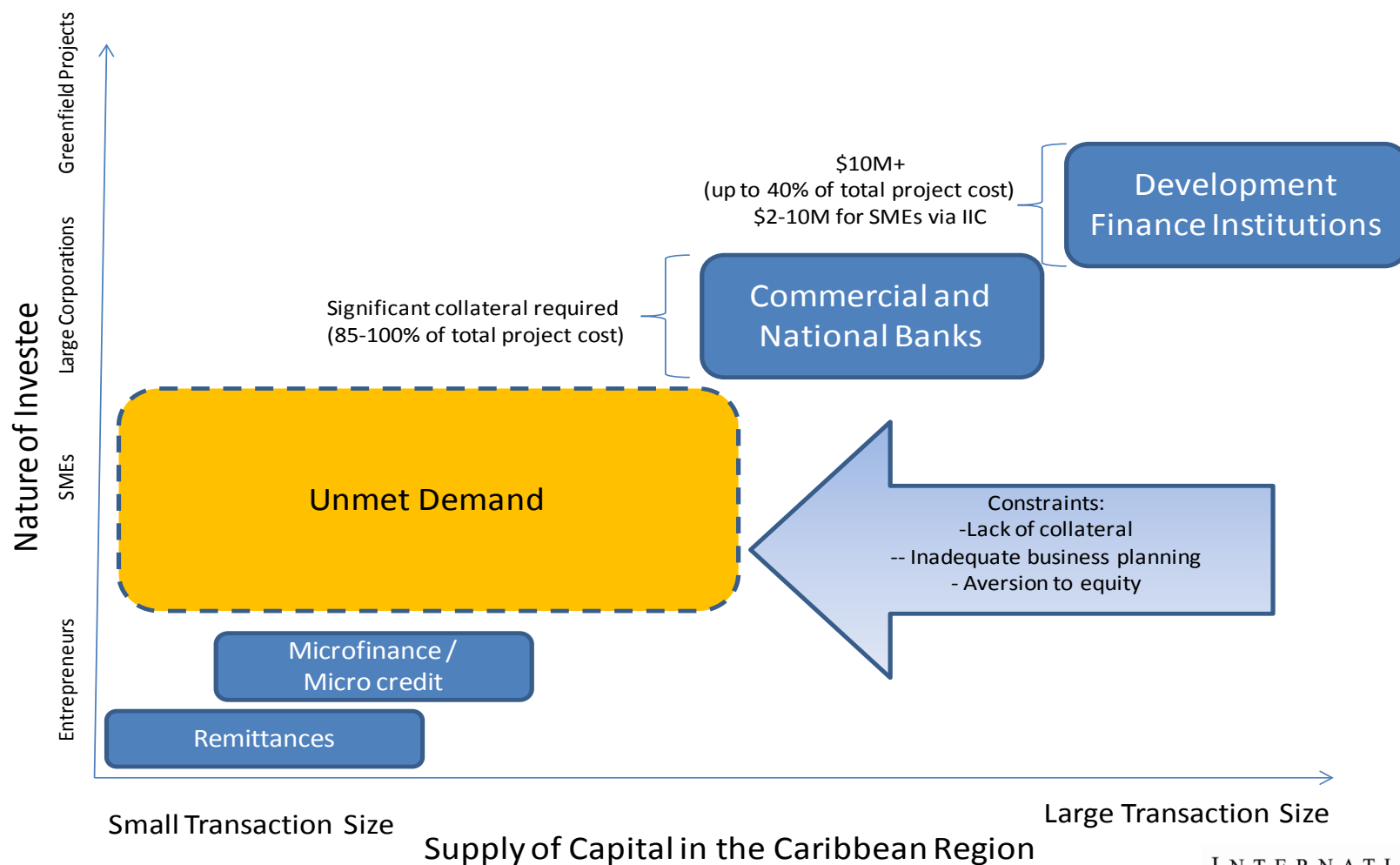


Despite the differences, commonalities exist (cont'd)

- ❑ Alternative energy
 - Electricity costs
 - Rising fuel costs
- ❑ Cultural industries
 - Music & Film
 - Artisanal Handicrafts
- ❑ Microfinance
 - Only 8 microfinance institutions operating in the Caribbean
 - Perception of high risk, low sustainability
- ❑ SME development
 - Underfunded
- ❑ Base of Pyramid basic needs



Defining the gaps of supply and demand : the missing middle



The gaps exist on both the supply and demand sides

- ❑ Lack of knowledge and awareness on the parts of both investors and investees
- ❑ Investors have not been made adequately aware of the various channels of deal flow in terms of fully developed projects and those being developed.
- ❑ Many of the project opportunities within the region have not been adequately developed to be seriously considered.

Recommendations for moving forward:

1. Stratification of impact investors by risk appetite, deal sizes, choice of investment vehicles, etc, is necessary to effectively match interests with opportunities.
 - There is a broad range of investment opportunities that exist in the Caribbean for impact investors.
 - National Diaspora communities worldwide are an under-utilized class of impact investors whose close personal links give them a strong desire to make a difference in their countries of origin.
2. There is a significant need to cultivate an equity culture and relevant education within the region.
 - Lack of understanding of the instrument coupled with a traditional preference to debt capital limits the availability of private equity impact investing capital within the region.

Recommendations for moving forward (cont'd):

3. A formal process for identifying and developing potential impact investment opportunities needs to be developed.
4. Need for local advocates that can influence both investors and investees in the public and private sectors to get involved.
5. Very carefully selected investments should be pursued in order to create a history of success in the region. This demonstration effect could have a significant impact on the supply of impact investing in the long term.

Potential investment areas to focus on

Impact Investment Area	Jamaica	Barbados	Trinidad	Dominican Republic	Haiti
Increase Incomes and Assets for the Poor					
Employment generation	High	Med	High	Med	High
Access to energy	High	High	Low	Med	High
Access to financial services	High	Med	Low	High	High
Access to education	Med	Low	Low	High	High
Income/productivity growth	Med	Med	Med	Med	High
Agriculture productivity	High	Med	High	High	High
Capacity-building	High	High	High	Med	High
Community development	High	Med	High	Med	High
Improve Basic Welfare for People in Need					
Conflict resolution	Low	Low	Low	Low	Low
Disease-specific prevention and mitigation	Low	Low	Low	Low	High
Access to clean water	Low	Low	Low	Med	High
Affordable housing	High	Med	High	Med	High
Food security	High	Med	Med	Med	High
Generate funds for charitable giving	Med	High	Med	Med	Med
Health improvement	Low	Low	Low	Med	High
Equality and empowerment	Low	Low	Low	Med	High
Mitigate Climate Change					
Biodiversity conservation	Low	Low	Low	Low	High
Energy and fuel efficiency	High	High	Low	Med	High
Natural resources conservation	High	Med	Med	Med	High
Pollution prevention and waste management	High	Med	Med	Med	High
Sustainable energy	High	Med	Low	Med	High
Sustainable land use	Med	Med	Med	Med	High
Water resources management	Med	Med	Low	Med	High

Final Thoughts

- ❑ There is potential for real, profitable investing in the Caribbean.
- ❑ The mismatch between supply and demand is often non-financial in nature.
- ❑ Many of the hurdles in place can be removed through education, technical assistance and by improving the flow of information.
- ❑ Traditional impact investors such as the various development finance institutions should continue to support and collaborate with global impact investors as they seek opportunities for social and environmental returns through private capital in emerging markets.

Thank you

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