

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**HONDURAS**

**SUPPORT PROGRAM TO ENERGY ACCESS TO INDIGENOUS AND AFRO HONDURAN  
COMMUNITIES**

**(HO-T1480)**

**PROJECT DOCUMENT**

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**PROJECT SUMMARY**

Operation Type:	Technical Cooperation
Sector:	ENERGY
Subsector:	RURAL ELECTRIFICATION
TC Taxonomy:	Operational Support
Project Number under the Operational Support Taxonomy:	HO-J0003, HO-L1258
Technical Responsible Unit:	INE/ENE-Energy
Unit with Disbursement Responsibility (UDR):	CID/CHO-Country Office Honduras
Executing Agency:	Inter-American Development Bank

**PROJECT OBJECTIVE**

Support the preparation of the Investment Program Operation to increase energy access in indigenous and Afro-Honduran communities. The specific objectives are: (i) support the preparation of designs, updating of infrastructure investment budgets and development of environmental and social studies; (ii) identify opportunities for productive energy use programs in the territories where the investments will be made; (iii) support the strengthening of the capacities of the executing agency, the planning entity and the regulator.

**FINANCIAL INFORMATION**

Financing Type	Fund	Amount in US\$
TCN - Nonreimbursable	LCE - Low Carbon Energy Fund for People and Planet	350,000
TCN - Nonreimbursable	ACL - NDC Pipeline Accelerator Multidonor Trust Fund	150,000
<b>Total IDB Financing</b>		<b>500,000</b>
<b>Counterpart Financing</b>		<b>0</b>
<b>Total Project Budget</b>		<b>500,000</b>
Donors:	N/A	
Disbursement Period:	36 months	
Execution Period:	36 months	

**ADDITIONAL FINANCIAL INFORMATION**

N/A

## I. JUSTIFICATION AND OBJECTIVE

- I.1 **Diagnostic.** The Government of Honduras (GoH) is committed to increasing the electricity access in the country, considering that currently 1.4 million people, about 13% of the country's 10.6 million inhabitants, mainly concentrated in rural areas, lack access to electricity. At a national level, there are 29% of schools and 12% of health centers that remain unelectrified. Honduras has the second-lowest electrification rate in the Americas. Generally, low electricity access in rural areas is due to complex geographical landscapes, subject to high logistics and transportation costs, as well as limited human and financial resources. This situation concentrates in indigenous territories because of their vulnerable conditions, including the level of geographical and social isolation, lack of basic services, such as energy, sanitation, communication, health, and education. Moreover, these communities face situations of fragility, conflict, and criminal violence.
- I.2 The IDB has assisted the GoH in previous work related to improving access to electricity, for example, through the Conditional Credit Line for Investment Projects: Decarbonization and Sustainability in Honduras's Just Energy Transition (HO-O0015) whose general objective contribute to the decarbonization of the electric power sector, enhance citizens' access to electricity services, and bolster the sector's financial and operational sustainability through investments that lead to a sustainable, reliable, and efficient electric power supply. The first individual operation from the CCLIP, the Decarbonization of the National Electric Power Company (ENEE) and Support for Financial Sustainability (HO-L1245), having as objective to support the decarbonization and climate resilience of the electricity generation matrix, improves the financial sustainability of the electric power sector, and strengthens the capacities to allow the consideration of debt emissions in green capital markets to meet climate commitments. This TC will support the preparation and execution of the CCLIP's second operation, "Access and Productive Uses of Sustainable Energy Program in indigenous and Afro-Honduran Communities" (HO-L1258), whose general objective will support the fair energy transition in Honduras by increasing access to electricity in indigenous communities on the Caribbean coast, East of the country. The CCLIP has a programmatic approach to support the government of Honduras for investments targeting non-conventional renewable energy power generation, electricity access, and modernization of generation, transmission, and distribution infrastructure.
- I.3 In addition, the bank financed the technical cooperation to Support the Strategic universal access to electricity in Honduras (ATN/OC-16427-HO), which assisted the Honduran government in planning and calculating the required investments to achieve universal access in the country. The TC estimated a US\$700 million investment plan for reaching 100% electricity coverage by 2030. This technical cooperation also identified technical solutions for country departments at the national level using geospatial information.
- I.4 To evaluate technical solutions for providing electricity access in rural areas, Honduras requested IDB's support to execute the Remote Area Rural Electrification Program (GRT/SX-17123-HO), which had the objective to support the increase of electricity coverage in Honduras, through the implementation of decentralized micro-grid renewable energy generation pilot projects. This operation was deemed successful and given the programmatic collaboration of the

IDB with Honduras, the GoH decided to move forward with the implementation of the activities needed to fulfill the Universal Access Program in the country, with IDB's assistance.

- I.5 Therefore, the GoH requested the IDB's technical assistance (Annex I), in implementing the investment loan by financing technical, socioeconomic, financial, and environmental studies required for the preparation of the loan operation, which will finance electricity access infrastructure and institutional capacity development. The resources from this TC will be needed to set the baselines for the preparation and execution of the associated loan operation HO-L1258.
- I.6 **Objective.** The main purpose of this TC is to support the preparation and execution of the investment loan "Access and Productive Uses of Sustainable Energy Program in Indigenous and Afro-Honduran Communities" (HO-L1258). This TC's specific objectives are: (i) to support the preparation of technical designs, updating of infrastructure investment budgets and the development of environmental and social studies; (ii) to identify opportunities for productive energy use programs in the territories where the investments will be made; (iii) to support the strengthening of the associated investment loan's executing agency, and the Honduran planning entity and regulator's capacity. The main direct beneficiary of this TC will be the national utility, the *Empresa Nacional de Energía Eléctrica* (ENEE), and the executing agency of the associated loan. The indirect beneficiaries include the communities that will benefit from such a loan.
- I.7 This TC will play a catalytic role in supporting the investment loan by financing critical preparatory studies and capacity-building activities necessary for its design and successful implementation. As the indigenous and Afro-Honduran communities targeted for electrification are in rural areas with complex geographies, preparatory studies that integrate technical, environmental, and social considerations are essential for sound project design. Accordingly, the TC adopts an integrated approach that addresses technical, social, and institutional dimensions.
- I.8 This TC is linked to the loan operation HO-L1258 "Access to productive uses of sustainable energy program in Indigenous and Afro-Honduran communities", which is the second operation of the [HO-O0015 Conditional Credit Line for Investment Project](#) (CCLIP). The CCLIP has also received financing from the Scaling Up Renewable Energy Program in Low-Income Countries (SREP), and the Korean Infrastructure Fund (KIF). This CCLIP's second loan's objective is to support a fair energy transition in Honduras by increasing electricity access in indigenous communities along the Caribbean coast in the eastern part of the country. The loan's specific objectives are: i) to increase electricity access in the country; ii) to strengthen the *Empresa Nacional de Energía Eléctrica* (ENEE), the incumbent utility's technical capacity for electricity project planning and management, and iii) to promote productive uses of electricity with an inclusive focus for the project's beneficiary communities. It includes investments related to: (i) energy access solutions (grid extension, mini grid, and individual solar systems), (ii) transmission and distribution infrastructure, including strengthening existing or building new infrastructure, (iii) productive uses of energy; and (iv) institutional capacity building and strengthening.

- I.9 The technical cooperation will strengthen the technical capacities from the energy entities in Honduras responsible for helping the country meet the Sustainable Development Goal 7 (SDG7), as outlined in its 2021 Universal Access to Electricity Policy, and to achieving 80% renewable energy generation by 2038.
- I.10 The TC will support design the investment program to also support the country's efforts to meet the commitments in its updated Nationally Determined Contribution (NDC), which include: i) reducing greenhouse gas emissions by 16% by 2030, despite Honduras' contribution of less than 0.05% to global GHG emissions and, ii) promoting inclusive economic growth by strengthening labor skills, improving infrastructure and access to finance, and increasing resilience to Climate Change (CC). This commitment is driven by the country's growing exposure to severe climate events, which have resulted in loss of life and significant damage to social systems, infrastructure, productive sectors, and ecosystems.
- I.11 In addition the TC will contribute to strength the capacities from ENEE to design, supervise the construction and operation of technical resilient solutions (grid extension, stand-alone PV systems, and mini grids) to increase electricity access in indigenous and Afro-descendant communities, prioritized geographic areas established in the Special Law of Electricity Access in Honduras, which recognizes electricity service as a public good of national security and a human right of an economic and social nature.
- I.12 The TC will also support identifying opportunities for clean energy productive uses as a result of increasing electricity access. This will generate positive spillover effects, including contributing to Honduras' international commitments and national objectives, strengthening labor skills, improving infrastructure, enhancing access to education, healthcare, and finance, and increasing resilience to CC.
- I.13 **Strategic Alignment.** The TC is consistent with the IDB Group's Institutional Strategy: IDB Impact IDB Strategy+ and aligns with its objectives: (i) to address climate change, (ii) to bolster sustainable regional growth, and (iii) to reduce poverty and inequality. The program aligns with the following operational focus areas: (i) social protection and human capital development; (ii) sustainable, resilient, and inclusive infrastructure; (iii) gender equality and inclusion of diverse population groups; (iv) Institutional capacity, rule of law, and citizen security; and (v) targets poor populations.
- I.14 This TC also aligns with the [IDB's Country Strategy with Honduras](#), particularly with the priority area of expanding sustainable productive opportunities. This TC is also relevant in the context of the strategy, given the need to strengthen public management, transparency, and government efficiency. This updated strategy will also maintain efforts to address inequalities in diverse populations, which this TC will also contribute to, given that the financed activities will be focused on geographical areas with predominantly vulnerable populations. Finally, this TC aligns with the country strategy by contributing to the strengthening of Ministries, Sectoral Entities, and Project Execution Units (such as the ENEE, the main direct beneficiary of this TC).

- I.15 Moreover, this TC is aligned with national priorities, particularly the 2021 Universal Access to Electricity Policy for Honduras, which aims to establish a management, action, and monitoring framework to strengthen institutions and finances to guarantee universal electricity access in rural and peripheral urban areas. It also aligns with the IDB Country Strategy with Honduras, which sets the goal of expanding sustainable production opportunities to increase electricity access in rural zones. As part of this effort, the bank will strengthen the power sector and ENEE's management capacity, both of which are essential to achieving sustainable sector development and closing current coverage gaps. Furthermore, the activities financed under this TC are linked to the mobilization and use of climate funding.
- I.16 The TC is aligned with NDC Pipeline Accelerator Multi-Donor Trust Fund (ACL) (GN-2890), specifically with the Eligibility Criteria reflected as following: (i) it supports the preparation of HO-T1480, linked with loan operation HO-L1258; (ii) is directly linked to the country's NDC as outlined in 1.8; (iii) promotes capital mobilization to sustainable projects aligned with Honduras' priorities; and (iv) make a tangible and measurable contribution to climate change objectives by promoting the reduction of greenhouse gas emissions from the energy sector in an inclusive manner, while improving the resilience and access from indigenous communities.
- I.17 The investment project that this TC supports, is aligned with the Low Carbon Energy Fund for People and Planet (LCE)'s purpose established in ¶2.1 of Annex I of the Agreement between the Global Energy Alliance for People and Planet (GEAPP) and the IDB, by supporting the installation of new sustainable energy solutions that contribute to increasing electricity access in the country through renewable energy systems and affordable tariffs. It is specifically aligned with the first specific objective of the fund: "increasing access to affordable, reliable, and modern energy services to underserved communities in LAC by expanding the use of Distributed Renewable Energy (DRE) services". The TC is also aligned with the fund's eligible pillar 1 GEAPP and its focus area for mini-grids: off-grid, decentralized, and grid-connected renewable or renewable-hybrid mini-grids of varying scales that provide reliable power to underserved communities and businesses in rural, peri-urban, and urban settings.<sup>4</sup>
- I.18 This TC will support the implementation of the loan operation which helps Honduras meet the program with the International Monetary Fund. Specifically, it contributes to the fourth commitment, which is related to the energy sector, recognizing that energy reforms remain critical to sustaining long-term growth.<sup>1</sup> This includes measures to enhance ENEE's operational efficiency. In this context, the project focuses on strengthening the company's capacities in the development, operation, and management of rural electrification projects.

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<sup>1</sup> International Monetary Fund. <https://www.imf.org/en/News/Articles/2025/04/11/pr25103-honduras-imf-reaches-sla-on-3rd-review-of-the-ecf-and-eff>

## II. COMPONENTS

### 2.1 Components.

**Component I. Studies for Loan preparation HO-L1258 (US\$200,000 LCE, US\$50,000 ACL).** This component's objective is to finance technical, economic, financial, environmental, social, and regulatory studies to support the preparation of the investment loan that will implement the Universal Access to Electricity Plan (HO-L1258). This component also includes reviews and surveys to confirm the beneficiaries and specific geographical locations of the project's impact and location.

**Component II. Support for sectoral and community capacity building (US\$100,000 LCE, US\$100,000 ACL).** This component will strengthen the loan's executing agency to improve its capacity in rural electrification projects. It will develop capacities for the Ministry of Energy and the Regulator to regulate the planning of the Universal Access Program without affecting its financial sustainability. It will include capacity building for the design, supervision<sup>5</sup>, and operation of electrification solutions, training in the use of technological tools to design technical solutions. It will also support the strengthening of the executing agency in social and environmental issues. In addition, it will train and empower communities, especially vulnerable groups (including women, indigenous people, and afro-descendants), in the operation, installation, and productive use of electrical solutions to improve their incomes. List the expected outputs of each component.

**Component III. Communication and Knowledge Dissemination (US\$50,000 LCE).** This component will finance the creation of social communication materials, the systematization of lessons learned, and the exchange of similar experiences with other similar projects in the region.

2.2 **Expected Results.** This TC will indirectly contribute to the deployment of public sector financing for investments in rural electrification projects. Additionally, it will directly contribute to strengthening the associated investment loan Executing Agency's (EA) technical capacity for implementing rural electrification projects and it will also strengthen the EA's knowledge-sharing and dissemination capabilities.

2.3 **Beneficiaries.** The direct beneficiary of this Technical Cooperation is the *Empresa Nacional de Energía Eléctrica* (ENEE), the state-owned utility that will be implementing the associated investment project. Indirect beneficiaries include the rural communities that will benefit from the rural electrification project.

## III. BUDGET

3.1 The project's total cost is US\$500,000 to be funded by LCE and ACL in the form of a non-reimbursable TC, administered by IDB. The indicative budget is presented in the following table. For further details please see Annex III and Annex IV

<b>Budget in US\$</b>				
<b>Components</b>	<b>LCE</b>	<b>ACL</b>	<b>Local</b>	<b>Total</b>
<b>Component 1: Studies for the preparation of Operation HO-L1258</b>				
Social and Environmental Impact Assessments	70,000	17,000	0	87,000
Mini grids, grid extension and individual solar systems technical studies	16,000	4,000	0	20,000
Distribution and transmission technical studies	24,000	6,000	0	30,000
Economic studies	18,400	4,600	0	23,000
Anthropological and social assessments	16,000	4,000	0	20,000
Surveys for location identification and assessment	28,000	7,000	0	35,000
Regulatory assessments	21,600	5,400	0	27,000
Workshops and knowledge-sharing events	6,000	2,000	0	8,000
<b>Total Component 1</b>	<b>200,000</b>	<b>50,000</b>	<b>0</b>	<b>250,000</b>
<b>Component 2: Support for sectoral and community capacity building</b>				
Capacity building for planning	20,000	20,000	0	40,000
Capacity building for design, supervision and operation	37,500	37,500	0	75,000
Studies on productive uses of electricity	15,000	15,000	0	30,000
Training	17,500	17,500	0	35,000
Institutional capacity strengthening	10,000	10,000	0	20,000
<b>Total Component 2</b>	<b>100,000</b>	<b>100,000</b>	<b>0</b>	<b>200,000</b>
<b>Component 3: Communication and Knowledge Dissemination</b>				
Systematization of lessons learned, knowledge sharing, exchange of experiences, and stakeholder consultations	50,000	0	0	50,000
<b>Total Component 3</b>	<b>US\$50,000</b>	<b>0</b>	<b>0</b>	<b>US\$50,000</b>

<b>Total</b>	<b>US\$350,000</b>	<b>US\$150,000</b>	<b>0</b>	<b>US\$500,000</b>
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#### IV. EXECUTION STRUCTURE

- 4.1 At the beneficiaries' request (Annex I), and in line with the procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4), the Bank, through the Energy Division (INE/ENE), with the support of the Banks Country Office in Honduras (CID/CHO) will act as the Executing Agency (EA) for this TC due to its extensive experience in the sector in the preparation and development of technical and operational activities similar to those proposed for this operation, which will contribute more effectively to the achievement of the objectives on time.
- 4.2 The Bank will facilitate better coordination with the loan "Access and productive uses of sustainable energy program in indigenous and Afro-Honduran Communities" (HO-L1258) execution, given the importance of addressing technical, procurement, environmental, social, gender, and disability aspects within the proposed timeline. More specifically, as the Bank's executing agency, it will: (i) ensure the technical quality of the products and compliance with the standards required for the execution of the technical cooperation project; (ii) facilitate the contracting and execution of studies and consultancies; and (iii) maximize the benefits of the IDB's technical expertise in the various areas. This is in line with the provisions of Annex 10 of the Operational Guidelines for Technical Cooperation Products (GN-2629-2) and the Procedures for the Processing of Technical Cooperation Projects and Related Matters (OP-619-4, Annex II, C 2.2).
- 4.3 **Procurement.** All procurement to be executed under this Technical Cooperation have been included in the Procurement Plan (Annex IV) and will be hired in compliance with the applicable Bank policies and regulations as follows: (a) Hiring of individual consultants, as established in the regulation on Complementary Workforce (AM-650) and (b) Contracting of services provided by consulting firms in accordance with the Corporate procurement Policy (GN-2303-33) and its Guidelines.
- 4.4 The ENEE will designate focal points and key stakeholders to address each of the topics supported by TC. The ENEE may also provide technical input to the terms of reference and consultants' reports; such input must be provided directly to the IDB. The IDB will have the authority to approve these documents. This dynamic will facilitate appropriate interaction between the various stakeholders involved in this joint venture. This follows the guidelines and requirements established in the Technical Cooperation Policy (GN-2470-2) and the Procedures for the Processing of Technical Cooperation Operations and Related Matters (OP-619-4). Moreover, it will contribute to maintaining coordination and strategic alignment based on the nature of the project that this TC intends to support. The operation Team Leader, with the support of the project team, will be responsible for (i) coordinating its execution, (ii) carrying out the procurement processes for consulting services, (iii) monitoring the progress of activities and results, and (iv) supervising the activities of the consulting firms or individual consultants.

- 4.5 **Execution and Disbursement Period.** The total execution and disbursement period for this TC is estimated to be 36 months, although most studies are expected to be financed and executed during years 1 and 2, in preparation for the investment operation.
- 4.6 **Financial Management.** The foreign exchange rate that will apply in respect of expenses incurred in local currency will be based on official Bank rates.
- 4.7 **Monitoring, Reporting, and Supervision.** The supervision and coordination of the consultant's work will be overseen by Carlos Jácome (INE/ENE), Team Leader, with the support of the INE/ENE team and the Country Office of Honduras (CID/HO). The project will be monitored using the Bank's supervision instruments, and the contract of consultants will comply with the Policies for the Selection and Contracting of Consultants Financed by the IDB (GN-2350-9). The team will hold regular meetings with the counterparty and report on the progress of the TC through the IDB standard system (Monitoring and Reporting System - M&R system); this will include information related to progress in delivering outputs and achieving results.

## V. POTENTIAL RISKS

- 5.1 The main risks of this TC are linked to possible challenges and delays that could arise due to difficulties in coordinating multiple counterpart stakeholders that depend on different public agencies, working in logistically complex areas to reach. These risks will be mitigated by coordinating with the executing agency of the loan program HO-L1258 and by involving all the relevant counterparts from the beginning of the TC's execution, by regularly discussing the progress of the studies and consultancies and by foreseeing time buffers in case logistical complications arise, so the execution of the TC is not critically affected. Furthermore, the TC's implementation from INE/ENE, with the support of specialized consultants, will help mitigate these potential risks. The IDB will also act as the executing agency of TC, generating the dialogue and spaces of cooperation and coordination required among the participating institutions.
- 5.2 The TC will support studies for the investment program HO-L1258, which will take place in the Gracias a Dios, Colón, and Olancho Departments. Given that these departments have security problems, IBD COF is coordinating with COF security to establish a security plan for site visits and mitigate any risks associated with conducting field studies.
- 5.3 While the upcoming change in government administration in January 2026 could pose some risk of delays due to the transition process, the likelihood of significant setbacks for the execution of the TC is considered low, as it will be directly executed by the IDB. Regarding the associated lending operation, the risks linked to the change in administration are also assessed as low, given that rural electrification is recognized as a national priority, has broad support across the political spectrum, and the electrification of indigenous communities are prioritized by law.

- 5.4 **Intellectual Property.** All knowledge products derived from this TC are the intellectual property of the Bank.

## **VI. EXCEPTIONS TO BANK POLICIES**

There are no expected exceptions to Bank policy under this TC.

### **6.1 ENVIRONMENTAL AND SOCIAL ASPECTS**

- a. This Technical Cooperation is intended to finance pre-feasibility or feasibility studies of specific investment projects and the environmental and social studies associated with them; therefore, the terms of reference and products of this TC include the requirements of the Bank's Environmental and Social Policy Framework (ESPF).

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#### **REQUIRED ANNEXES:**

- [Annex I: Request from Client](#)
- [Annex II: Results Matrix](#)
- [Annex III: Terms of Reference](#)
- [Annex IV: Procurement Plan](#)
- [Annex V: Gender and Diversity](#)