

CLIMATE INVESTMENT FUNDS

July 3, 2017

**[APPROVE BY MAIL]: HONDURAS: GRID-CONNECTED RE DEVELOPMENT SUPPORT-
TRANSMISSION (ADERC) (PHASE 1) (SREP)(IDB) -- XSREHN007A**

COMMENTS FROM SWITZERLAND

Thank you for circulating this proposal.

We have the following questions and comments:

1. Project description and rationale

(C/Q) The project exclusively consists in adding 300 MVA transformer capacity and reinforcing switchgear in two large high voltage substations which are part of the interconnected transmission network of Honduras. In our comments to the amended SREP investment plan for Honduras, we requested that the nature of the transmission equipment to be co-financed with SREP funding shall be clearly traceable to RE investments. Please indicate where in the project document we can find such clear tracing of the proposed transmission equipment to RE investments.

2. Expected results

a. (C) Please explain the stated objective of 380 MW installed capacity of renewable energy. As this project invests only into transmission infrastructure, it cannot immediately result in additional installed capacity of electricity generation from RE.

b. (C) There are no stated objectives regarding both relevant SREP core indicators (additional electricity generated from RE sources and number of men and women benefitting from improved electricity access as a result of SREP intervention). As these are the two core indicators for SREP, relevant objectives should be provided for both.

c. (C) Please explain to what extent the additional objective “Marketing 1’000 GWh/y electricity in the MER” is related to scaling-up renewable energy and to what extent this contributes to improving energy access to the poorer people in Honduras.

3. Financial and economic viability

(C) It is noted that the EIRR (55%) and the Net Economic Value (\$20 million) are very high. How do you justify grant financing for such profitable investments?