

| Cover Page for CTF Program Approval Request ¹ | | | |
|---|---|--------------------|--------------------------|
| 1. Country/Region | <i>Honduras</i> | 2. CIF Project ID# | (CIF AU will assign ID.) |
| 3. Project/Program Title | Honduras Utility-Scale Solar PV Sub-Program | | |
| 4. Terms and Amount Requested in million USD equivalent | Public sector – n/a | | |
| | Private sector Investment – up to US\$19.5 million Implementation and supervision budget – US\$0.5 million (Annex A) Total amount – up to US\$20 million | | |
| 5. Implementing MDB(s) | <i>International Finance Corporation (“IFC”)</i> | | |
| 6. National Implementing Agency | <i>Private Sector</i> | | |
| 7. MDB Focal Point | <i>Joyita Mukherjee, CIF coordinator (jmukherjee1@ifc.org)</i> <i>Andrey Shlyakhtenko, CTF focal point (ashlyakhtenko@ifc.org)</i> | | |
| 8. Brief Description of Project/Program (including objectives and expected outcomes) ² | | | |

¹ This cover page is to be completed and submitted together with the MDB project/program document when requesting CTF funding approval by the Trust Fund Committee.

² Please provide the information in the cover page or indicate page/section numbers in the accompanying project/program document where such information can be found.

The Honduras Utility-Scale Solar PV Sub-Program (the Sub-Program) is designed to enable the development of the solar PV sector in Honduras through supporting several **first-mover** private sector investments in utility-scale grid-connected solar PV plants. Bringing these plants to financial closure will not only provide a critical demonstration effect of the financial viability of this type of projects, but also support the Honduran's government ongoing efforts to diversify the energy matrix of the country away from fossil fuels. The Sub-Program will contribute to the reduction of burdensome reliance on the expensive imports of diesel and bunker fuel and help strengthen public finance in the near term. Moreover, the Sub-Program will seek to establish the bankability of solar PV Power Purchase Agreements (PPA) under the new regulatory framework – thereby supporting the regulatory reform, contributing to lowering the cost of electricity, benefiting the residential, industrial, and all other consumers in Honduras, and alleviating budgetary imbalances of the Government of Honduras (GoH).

The proposed Sub-Program is the first-mover under the *CTF Utility scale renewable energy: Solar Photovoltaic program* (Solar PV program), under the *CTF Dedicated Private Sector Programs – Phase II*, endorsed by the CTF Trust Fund Committee (TFC) in June, 2014. The Sub-Program will advance the work towards achieving the Solar PV program's stated objective *to enable the scaling up of these renewable energy technologies with an initial focus in Africa and Latin America and the Caribbean (LAC). As in other countries under the Solar PV program, in Honduras, conditions for solar photovoltaic projects are optimal and solar PV not only represents significant potential in these markets in terms of improving and diversifying the energy mix with a low carbon technology but also the potential to provide positive benefits to end-users by ensuring greater energy access and improvements in affordability.*

The Sub-Program will aim at demonstrating the viability and catalyzing the development of the solar PV sector in Honduras by addressing the key barriers. It will support several of the first utility-scale private sector solar PV plants for a combined capacity of up to 80MW in order to: (a) generate a demonstration effect and help create a track record of the successful financing of solar PV projects; (b) demonstrate the bankability of first of its kind PPAs in Honduras under the new regulatory framework; (c) in turn, stimulate the entry of commercial local and international lenders into the solar industry, which will provide the long term financing needed for the industry to be sustainable. This will create a virtuous cycle that will help accelerate and consolidate the development of a solar PV industry in Honduras.

For more detailed description of the program, objectives and expected outcomes please refer to attached Program proposal document.

9. Consistency with CTF Investment Criteria³

For Private Sector Projects/Programs:

- (1) Potential GHG Emissions Savings
Please see page 7, section 2.1
- (2) Cost-effectiveness
Please see page 8, section 2.2
- (3) Demonstration Potential at Scale
Please see page 8, section 2.3
- (4) Development Impact
Please see page 8, section 2.4
- (5) Implementation Potential
Please see page 8, section 2.5
- (6) Additional Costs and Risk Premium
Please see page 9, section 2.6
- (7) Financial Sustainability
Please see page 9, section 2.7
- (8) Effective Utilization of Concessional Finance
Please see page 9, section 2.8
- (9) Mitigation of Market Distortions
Please see page 10, section 2.9
- (10) Risks
Please see page 10, section 2.10

10. Stakeholder Engagement⁴

Stakeholder engagement will take place at the sub-project development stage and will follow the IFC rules and procedures.

11. Gender Considerations⁵

Gender aspects will be given thorough consideration and addressed at the sub-project level depending on the issues and opportunities that are identified at the appraisal stage for each sub-project.

12. Co-financing Indicators and Targets (consistent with results framework)

| Core Indicators | Anticipated Impact (by Dec 2018 – 4 years) |
|---|--|
| DIRECT IMPACTS | |
| (a) MW of private power capacity directly supported and installed | 80MW |
| (b) GHG emissions avoided | 70,000 MtCO ₂ e per annum |
| (c) Incremental financing leveraged (of all, non-CTF parties) | US\$180 million |
| INDIRECT IMPACTS | |
| (a) MW of private solar power installed through replication | 320MW |
| (b) GHG emissions avoided | 280,000 MtCO ₂ e per annum |
| (c) Jobs created | n/a |

13. Co-financing

| | Please specify as appropriate | Amount (in million USD) |
|--------------|-------------------------------|-------------------------|
| • Government | n/a | n/a |
| • MDB | funds | 25-45 |

³ Same as footnote 2.

⁴ Same as footnote 2.

⁵ Same as footnote 2.

| | | |
|------------------------------------|-------------------------------------|--------------------------|
| • Private Sector | <i>other private sector lenders</i> | <i>75-95</i> |
| • Private sector – project sponsor | | <i>up to 60</i> |
| • Bilateral | <i>TBD</i> | <i>TBD</i> |
| • Others | <i>TBD</i> | <i>TBD</i> |
| Total | | <i>Up to 180 million</i> |

14. Expected Date of MDB Approval

It is expected that the first investment under the Sub-Program will reach IFC Board approval within 12 months of Sub-Program approval.