Public Disclosure Authorized

Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 01-Apr-2025 | Report No: PIDDC01262

BASIC INFORMATION

A. Basic Project Data

Project Beneficiary(ies)	Operation ID	Operation Name	
Honduras	P510113	Honduras Energy Access Project	
Region	Estimated Appraisal Date	Estimated Approval Date	Practice Area (Lead)
LATIN AMERICA AND CARIBBEAN	04-Jun-2025	15-Oct-2025	Energy & Extractives
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing (IPF)	Secretaría de Finanzas	Empresa Nacional de Energía Eléctrica (ENEE)	

Proposed Development Objective(s)

To expand access to electricity services for households and public institutions in remote areas of Honduras

PROJECT FINANCING DATA (US$, Millions)

Maximizing Finance for Development

Is this an MFD-Enabling Project (MFD-EP)?	No
Is this project Private Capital Enabling (PCE)?	No

SUMMARY

Total Operation Cost	**87.00**
Total Financing	**87.00**
of which IBRD/IDA	**87.00**
Financing Gap	**0.00**

DETAILS

World Bank Group Financing

International Development Association (IDA)	87.00
IDA Credit	87.00

Environmental and Social Risk Classification	Concept Review Decision
Substantial	The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **Honduras continues to be one of the poorest and most unequal countries in the Latin America and Caribbean (LAC) Region, with significant gaps in access to basic services such as electricity.** With a 2023 GDP per capita of just US$3,247, Honduras ranks the third lowest in GDP per capita in the LAC region, ahead of only Nicaragua and Haiti.[1] The Honduran economy faces significant structural challenges, marked by recurring cycles of growth and crisis that have undermined development gains over the years. Major challenges include high crime rates, a weak institutional framework, widespread emigration, and limited economic diversification. Fiscal constraints have limited public and private investment in key sectors of the economy, including the energy sector, resulting in electricity access gaps and poor service quality that constrains growth. These challenges contribute to the country's difficult socio-economic situation and hinder the prospects for economic growth and development. Over 2010-19, real GDP growth has averaged 3.7 percent,[2] largely driven by private consumption supported by family remittances. However, after peaking in 2022, linked to a post-pandemic rebound, remittance inflows growth has been slowing down, and in the current global geopolitical context, there are concerns that remittances growth could decline further in the medium to longer term. Economic growth is projected to slow down to around 3.5 percent in 2025 and 2026, from an estimated 3.8 percent in 2024, dampened by weaker credit expansion and lower growth in the US and China. It is expected to strengthen from 2027, supported by improving global conditions and dynamic investment, trending toward its potential rate around 3.9 percent.[3]

2. **There are substantial inequalities in access to infrastructure services such as electricity, water, transportation, and sanitation, particularly in rural areas of Honduras.** These gaps limit inclusive economic growth, development and resilience to climate risks, especially in vulnerable and marginalized regions of the country.[4] According to figures for 2023 more than half of the population (52 percent) lived below the upper middle income poverty line of US$6.85 per capita per day (2017 PPP). Moreover, poverty under the international line of $2.15/day line (2017 PPP) remains high, at an estimated 14 percent, and is also higher than most countries in the region.[5] Official numbers from the National Institute of Statistics (NIS) indicate that rural poverty reaches 64.1 percent of households.[6] Additionally, Honduras faces some of the lowest human development outcomes in the region. Poverty is particularly high in areas disproportionately represented by indigenous peoples (IP) and Afro-Hondurans.[7] Population Census data highlights that Gracias a Dios, a department with a high concentration of indigenous and Afro-descendant communities, has the worst levels of access to basic services such as electricity, water, sanitation, and education. Recent evidence shows that minority communities and women have been

1 GDP per capita (current US$) - Honduras, Haiti, and Nicaragua (World Bank, 2024).
2 Idem.
3 2025 Spring Meetings MPO, forthcoming (WB, 2025).
4 Encuesta Permanente de Hogares de Propósitos Múltiples (EPHPM) (National Institute of Statistics (NIS), 2018).
5 Macro Poverty Outlook for Honduras, October 2024 (WB, 2024).
6 EPHPM (NIS, 2023).
7 Eastern department of *Gracias a Dios*, a heavy minority department, has not been covered by the EPHPM.

disproportionately affected by unemployment, income loss, and worsened access to services because of the COVID-19 pandemic and tropical storms ETA and IOTA. The urgent need to scale up programs to provide access to basic services such as electricity, is central to Honduras's development efforts.

3. **Honduras is also highly exposed and vulnerable to extreme weather events and natural hazards, and climate change is expected to intensify these events and exacerbate their impacts.**[8] Historically, robust growth periods have been undone by devastating shocks, followed by modest recoveries. The Global Climate Risk Index ranked Honduras as the second most affected country by extreme weather events from 1998-2017, highlighting its vulnerability and low preparedness. Climate hazards have significantly impacted economic and social development, with annual losses averaging 1.8 percent of GDP. Floods and droughts have been particularly destructive, and tropical storms like ETA and IOTA in 2020 also caused severe damage to the electricity transmission and distribution system, that affected nearly 2.6 million people, causing partial blackouts primarily in the Atlantic coastal area of Honduras.[9] The outlook is somber, as climate change is expected to intensify weather events such as floods, heatwaves, and droughts.[10] Poverty, climate risks and low coping capacity often overlap geographically.[11] Actions to enhance Honduras's ability to mitigate and adapt to these risks, including for the energy sector, will be critical to sustain growth and to safeguard vulnerable populations.

Sectoral and Institutional Context

4. **Honduras faces several electricity sector challenges, including low electrification rates in areas with significant indigenous and Afro-Honduran populations, hindering inclusive economic development.** The national electrification rate is 86.3 percent, but rural areas have only 76 percent coverage compared to 94 percent in urban regions.[12] Geographically challenging areas like the Department of Gracias a Dios, with significant indigenous populations, have much lower electrification rates. The energy sector also struggles with tariffs set at non-cost reflective levels in a provisional manner, high electricity distribution losses, and the need for substantial investments in electricity generation and grid strengthening. The government has been working on addressing these issues, but more effort is needed to expand electricity access to the Mosquitia and northeastern areas, where significant indigenous and Afro-Honduran populations reside, to support inclusive economic development.

5. **Honduras's electricity sector is vulnerable to high and volatile oil prices, natural disaster, and extreme weather hazards.** As of June 2024, the nation's total installed generation capacity reached 3,308 MW. Fossil fuels continue to contribute to 41 percent to electricity generation, followed by hydropower at 28 percent, solar at 16 percent, wind at 7 percent, bioenergy at 6 percent, and geothermal at 2 percent.[13] Given the country's reliance on fossil fuel generation for a sizable portion of electricity supply, the country remains vulnerable to high and volatile fuel prices. Furthermore, the country relies on hydropower for almost a third of power generation (28 percent), exposing electricity supply to climate risks, like droughts**.** Honduras faced electricity supply restrictions in 2023 and 2024, that led to power rationing and load shedding given various factors, including delays in new generation investments, low availability of water resources, and a reduction in imports from the Regional Electricity Market (REM). The country is also highly exposed to extreme weather

[8] World Bank Group. 2023. Honduras Country Climate and Development Report. CCDR Series.
[9] The World Bank Damages and Losses Assessment (DALA) - "Evaluación de daños y pérdidas causadas por las tormentas tropicales Eta e Iota" (DALA). February 2021.
[10] The Intergovernmental Panel on Climate Change reported in 2022 that climate projections indicate an increase in the frequency of intense cyclones in Central America, accompanied by a decrease in the frequency of less intense tropical cyclones (IPCC, Climate Change 2022: Impacts, Adaptation and Vulnerability, Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change.
[11] World Bank Group. 2023. Honduras Poverty Assessment: Toward a Path of Inclusive Growth.
[12] SEN 2023. Informe de Cobertura y Acceso a la Electricidad. Datos a diciembre 2023.
[13] OLADE. Organización Latinoamericana de Energía. Panorama Energético de América Latina y el Caribe

events. Expanding electricity access through off-grid systems can provide the population with resilient and reliable electricity supply, as these decentralized systems are less vulnerable to system-wide electricity supply disruptions that affect electricity consumers connected to the national electricity grid.

6. **The Honduras electricity sector includes both public and private participation, with the public utility National Electric Energy Company (ENEE) leading in generation, transmission, and distribution.** The Energy Secretariat (SEN) sets energy policy and plans, including national electrification strategies. The Electricity Energy Regulatory Commission (CREE) regulates the electricity market and establishes tariffs. ENEE handles nationwide electricity production, transmission, commercialization, and distribution. The Social Fund for Electricity Development (FOSODE), part of ENEE, focuses on expanding rural electricity access. In 2023, private companies accounted for 81.9 percent of total installed generation capacity.[14] Regulated private utilities provide electricity to Roatan and Útila islands, while three small companies manage isolated systems in the main population centers of Gracias a Dios.

7. **ENEE has a weak financial situation, and this constrains new investment, but measures are being taken to improve the energy sector's financial health.** In 2024, ENEE's debt reached approximately US$3.6 billion, equivalent to about 11 percent of Honduras GDP. Unsustainable debt, non-cost-reflective tariffs, and substantial commercial losses (35 percent in August 2024) have limited the utility's ability to invest in new generation, improve the transmission and distribution network, and expand electricity access. Energy sector reforms, including a national electricity loss reduction program launched in 2022, consolidation of ENEE's operational functions in distribution, reduction of arrears to generators, and progress on establishing cost-reflective tariffs, are structural benchmarks in the government's credit facility arrangements with the International Monetary Fund (IMF)**.**[15] The World Bank, supported by ESMAP, has been assisting ENEE and SEN in analyzing reform options for cost-reflective tariffs, targeted subsidies, and assessing potential energy efficiency investments in the public sector to reduce public arrears to ENEE. Progress in these areas is crucial to improving ENEE's financial situation and free up future funding for strengthening the power system and expanding electricity access.

8. **There are approximately 1.4 million people (346,000 families) that still lack electricity access in Honduras, and significant challenges remain to achieve universal access, particularly in rural and remote areas.** Honduras has the lowest electrification rate in Central American and the second lowest rate in the LAC region (after Haiti).[16] According to SEN, the country would need to invest $900 million to close the electricity gap by 2030. Of this 38 percent would be required for grid extension projects, and the remainder to off-grid projects. Last mile electrification poses significant challenges due to difficult terrain and the geographic isolation of certain areas of the country with limited road access and dense vegetation, with some areas only accessible by boat. The department of Gracias a Dios has the lowest coverage in the country at 16.4 percent, equivalent to 19,156 households lacking access to electricity. Olancho and Colon also have coverage rates below the national average, at 74 percent and 79.7 percent, respectively, where approximately 60,000 households lack electricity access. Furthermore, most of the country's Miskitos, Garifuna, Nahua, Tawahka and Pech indigenous communities live in these departments, which presents equity and inclusion constraints.

9. **Low access to electricity adversely affects health, education, and socio-economic development.** Limited electricity access impacts public health by hampering food preservation and restricting the use of advanced medical equipment in healthcare facilities, resulting in poor diagnostics and hospital services. Of the 289 health centers in Gracias a Dios, Olancho, and Colon, only 66.8 percent have electricity. Anecdotal evidence in Honduras also points to the risks of

[14] Informe Estadístico Anual del Subsector Eléctrico Nacional, SEN, 2023
[15] IMF. "IMF Country Report No. 24/332" Honduras. December 2024.
[16] OLADE. The Energy Outlook for Latin America and the Caribbean report. 2021

poor internal wiring and lack of voltage regulation for health centers causing fires and safety issues and also voltage fluctuations that can damage medical equipment. With respect to education, electricity shortages limit the integration of digital tools and modern learning environments, leading to decreased attendance and less study time for students at home. Out of the 2,696 educational institutions in these areas, merely 47.4 percent are electrified. Furthermore, insufficient access to electricity hinders technology adoption and innovation, restricting socio-economic progress, impeding knowledge sharing, and limiting entrepreneurial efforts. These challenges collectively obstruct local economic development, raise costs for small-scale production, and increase migration due to limited opportunities, thus hindering overall progress in these regions of Honduras.

10. **The gender gap in energy access in Honduras also remains critical, particularly in rural areas.** Due to social norms and gender divisions in labor, women are disproportionately affected by limited access to electricity. Around 15.4 percent of female-headed rural households do not have access to the energy service. This energy deficit imposes additional burdens on women—who may spend up to 20 hours per week gathering firewood—and increases their exposure to smoke and soot, given that 86 percent of rural households rely on biomass for cooking. This has a negative impact on women's health, making them more susceptible to chronic obstructive pulmonary diseases due to prolonged exposure to household air pollution. Also, the lack of adequate lighting within houses can affect the literacy of girls and women by hindering nighttime study and exposing them to accidental fires due to the use of candles[17]. Furthermore, regional research indicates that inadequate lighting in public spaces heightens women's vulnerability to gender-based violence, as dark or poorly lit environments can facilitate harassment and assault.[18]

11. **Expanding access to electricity not only contributes to women's health and education but also helps create safer public spaces and new economic opportunities.** Providing sustainable energy for productive uses empowers women and young girls economically, supporting financial independence. Evidence shows that reliable electricity access plays a crucial role in empowering women entrepreneurs,[19] for instance, by enabling the use of essential equipment such as refrigeration and machinery. Interventions such as solar microgrids in the Moskitia region[20] have incorporated women in the installation and operation of photovoltaic systems. Likewise, the "Solar Women" project of Barefoot College[21], which trains "solar engineers" in rural areas, have shown promising results. These programs show that gender-oriented solutions are both feasible and sustainable in the Honduran context, but larger-scale efforts are needed to close the gap especially for single mothers in Indigenous and Afro-descendant communities affected by migration and gender-based violence.

12. **Expanding electricity access is a top priority for the government and the SEN has developed various policies and plans aimed at closing the electrification gap by 2030.** The National Congress decreed in 2022 that electricity access is a public good and human right through the Law to *'guarantee the electrical energy service as a public good of national security and a human right of economic and social nature'*. Expanding electricity is also a priority reflected in the Government Plan for the Refoundation Honduras 2022 – 2026 and the Universal Access to Electricity Policy for Honduras (PAUEH) that was approved in 2021. The PAUEH, developed by SEN, aims to achieve universal electricity access by 2030,

[17] UNAH. 2021. DEMOMUJER: Pobreza Energética: un obstáculo para el desarrollo humano de las mujeres en el área rural de honduras, 2019. DEMOMUJER Vol.11. https://mdd.unah.edu.hn/assets/Uploads/DemoMujer-Vol2.11.pdf
[18] UN Women (2020). Safe Cities and Safe Public Spaces for Women and Girls Global Flagship Initiative: Second International Compendium of Practices. New York: UN Women. https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/Library/Publications/2020/Safe-Cities-and-Safe-Public-Spaces-International-compendium-of-practices-02-en.pdf
[19] IFC. 2023. Exploring Opportunities for Women Entrepreneurs Driving Climate Solutions. A Discussion Note. https://www.ifc.org/content/dam/ifc/doc/2023/exploring-opportunities-for-women-entrepreneurs-driving-climate-solutions.pdf
[20] IDB. 2025. Energy development lights up the Honduran Moskitia. https://blogs.iadb.org/energia/en/energy-development-lights-up-the-honduran-moskitia/
[21] Barefoot College. N.d. https://www.barefootcollege.org/solution/solar/

focusing on rural and peri-urban areas. Its primary objective is to provide affordable, reliable, and modern electricity services to all citizens through micro-grids, distributed generation, isolated home systems, and grid extensions. In addition, in 2023 SEN prepared the Self-Sustainability through Productive Uses of Electricity Program (PAMUPE) that promotes productive projects with using efficient electrification solutions to facilitate local economic development and also *Community Relations Guide for Energy Projects* that provides guidelines for strengthening community relations when developing energy projects.

13. **The country's continued commitment to achieving universal energy access is evident from the multiple programs and initiatives spanning various government administrations implemented over the years.** The recently completed Rural Electrification Program in Isolated Locations (PERLA) financed by the Inter-American Development Bank (IDB) was implemented by FOSODE and expanded electricity access by implementing decentralized mini-grids, electrifying approximately 3,000 households with hybrid (solar/diesel) solutions where the capital costs of these systems were financed through a Scaling-up Renewable Energy Program (SREP) grant. A hybrid approach was used for this IDB project, where FOSODE contracted private companies for the engineering, procurement, and installation of the two mini-grid systems and the operation was transferred to ENEE. The Pro-Energía Rural project, financed by the government and Exim Bank of Korea, provided clean, renewable solar energy to over 20,000 households, 416 schools, and 34 health centers using solar home systems (SHS). In addition, the Rural Electrification with Solar Energy (PROSOL) project financed by the World Bank and implemented from 2004 to 2016 installed SHS in 9,228 households and 248 schools in 5 departments of Honduras. The project was managed by the Honduran Social Investment Fund (FHIS) and provided a partial capital cost subsidy (30-40 percent of solar photovoltaic (PV) system) to increase household affordability. FHIS worked with multiple private PV supply companies, which sold, installed, and maintained the SHS, and engaged microfinance institutions (MFIs) to finance the remaining costs of the SHS through loans to the customers. While these programs have expanded electricity access in Honduras, they have struggled to reach poorer and more remote areas where affordability and accessibility remain significant challenges.

14. **Public sector-led electrification is crucial for last-mile electrification in Honduras due to the high costs and challenges of attracting private suppliers, and existing regulatory and affordability barriers.** Lessons learned from past experiences in Honduras, the LAC region, and globally show that a public utility led model may be most-suitable for last-mile electrification, since entities like FOSODE have more experience, resources, and capacity to provide access and continued service in very remote settings. Public utilities can also cross-subsidize mini-grid operations through tariffs from grid-connected customers and secure national budget resources to address affordability challenges in poor rural areas. In contrast, private models typically require full cost recovery through tariffs, which is not feasible in low-income communities. Similarly, private concession models usually require tariffs that recover costs combined with publicly (or grant) funded subsidies for end-users to enhance affordability or in the absence of these conditions, the government provides a guaranteed revenue stream to the private service providers. While private mini-grid concession models are being tested in Haiti and Africa, they are typically implemented in more populated areas with higher capacity to pay, more potential for productive uses, and where there is greater presence (and risk appetite) of private service providers. These models can also be costlier and more complex to implement, and there has been reluctance in Honduras to pursue fully private models due to past failures in outsourcing ENEE's commercial operations[22] to the private sector and the high tariffs charged by off-grid private operators in Guanaja Island and Roatán.[23] Honduras also lacks mini-grids regulations for technical and quality requirements and tariffs. Mini-grid and off-grid systems generally fall outside the regulatory

[22] *ENEE entered into a contract with private company Empresa Energía Honduras (EEH) to operate and provide maintenance to the Electricity Distribution Network in Honduras. EEH was contracted for the commercial operation and upgrade of the distribution system, however, poor performance and underinvestment by EEH and contract payment delays and issues by ENEE led to the close of the contract in 2023.*

[23] *Electricity retail tariffs for these private off-grid systems range from 31-37cents/kWh, compared to 20-26 cents/KWh for grid-connected residential customers of ENEE. However, there is higher capacity to pay on these islands which attract significant tourism.*

responsibilities of CREE, creating revenue uncertainty for private developers. The absence of supportive policies, regulations, a tariff setting methodology, and financing limits private investment in remote areas. Nonetheless, there is an opportunity to roll-out hybrid approaches, led by public utility but that involve private entities for mini-grid system supply and installation (approach used for the IDB supported mini-grids that are still operating), which has worked in the Gracias de Dios area as they combine the advantages of both public and private sector.

15. **The Government of Honduras (GoH) requested investment financing and support from the World Bank (WB) to help scale-up last-mile electrification efforts in Honduras**. The proposed Project will support the GoH to increase electricity access in territories with high indigenous and afro-descendant populations, contributing to boosting the local economy and social well-being. The Project seeks to expand electricity access in the departments of Gracias a Dios, Olancho, and Colon,[24] through the development of mini-grids and installation of solar home systems, promote productive energy uses activities, and boost the institutional capacity of ENEE, FOSODE, and SEN to implement these types of projects and local capacity building to support operations and maintenance and monitoring of project outcomes.

Relationship to CPF

16. **The Project is aligned with the WB Group's Country Partnership Framework (CPF) for Honduras (FY23-FY27).**[25] The Project is aligned with CPF High-level Objective (HLO) 2: Inclusive Economic Development and Job Creation; and Objective 5: Improved infrastructure. It is also aligned with HLO 3: Strengthened Resilience to Natural Hazards; HLO 7: Improved climate resilience; and HLO 8: Strengthened institutional and financial framework for risk management. According to the CPF, in addition to the technical assistance provided to the SEN and ENEE to help advance energy sector reforms and promote energy efficiency, the World Bank will also support under the new Project 'testing out alternative solutions to increase access in rural areas, by supporting local, decentralized off-grid solar initiatives'.

17. **The Project is also aligned with the Paris Agreement, Honduras' National Determined Contributions (NDC), the Green Resilient and Inclusive Development (GRID) approach, and the Roadmap for Climate Action in LAC.** In the updated NDC, Honduras ratified its commitment to reduce greenhouse gas emissions, increasing the commitment from 15 to 16 percent by 2030 compared to business as usual that same year. The energy sector is expected to contribute to 9 percent of the emissions reduction target, through increased renewable energy and energy efficiency uptake and efforts to increase electromobility and promote biofuels.[26] The Project also fits the framework for the GRID approach by pursuing poverty eradication and shared prosperity with a sustainability lens through green, resilient and inclusive energy and electricity development.[27] The Project will help Honduras to become: (i) more resilient, as the proposed distributed electrification technologies will not rely on the grid electricity supply that is more vulnerable to droughts and extreme weather events which affects the reliability of electricity supply; and (ii) cleaner electricity supply since the solar-hybrid mini-grids and individual solar PV systems can help displace more costly, polluting, and inferior sources of energy used for lighting and to meet other energy needs such as firewood, charcoal, kerosene, and in some cases individual diesel generators. The Project is therefore aligned with both the Paris Agreement's mitigation and adaptation goals.

C. Proposed Development Objective(s)

[24] *The implementation areas initially identified by GoH are based on the access policy where indigenous people must be prioritized.*
[25] CPF for Honduras (WB, 2022).
[26] UNFCCC - United Nations Framework Convention on Climate Change (2023)
[27] Green, Resilient and Inclusive Development (WB, 2021).

To expand access to electricity services in remote areas of Honduras

Key Results (From PCN)

18. The key results expected from the proposed project are:[28]
    a. People provided with new or improved electricity service (Corporate Results Indicator, Number) [29]
    b. Renewable energy capacity enabled (Corporate Scorecard Indicator, Megawatt -MW)
    c. Increased access to electricity in health and education facilities, and for productive uses

D. Concept Description

The proposed project consists of the following three components:

19. **Component 1: Expand Electricity Access (US $77 million).** This component will assist the GoH in increasing electricity access in Gracias a Dios, Olancho and Colon, particularly targeting indigenous communities that grid expansion programs are unlikely to serve. This component will comprise off-grid electrification solutions for both households and public facilities (health centers, schools) in the departments of Gracias a Dios, Olancho, and Colon. The component will primarily focus on household level electrification using both solar hybrid mini-grid solutions (solar PV, batteries, and with diesel back-up)[30] with remote monitoring capabilities in communities with more concentrated and clustered populations and individual solar photovoltaic systems for more dispersed households in these same communities.

    Component 2: Productive Uses and Capacity Building (US $5 million). The component will develop business models to enable productive uses of energy, which take into account socio-cultural preferences. It will also help to design and establish new business models, in order to sustainably and cost-efficiently scale-up the use of clean and efficient energy for productive applications. This component would include studies, technical training for various public institutions, involvement of NGOs and local organizations, and community accompaniment to promote productive uses of electricity in the communities benefiting from the Project. The component will also finance citizen engagement and community participation activities aimed at increasing the awareness about the project investments, and efficient and safe use of electricity. In addition, this component will support implementation of a technical training program to build local capacity, including for female technicians, for providing basic operations and maintenance services for mini-grid and individual solar systems in the project areas.

20. **Component 3: Project Management Support and Regulatory Framework *(including M&E)* (US $5 million).** This component will strengthen the capacity of the project coordination unit (UCP) at ENEE and at FOSODE to implement the project, and to monitor and report on the project indicators and objectives. The component will support the UCP and FOSODE to improve its capacity to perform its technical, fiduciary, and environmental and social roles and to conduct monitoring and evaluation activities. The component will also provide support to SEN for activities to support improving the regulatory and public policy framework to facilitate closing electricity access gaps in Honduras.

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[28] Other important impacts such as improvement in the quality of life of the poor, health and education benefits, as well as economic development of the impacted communities will be qualitatively assessed. The specific indicators, baselines, and targets will be defined during project preparation.

[29] This key result is directly linked with the WBG Corporate Scorecard 9: 'percentage of population with access to electricity'.

[30] The project will not finance the acquisition or installation of diesel-powered units, although existing ones may be kept as backup, or financed through ENEE, and the operation could finance their integration with renewable technologies.

Legal Operational Policies

Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Area OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The Environmental and Social Risk Classification of the Project is Substantial. The Project activities are expected to contribute to positive environmental and social outcomes by: i) Increasing access to electricity from renewable energy sources in indigenous and rural households; ii) Increasing access to electricity in health and education facilities, as well as for productive uses in these areas; and through iii) Project Management and Regulatory Framework support. The environmental risk is rated as Substantial. This rating is based on the high biodiversity values & high vulnerability to climate-related hazards of the Project's setting, as well as key risks and impacts associated with electric mini-grids and individual photovoltaic systems. The exact project sites are unknown at this stage, but activities are expected to take place within existing footprints at already disturbed sites. Based on available information known at this stage, potential risks and impacts are associated with: i) land clearing and habitat disturbance; ii) nuisances related to noise, vibrations, and air pollution; iii) fuel/oil spills and leakage; iv) OHS issues; and v) hazardous material and waste management, including significant volumes of e-waste. Possible negative impacts are likely to be predictable, temporary, and reversible, contingent on the implementation of appropriate and timely mitigation measures and strategies. The social risk is rated as Substantial. Potential social risks and impacts include the exclusion of the most marginalized from the mainstream consultation process, lack of cultural appropriateness when engaging indigenous and other groups, and elite capture. To mitigate the aforementioned risks and impacts, the Project will implement Environmental and Social management instruments and measures, which will be fully described in the Project Environmental and Social Commitment Plan (ESCP). These activities will include, prior to appraisal, the consultation and disclosure of an Environmental and Social Assessment (ESA), a draft Stakeholder Engagement Plan (SEP), and a draft ESCP. The following ESF instruments will be prepared, consulted and disclosed during the project implementation phase and after project effectiveness, and within the timeframe of the negotiated ESCP: Labor Management Procedures (LMP), a Resettlement Policy Framework (RPF), an Indigenous Peoples Planning Framework (IPPF), and a Grievance Mechanism (GM) with channels for labor and public grievances, including those related to SEA/SH. In addition, the Project will update, finalize, disclose, and implement the SEP as per the requirements and timeframe of the negotiated ESCP. It will also develop and implement necessary ESAs, Environmental and Social Management Plans (ESMPs), and Environmental and Social Codes of Practice (ESCOPs) for respective subprojects, as per the guidelines in the ESA developed during the project preparation phase, negotiated ESCP, and Project Operation Manual (POM).

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