

SOCIAL ENTREPRENEURSHIP PROGRAM

PROJECT SYNTHESIS

1. **Country:** Honduras
2. **Project number:** HO-G1246 and HO-M1051
3. **Project name:** Private investments incentive mechanism for rural solar energy in Honduras
4. **Executing Agency/Borrower:** Village Infrastructure Angels (VIA) – for profit UK Company
5. **IDB unit:** Multilateral Investment Fund (MIF), Social Entrepreneurship Program SEP
6. **Amount of financing**

	<u>IDB US\$</u>	<u>LOCAL US\$</u>	<u>Total US\$</u>
HO-G1246 – Construction investment and social impact incentive (non-reimbursable financing) - SEP ¹	199,500	317,878	517,378
HO-M1051 – Technical Cooperation MIF:			
Total:	<u>323,000</u> 522,500	<u>317,878</u>	<u>323,000</u> 840,378

7. **Objective and purpose of the project**

The **objective** of the project is to demonstrate that lower cost, more efficient and innovative designs for solar rural electrification can deliver an adequate level of “access to energy” to the remote villages of Honduras, where an expansion of the electrical grid is not foreseen in the near future. The **purpose** of the project is to contribute to improve livelihoods of isolated off-grid communities in Honduras through modern energy for lighting and productive activities.

8. **Components of the project**

The project entails two main components: the first one referred to the construction and the Social Impact Incentive mechanism; and the second one, to the project set up activities and knowledge management.

Construction investment and social impact incentive component. The objective of this component is to cover for the capital costs of the project’s construction. Sources of funding for this component include the investment capital for construction from angel investors that will be a responsibility of VIA as a counterpart (US\$317,878) and the pay-for-impact arrangement (Social Impact Incentive) funded by the LAC-IMPACT (US\$199,500). Under this scheme, the IDB will only make payments to VIA if it reaches the agreed impact results. The funding will be paid to the Executing Agency as an incentive to meet targets and to offset potential defaults in later years of the leasing cycle to the households. Over time, it is expected that the information collected through the project implementation will reduce the perceived implementation risks for investors, thus allowing for a reduced need to use non reimbursable funding.

¹ The operation [HO-G1246](#) is approved as an individual project of the Social Entrepreneurship Program [under the Social Entrepreneurship Catalytic Impact Financing Facility \(LAC-IMPACT\) \(RG-X1261\)](#).

Non-reimbursable technical cooperation. Through a complementary non-reimbursable technical cooperation funded with MIF resources, this component will finance: (i) prepare the ground for the implementation of the project, including GIS-based mapping of potential beneficiaries and training of project staff and beneficiaries; (ii) support the execution of the project by providing it with an adequate implementation team (a project manager, loan officer and salesmen/project officers); and (iii) generate knowledge and lessons learned from the innovations proposed and the sustainability/scalability of the project. Baseline, mid-term and final evaluations as well as ex post reviews of the TC will be funded within this component.

9. Beneficiaries of the project

The project is designed to enhance the livelihoods of poor indigenous families of the Municipality of Puerto Lempira, in the Gracias a Dios Department. In this area, 64% of the population is rural, 93% of the population is considered poor based on the Basic Needs Index (NBI-2013)². The project's direct beneficiaries will be approximately 2,700 households (or approximately 13,500 people) living in rural or periurban areas, which currently lack access to electricity. These households live mainly from the rice production, fishery and incipient agroforestry with an estimated income of US\$105-145/month³. Lack of sources of income and employment had plagued the region in recent years. Direct benefits from the project will include a lighting, phone charging services delivered to every beneficiary household. This will lift access to energy in Gracias a Dios from the current 20% to an expected 34% of the departmental population, a first step to reach universal energy access by 2030, one of the Sustainable Energy for All goals⁴.

10. Expected outcomes and capture of benefits

The direct benefit from the project resources will be captured by an estimated 2,700 households (13,500 people) who will have access to solar energy for lighting, phone charging and productive activities. Households will benefit directly with the installation of an SHS in their houses for lighting and phone charging. For the productive activities, solar agro-processing mills will be installed in the communities nearby, thus allowing the households to access to use the facility for a fee. It is estimated that agro-processing will be available to 50% of the households participating in the project.

² Source: INE Honduras, XVII Censo de población y VI vivienda (<http://www.ine.gob.hn/index.php/component/content/article?id=103>).

³ Source: INE: *Average Income Per Occupied Person*. Multiple Purpose Permanent Survey of Households. June 2014.

⁴ The Sustainable Energy for All (SE4All) initiative, launched by the UN Secretary-General in 2011, is a multi-stakeholder partnership between governments, the private sector, and civil society. (<http://www.se4all.org/>).