

PROJECT SUMMARY

HONDURAS RENEWABLE ENERGY FINANCE FUND (H-REFF) (HO-M1048, HO-X1032, HO-X1033, HO-X1035)

Access to clean and sustainable energy services, poverty alleviation, and economic opportunity in Honduras are inextricably linked. Energy provides a key input for many productive activities and holds great influence over the ability of communities and young people to improve their incomes and well-being. Clean energy technologies also can help reduce greenhouse gas (GHG) emissions linked to climate change.

In Honduras almost 20% of the population does not have access to electricity and costs of energy are among the highest in Latin America due to heavy reliance on imported fossil fuels. Honduras is endowed with an extraordinary wealth of natural capital that could be harnessed to deliver clean and affordable energy, including hydro, biomass, solar, geothermal and wind resources. Despite this potential, over 2.3 GW from renewable sources remain untapped.

The renewable energy sector opens up new economic opportunities for SMEs and rural communities. Small-scale renewable energy producers, in particular, face major barriers to entry in the renewable energy sector, often lacking access to finance and technical experience in social and environmental risk management to bring their projects to fruition.

The MIF, with funding from the Scaling Up Renewable Energy Program in Low-Income Countries (SREP), will establish a unique investment Fund called the Honduras Renewable Energy Financing Fund (H-REFF). The H-REFF will help to close a critical financing and skills gap in the renewable energy sector in Honduras by providing capital tailored to the needs of small-scale renewable energy entrepreneurs along with technical know-how and training to promote best practices in social and environmental risk management, facilitate employment opportunities in the local communities and expand access to basic services. The H-REFF will be the first Honduras-focused investment fund for renewable energy and clean technology deployment.

The Scaling-Up Renewable Energy in Low Income Countries Program (SREP) is one of three programs under the Strategic Climate Fund (SCX) of the Climate Investment Funds. The SREP seeks to create new economic opportunities and increase energy access through the production and use of renewable energy. SREP funds are administered by MDBs as co-financing and can be used for the following purposes: (i) provide financing instruments in order to catalyze, leverage and maximize finance provided by MDBs, commercial financial institutions and other partners for investment in renewable energy; (ii) provide capacity building and technical assistance to projects, project developers, local financial institutions and communities.

The Fund seeks to support investments in up to 22 small-scale renewable energy projects, create up to 2,500 jobs, reduce up to 5.7 million tons of CO₂-equivalent, generate up to 427,000 MWh per year from renewable sources, and create up to 153 MW of renewable energy installed capacity.

The MIF is proposing a US\$ 4M investment that is expected to be accompanied by a SREP US\$ 20M co-investment and US\$ 950K in SREP technical assistance combined with a US\$ 3M co-investment from the Global Environment Facility (GEF), US\$ 10M from Norfund and up to \$7 M from other investors.

The Fund will seek to coordinate its pipeline with the IDB Group private sector to leverage opportunities for co-financing with investee companies.