Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 07/15/2025 | Report No: ESRSA04377

I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P510113	Investment Project Financing (IPF)	HN Energy Acces	2026
Operation Name	Honduras Energy Access Project		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Honduras	Honduras	LATIN AMERICA AND CARIBBEAN	Energy & Extractives
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Secretaría de Finanzas	Empresa Nacional de Energía Eléctrica (ENEE)	17-Jul-2025	15-Oct-2025
Estimated Decision Review Date	Total Project Cost		
09-Jul-2025	95,000,000.00		

Proposed Development Objective

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

B. Is the operation being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project Activities

The proposed project aims to increase electricity access in underserved areas of Honduras, mainly in vulnerable communities with significant indigenous and Afro-descendant populations. The project consists of the following three components: (i) expanding electricity access for rural and indigenous households, and public facilities, (ii) capacity building and promoting productive uses of electricity, and (iii) project management and regulatory support. Through Component I, the project will increase electricity access in Gracias a Dios, Olancho and Colon, focusing on communities that grid expansion programs are unlikely to serve. This component will include the electrification of both houses and public infrastructure, using a combination of mini-grids technologies with remote monitoring systems, and the

installation of individual solar photovoltaic (PV) systems. Component II will identify and scale-up the implementation of efficient business models to facilitate productive uses of energy, which take into account socio-cultural preferences (including gender considerations). Where existing models do not exist, the component will also help to design and establish new ones in order to sustainably and cost-efficiently scale-up the use of electricity for productive applications. Component III: Project Management Support and Regulatory Framework, will strengthen the capacity of the implementing agency to conduct its technical, fiduciary, and environmental and social roles and conduct monitoring and evaluation activities. The component will also include assistance for strengthening the regulatory and public policy framework to facilitate closing electricity access gaps in Honduras.

D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings

The Project targets remote and rural areas in the departments of Gracias a Dios, Olancho and Colón, which are among the country's most marginalized geographical areas. This region has significant indigenous and Afro-descendant populations who face challenges in accessing basic services like electricity. It is also home to numerous key biodiversity and protected areas. Natural vegetation cover is comprised primarily of dense humid broad-leaf forest, coniferous forest, and mixed forest. Honduras is highly vulnerable to climate change impacts, including floods, droughts, and hurricanes. Historically, gains achieved during periods of relatively robust and broad-based growth have often been wiped out by devastating shocks, and then followed by only modest and uneven recoveries. In 2025, the Global Climate Risk Index ranked Honduras as the third country in the world most severely affected by extreme weather events in the 1993–2022 period, highlighting its acute vulnerability to climate change events and low level of preparedness to respond to them. In 2023, an estimated 51.3% of the population lived below the poverty line of US$6.85 per capita per day, with rural poverty reaching 64.1%, one of the highest rates in the Latin American and Caribbean region. Poverty is particularly high in areas disproportionately represented by indigenous peoples (IPs) and Afro-Hondurans. Population Census data from 2013 highlight 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. The Project seeks to promote renewable energy sources, particularly solar power, to reduce reliance on fossil fuels and mitigate climate change. The Project will benefit marginalized indigenous and Afro-descendant communities lacking essential services. Design and implementation must consider the specific needs and cultural sensitivities of these communities.

D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts

The Project will be implemented with the involvement of the National Electric Energy Company (ENEE, as per its Spanish acronym), including the Social Fund for Electric Development (FOSODE) within ENEE, and the Secretariat of Energy (SEN). A Program Coordinating Unit (UCP, as per Spanish acronym) has been established by ENEE and will be responsible for fiduciary management (procurement and contracting, contract administration, financial management) planning and monitoring, environmental and social (E&S) risk management, supervise the execution of contracts, and prepare progress reports on project indicators and results. The UCP/ENEE has implemented projects financed by the World Bank (WB) and other multilaterals such as the Inter-American Development Bank (IDB), the Central American Bank for Economic Integration (CABEI), and bilaterals such as the Japan International Cooperation Agency (JICA). Within ENEE, the UCP will collaborate with the FOSODE, responsible for supervising and reporting on the progress of electrification activities to the WB. Both the UCP and FOSODE will have personnel in the field to handle various functions, including technical support, payments, and monitoring and supervision of contract execution. The UCP lacks experience implementing WB projects under the ESF. Preliminary assessments conducted during the Project's preparation phase

indicate that ENEE encounters challenges in institutionalizing E&S procedures. These challenges are partly attributed to insufficient staff training, which hampers the consistent application of E&S guidelines at the institutional level, regardless of whether the funding is domestic or international. Capacity-building measures will be in place as indicated in the ESCP, considering lessons learned from other projects, potentially extending to other collaborative agencies. For the management of the E&S risk of the Project, ENEE will maintain the UCP and hire or appoint an environmental specialist, a social specialist, and a Gender/GVB specialist, no later than sixty (60) days after the Effective Date or prior to the start of work, whichever comes first, and thereafter maintain these positions throughout Project implementation. As part of Project preparation, on December 4, 2024, the WB ESF Team delivered virtual ESF training to the UCP, involving over 15 specialists. The UCP has begun consulting with stakeholders, including with Garífuna and other IPs communities and vulnerable groups. The Project will incorporate lessons from past projects and the ongoing Honduras Tropical Cyclones Eta and Iota Emergency Recovery Project (P175977), focusing on E&S/Occupational Health and Safety (OHS) specialist availability, OHS compliance, and strong OHS measures for smaller contractors.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC) — Substantial

A.1 Environmental Risk Rating — Substantial

The environmental risk is rated as Substantial due to the high biodiversity values and high vulnerability to climate-related hazards of the Project's setting. In accordance with the E&S assessment (ESA) disclosed by project appraisal, key potential environmental risks and impacts associated with works under Component 1 include, inter alia, the following: land use changes; habitat disruption; risk of landslides, soil erosion from cut surfaces of hill slopes; nuisances related to noise, vibrations, dust and emissions; fuel/oil spills and leakage; OHS issues; and hazardous material and waste generation/management, including volumes of electronic waste (E-waste). The aforementioned risks and impacts, except those associated with E-waste, are likely to be predictable, temporary, and/or reversible, and site-specific. In addition, with the exception of risks/impacts associated with E-waste generation/disposal, they are assessed as low to moderate in magnitude, contingent on the implementation of appropriate and timely mitigation measures, and provided they occur in modified habitats. Improper disposal of E-waste poses a significant pollution risk, as it can lead to leakage of toxic substances into the soil and groundwater, with the potential to cause long-term environmental contamination. The specific sites of expected investments are not yet known at this stage. However, works relative to distribution grid extension and reinforcement, and off-grid electrification solutions, such as hybrid mini-grids and individual photovoltaic (PV) systems, are anticipated to take place within existing footprints at already disturbed sites. A comprehensive E&S impact assessment (ESIA) conducted for distribution grid reinforcement and extension works during the project implementation phase will inform the planning and selection of routes for distribution lines, to avoid traversing natural habitats and areas with high biodiversity values. In addition, the full range of possible risks and impacts associated with distribution these works, including the clearing of vegetation for the rights-of-way (RoWs) of distribution lines, will be further assessed as part of the ESIA. Appropriate E&S instruments and measures to effectively manage risks/impacts are described under each relevant E&S Standard (ESS) and set out in the Project's E&S commitment plan (ESCP). These measures are aligned with good international industry practices (GIIPs) as outlined in the World Bank Group (WBG) General Environmental, Health, and Safety (EHS) Guidelines. The environmental risk classification (ERC) will be reviewed periodically throughout project implementation to ensure it continues to accurately reflect the level of risk.

Substantial

A.2 Social Risk Rating

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. These risks are associated with activities such as strengthening existing efficient business models for productive uses of energy under Component 2. Activities under Component 1, which involve the upgrading and extension of distribution lines, installation of distribution transformers and line service drops, and installation of meters for households in underserved areas, as well as electrification of households, businesses, and health and educational centers through hybrid mini-grid solutions (solar PV, batteries, and diesel back-up) and off-grid individual PV systems, could pose moderate social risks. These risks include involuntary resettlement under ESS5, low to moderate labor influx, gender-based violence (GBV), and community health and safety concerns (e.g., potential traffic and road safety risks, health or safety impacts on communities). The potential risks and impacts are likely to be predictable, temporary, and/or reversible; low in magnitude; site-specific, without likelihood of impacts beyond the footprint of already disturbed sites; and with a low probability of serious adverse effects on human health. Most of the identified risks can be easily mitigated in a predictable manner. To mitigate these risks, the Project will implement E&S management instruments and measures as described under each relevant ESS and in the ESCP. The Social Risk Classification (SRC) will be reviewed regularly throughout the project life cycle to ensure it continues to accurately reflect the Project's risk level.

B. Environment and Social Standards (ESS) that Apply to the Activities Being Considered

B.1 Relevance of Environmental and Social Standards

ESS1 - Assessment and Management of Environmental and Social Risks and Impacts — Relevant

The potential E&S risks and impacts are highlighted in Section A above and are further detailed under the relevant ESSs. The Project's ESCP includes a comprehensive set of instruments and measures to effectively manage E&S risks and impacts. Central to this plan is the ESA prepared prior to appraisal, that will be implemented to ensure alignment with relevant ESSs. Additionally, the Stakeholder Engagement Plan (SEP), prepared for the Project, will be implemented to facilitate continuous and meaningful engagement with stakeholders throughout the project life cycle. This includes implementing robust Grievance Mechanisms (GMs) for the public and project workers to address and resolve complaints and concerns promptly. Guided by the ESA and the ESIA for distribution grid reinforcement and extension works, the subproject-level/site-specific ESMPs/ESCOPs will address specific risks such as community health and safety, traffic, security personnel use, road safety, pollution prevention (e.g., waste and E-waste management measures), and impacts on biodiversity and habitats, among others. Where feasible, Universal Access principles will be applied to the design and construction of structures. A GBV/SEA/SH Action Plan, that is part of the ESA, will be integrated into the subproject-level/site-specific ESMPs/ESCOPs to mitigate GBV risks. Additionally, chance find procedures will be established within the ESMPs/ESCOPs to manage unexpected cultural heritage discoveries, and a cultural heritage management plan (CHMP) will be developed if necessary. The draft resettlement policy framework (RPF) and draft indigenous peoples planning framework (IPPF) prepared for the Project, will be updated as set out in the ESCP, and implemented, respectively, to prevent negative impacts on IPs and to promote sustainable development benefits and opportunities in an accessible, culturally appropriate, and inclusive manner. The labor management procedures (LMP) will be revised, and its application will ensure fair labor conditions,

incorporating a code of conduct and measures against child and forced labor, etc. Contractors and subcontractors will be required to develop and execute OHS management plans as part of their ESMPs/ESCOPs, in line with the ESA, ESIA and LMP. They will also submit monthly reports on E&S performance, with incidents or accidents promptly reported and reviewed. To manage E&S risks and impacts effectively, the Project will maintain the UCP within ENEE, staffed with qualified specialists in environmental, social, and gender/GBV areas. Collaboration arrangements with entities within ENEE, like the FOSODE, will be established to manage E&S risks. A capacity-building plan will be prepared and implemented, providing training, among others, on ESCP requirements, stakeholder engagement, emergency preparedness, community health and safety, GBV, GMs, and incident management. The timeline for the development and implementation of these tools and arrangements is detailed in the Project's ESCP to ensure systematic and effective risk management. These instruments are designed for implementation throughout the Project's duration.

ESS10 - Stakeholder Engagement and Information Disclosure Relevant

Main project stakeholders include government agencies, local governments, private sector, civil society organizations (CSOs), environmental CSO's, IPs communities, vulnerable groups (women, the unemployed, low-income households, youth, and persons with disabilities), other projects (as interested parties). As per the draft SEP, developed prior to appraisal, vulnerable groups include indigenous communities, women, youth, people with disabilities, and the LGBTIQ+ community, all requiring special attention to ensure effective participation and inclusion in project activities. The Project's SEP is tailored to the context and risk of the Project, ensuring effective stakeholder communication and participation throughout the project lifecycle. It aims to engage affected parties, other interested parties, and vulnerable groups, providing mechanisms for feedback, grievances mechanisms with channels to address SEA/SH related complaints , and meaningful consultations. The SEP: i) describes the project context, including objectives and location, and is aligned with the WB's E&S framework (ESF); ii) details the national legal framework for stakeholder engagement, identifying gaps, and mitigation measures; iii) emphasizes principles for meaningful consultation, particularly with indigenous peoples, and requirements for Free, Prior, and Informed Consent (FPIC) as described under ESS7; iv) specifies the minimum content required for consultations and describes differentiated methods for engaging various stakeholders, ensuring the use of "safe spaces" and cultural appropriateness; v)defines a program for stakeholder engagement, including public information disclosure and consultation throughout the project cycle; vi) describes the implementation arrangements and resources for stakeholder engagement activities; and vii) requires progress reporting on stakeholder engagement commitments and qualitative and quantitative reporting on feedback received during SEP activities. The SEP will be read alongside other ESSs, particularly ESS5 and ESS7, to ensure comprehensive engagement and risk management, emphasizing inclusivity and responsiveness to stakeholder needs. As outlined in ESS7 of this E&S review summary (ESRS), FPIC is not mandated for this project. This is because the project will not negatively impact indigenous peoples, whether it concerns their land and natural resources, causes their relocation from land and resources subject to traditional ownership or customary use, or significantly affects their cultural heritage. However, if government laws or internal procedures require FPIC, it will be applicable as detailed in the ESS7 section of this ESRS. The consultations held for the Project have yielded significant feedback from participants, which has been addressed by the project team with specific responses and outlined the following steps. Participants expressed interest in solar energy systems and their costs, shared experiences with generators and panels, and voiced their needs for energy solutions in areas like fishing, agriculture, and entrepreneurship. Concerns were raised about past unfulfilled promises, climate vulnerability, and the need for training in system maintenance. The project team responded by explaining the purpose of the visits as feasibility evaluations and assured respect for community protocols like FPIC. They emphasized the potential for active participation in training workshops and

initiatives, particularly those led by women. The following steps include fostering community collaboration in expanding electricity access and exploring productive uses of energy, with a focus on developing pilot models for energy efficiency and renewable energy solutions.

ESS2 - Labor and Working Conditions Relevant

The Project will include direct and contracted workers. The engagement of community and primary supply workers could be a possibility, and will be defined during project implementation and prior to the start of work. Government employees involved in project implementation will remain subject to the terms and conditions of their contracts unless there is an effective legal transfer of their employment to the Project. In such cases, only paragraphs 17 to 20 (Protecting the Workforce) and 24 to 30 (OHS) of ESS2 will apply to them. To manage these risks, an LMP is being prepared during project preparation, consistent with the national laws and ESS2. The LMP includes, inter alia, the following: i) a code of conduct for project workers, including provisions on non-discrimination and the prevention of SEA/SH; ii) measures consistent with para 17-19 of ESS 2 regarding child labor, and forced/trafficked labor; iii) procedures to address incidents and accidents during the life of the project, that shall be reflected in the ESMPs/ESCOPs; iv) appropriate measures of protection and assistance to address the vulnerabilities of project workers, including specific groups of workers, such as women, people with disabilities, Indigenous persons; v) terms, conditions and benefits for workers hired directly by the implementing agency; vi) the requirements of paragraphs 34 38 of ESS 2 with regards to the potential engagement of community workers; and vi) requirements related to primary supplier workers. Considering the potential risks associated with forced labor in the supply chain of solar panel components for the Project, the IPF Solar Procurement Bidder Declaration regarding forced labor will be applied.

ESS3 - Resource Efficiency and Pollution Prevention and Management Relevant

Works under Component 1 are anticipated to generate various types of waste, including excavation and vegetation waste, construction debris (such as concrete, asphalt, and metal scraps), packaging waste, hazardous waste (including chemicals, oils, and lubricants), and miscellaneous waste (such as nails, wires, cables, and other small items that accumulate during the building and installation process). These waste materials have the potential to cause soil and water pollution. Additionally, construction activities may result in air pollution and noise impacts. Mismanagement of ancillary facilities (such as workers' camps, laydown areas, batching areas, and disposal sites) can also contribute to pollution. Subproject-level/site-specific ESMPs/ESCOPs will incorporate measures to minimize these impacts. These measures will be consistent with the ESA, ESIA and will comply with ESS3 and national requirements, in alignment with the WBG's EHS Guidelines. The focus will be on proper waste management, prioritizing recycling and environmentally sound disposal methods to minimize impact, as well as dust control, and strategies for reducing noise and emissions. Distribution grid reinforcement and extension will involve the installation of transformers containing substances such as Sulfur Hexafluoride (SF6) and Polychlorinated Biphenyls (PCB), which are hazardous and have high global warming potential. Off-grid electrification solutions will also involve the use of PV panels, batteries, and other electronic components that may become hazardous waste at the end of their lifecycle. Improper disposal of these materials poses a significant pollution risk, as it can lead to leakage of toxic substances into the soil and groundwater, causing long-term environmental contamination. A project-level E-waste management plan will include provisions for the safe disposal and recycling of these materials, including the proper handling and disposal of old transformers, to ensure effective management of associated risks and impacts. The Project will implement efficient design and installation practices for PV panels and mini-grids to maximize energy output while minimizing waste. This approach includes selecting high-efficiency PV technologies and optimizing grid expansion to reduce

energy losses. Water usage will be carefully monitored, especially in areas where water resources are limited, to ensure that the Project does not impact water availability for other users. Additionally, the Project will ensure that water used for cooling or cleaning PV panels does not adversely affect local water availability.

ESS4 - Community Health and Safety Relevant

Community health and safety risks include those related to labor influx in rural communities surrounding the subproject sites, including SEA/SH cases. Works under Component 1 may generate noise, dust, air pollution, etc. Improper disposal of various types of waste, including E-waste, can lead to community health risks, including contamination of local water sources and agricultural lands, and will be further assessed in the subproject-level/site-specific ESAs and ESIA for grid reinforcement and extension works. The need for security forces is a possibility, though in small amount. Subproject-level/site-specific ESAs and/or ESMPs/ESCOPs, will further assess these risks and include relevant plans to manage them. Furthermore, the ESMPs/ESCOPs consistent with the LMP will include SEA/SH prevention measures to address direct subproject-related risks, such as a code of conduct for workers, capacity-building measures, and dedicated GM channels for SEA/SH. The ESMPs/ESCOPs will also include: measures to manage traffic and road safety risks, mitigation measures related to risks of labor influx, including the implementation of a GBV/SEA/SH Action Plan as part of the ESA, and ESMPs/ESCOPs, and measures to manage the security risks of the subproject. To address security concerns in the Project, prior to engaging security personnel, contractors will conduct a proportionate-to-the-context, assessment of risks and impacts, which includes evaluating local security issues and external threats. This involves examining the background and reputation of security personnel, and ensuring they adhere to a strict code of conduct. Engaging with communities is crucial for identifying potential risks and fostering positive relationships, which can significantly enhance overall security. Additionally, it is important to have in place, the GM for handling complaints, ensuring that community members, and workers can report issues without fear of intimidation or retaliation. Where technically and financially feasible, the Project will also apply the concept of universal access to the design and construction of new buildings and infrastructure.

ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement Relevant

The ESA of the Project indicates that minimal physical or economic displacement (resettlement) is anticipated at this stage. This is primarily because mini-grids are intended to be situated in areas free from encumbrances, such as buildings and other permanent or semi-permanent structures. However, since the exact locations for mini-grid installations or routes for the extension of distribution lines under Component 1 of the Project have not yet been determined, potential impacts cannot be entirely ruled out. Also, the Project cannot entirely rule out that some work could occur on privately owned land, where houses, businesses, and crops are present, potentially leading to compensations and claims. Should the Project impact indigenous peoples through economic or physical displacement, the planning and implementation of resettlement plans (RPs) will strictly adhere to the WB Directive on Disadvantaged or Vulnerable Individuals, and will comply with ESS10, ESS7, and ESS5. In cases where mini-grids are located within indigenous communities and distribution lines traverse these areas, and a small amount of land donation is necessary to complete the works, these donations may be acceptable subject to prior Bank approval. The Project must demonstrate that: i) Indigenous communities have been appropriately informed and consulted about the Project and the choices available to them; ii) Communities are aware that refusal is an option and have confirmed in writing their willingness to proceed with the donation; iii) The amount of land being donated is minor and will not reduce the donor's remaining land area below that required to maintain the donor's livelihood at current levels; iv) No household relocation is involved; v) Communities are expected to benefit directly from the Project; vi) Consent is

obtained from individuals using or occupying the land; and vii) The Project will maintain a transparent record of all consultations and agreements reached. The project design will prioritize avoiding involuntary resettlement wherever possible. The resettlement policy framework (RPF) that is being developed during project preparation, and that will be updated as set out in the ESCP, will guide the formulation of the respective RPs. The RPs will be developed in line with the RPF and implemented prior to the start of any civil works in the area causing such impacts, and will adhere, to the to the following requirements, among others: i) Comprehensively identify and characterize affected individuals, households, and communities, with a focus on vulnerable groups such as women-headed households, landless individuals, and indigenous populations (ESS7); ii) Align with national laws and WB ESSs, particularly ESS5, and design fair compensation and relocation schemes; iii) Establish mechanisms for stakeholder participation and consultation (ESS10), and include a transparent GM; iv) Define a monitoring and evaluation system; v) If necessary, develop a Livelihood Restoration Plan to support displaced people, especially vulnerable groups; and vi) Consider community health and safety impacts, as per ESS4, and be formulated and implemented in conjunction with other relevant ESSs, such as ESS7 and ESS10, ensuring an integrated approach consistent with broader project goals and ESF requirements.

ESS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources Relevant

ESS6 is relevant due to the potential impacts on biodiversity and natural habitats. Project activities are expected to take place in proximity to areas with high biodiversity values, including protected areas, necessitating careful planning to mitigate potential risks and impacts. These activities have the potential to affect natural and critical habitats if not properly managed. Works under Component 1 may lead to habitat clearing and disturbance, particularly in areas in close proximity to protected areas, where there is a risk of impacting endangered species and ecological services benefiting communities within these areas. In addition, the improper management/disposal of E-waste generated by investments under Component 1 can disrupt local ecosystems and habitats, threatening biodiversity. Toxic substances from E-waste can affect flora and fauna, potentially leading to the endangerment of species that are already vulnerable. The ESIA and subproject-level/site-specific ESAs conducted during project implementation will screen potential subproject sites and assess potential impacts on biodiversity. This will include the use of geospatial tools like the Integrated Biodiversity Assessment Tool (IBAT) to identify critical habitats. Project design will prioritize avoiding environmentally sensitive areas such as protected areas, critical and natural habitats, and other areas with high biodiversity values. Regarding distribution grid reinforcement and extension works, special emphasis will be placed on route planning/selection for distribution lines to minimize habitat fragmentation and disturbance to wildlife corridors associated with clearing of vegetation for the RoWs, and avoid areas with high avian populations. Where possible, routes will align with existing infrastructure corridors (e.g. roads, other utility lines) to minimize additional habitat disturbance. Where impacts are unavoidable, infrastructure design will incorporate low-impact construction techniques to minimize land disturbance and preserve existing vegetation. If necessary, construction activities will be scheduled to avoid critical periods for wildlife, such as breeding seasons, to minimize disturbance. Installation of bird diverters and use of line marking to help reduce collision risks, installation of perch deterrents on poles to discourage birds from landing on potentially dangerous areas, as well artificial perching alternatives and designated nesting platforms away from energized components and electrical hazards and insulated cables to mitigate electrocution risks, among other measures, will also be incorporated into project design for high-risk areas identified in consultation with ornithologists and wildlife conservation organizations. Works related to off-grid electrification solutions are expected to take place in modified habitats with low potential for impacting

environmentally sensitive areas. Solar PV panels and minor works associated with mini-grids will most likely be situated on relatively small parcels of land located near and within project beneficiary communities. PV panels and batteries for individual PV systems will be installed on existing structures, including households, businesses, and public facilities such as health and educational centers within the selected project beneficiary communities. The risks and impacts of works associated with distribution grid reinforcement and extension on biodiversity are assessed as moderate, contingent on the implementation of appropriate and timely mitigation measures, and provided they occur in modified habitats. The ESIA and subproject-level/site-specific ESAs conducted during the project implementation phase will further assess project risks/impacts on biodiversity and propose corresponding mitigation measures, additional to the ones set out in the ESA disclosed by appraisal and the ESCP, including biodiversity management plans (BMPs) prepared in accordance with ESS6 requirements, if necessary. For trees that will be cleared, re-planting will be undertaken in compliance with the national requirements. The re-planting sites will be agreed with the National Institute of Forest Conservation and Development, Protected Areas, and Wildlife (ICF, as per its Spanish acronym) including selection of species to prevent potential introduction of invasive species. In addition, the Project will establish a robust monitoring and evaluation plan to track the effectiveness of mitigation measures and ensure compliance with ESS6 requirements, including regular field surveys and consultations with stakeholders to adaptively manage any unforeseen impacts. Also, as stated under ESS3, a project-level E-waste management plan will be implemented to ensure the disposal of these materials in an environmentally sound manner to reduce impact.

ESS7 - Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities Relevant

The Project will operate in communities with indigenous groups (as per ESS7 criteria,) including the Garífunas, in the departments of Gracias a Dios, Olancho, and Colón. During early stage of project implementation, the UCP team will identify specific indigenous communities in the project area. An IPPF is being developed during the project preparation phase, and will be updated as set out in the ESCP, to guide the formulation of Indigenous Peoples Plans (IPPs) if needed. The SEP integrates ESS7 consultation requirements, and ESMPs/ESCOPs to be developed and implemented in IPs territories will follow ESS7 requirements, including culturally appropriate grievance mechanisms. The GM for the SEP, IPPF, and RPF will be the same. Once the local communities are identified as being directly impacted by the Project, their contact channels will be integrated into the GM in accordance with their traditional organizational structures. These channels will facilitate the submission of grievances at the community level, complementing the existing GM channels. The GM's arrangement to address community-level issues will be culturally appropriate, with particular emphasis on indigenous communities. By “culturally appropriate GM for Indigenous communities”, it means that the identification of local GM channels in IPs communities will be based on the cultural norms, values, and practices of these communities, ensuring accessibility and alignment with traditional judicial and customary dispute settlement mechanisms. The mechanism will involve ongoing meaningful consultation while recognizing and preserving the culture, knowledge, and practices of Indigenous communities, allowing them to adapt to changes in a manner acceptable to them. This approach seeks to ensure that the mechanism is effective, respectful, and supportive of Indigenous communities' social and cultural frameworks. Based on the ESA, the Project is not expected to: have adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation, cause relocation of IPs; to cause relocation of indigenous peoples from land and natural resources subject to traditional ownership or under customary use or occupation; to have significant impacts on cultural heritage material to the identity and/or cultural, ceremonial, or spiritual aspects of the affected indigenous peoples; and to have significant impacts on IPs traditional local communities’ lives. Based on the above, FPIC is not a

requirement under ESS7 but if the country's laws require it, the Project will follow the required process to obtain FPIC. According to an internal study conducted for a Bank Project in July 2023, the FPIC process in Honduras encompasses seven key stages: information dissemination, identification and definition of stakeholders, selection and development of consultation tools, implementation of the FPIC process in line with ILO 169, agreement stage, consent and approval, and implementation of results. For the application of FPIC, the GoH aims to collaborate with indigenous organizations active in the project area to ensure the process aligns with both national (including local) and international legislation. The GoH seeks to incorporate local indigenous protocols into the FPIC process, such as Biocultural Protocols for different groups, which serve as methodological tools to facilitate negotiations regarding projects and decisions affecting indigenous communities and their natural resources. The FPIC process includes steps such as initial contact, agreement on the process, discussion of relevant information, decision-making, negotiation, consent agreement, and implementation and monitoring.

ESS8 - Cultural Heritage Relevant

Based on the preliminary scope of work and potential subproject locations, the Project does not seem to have the potential of impacting cultural heritage, both tangible and intangible. As per the ESA, the Project will implement a chance finds procedure within the subproject-level/site-specific ESMPs/ESCOPs to manage any cultural heritage discoveries during implementation. Same, if needed, the Project will prepare, and implement a cultural heritage management plan (CHMP) as part of the ESMPs/ESCOPs, in accordance with the guidelines of the ESA and consistent with ESS 8.

ESS9 - Financial Intermediaries Not Currently Relevant

The standard is not relevant to the Project.

B.2 Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways	No
OP 7.60 Operations in Disputed Areas	No

B.3 Other Salient Features

Use of Borrower Framework No

None

Use of Common Approach No

None

C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by implementation?

As part of the project preparation phase and prior to appraisal:

1. Prepare, consult, and disclose an environmental and social assessment (ESA).
2. Prepare, consult, and disclose a draft stakeholder engagement plan (SEP).
3. Prepare a draft an environmental and social commitment plan (ESCP) disclosed prior to appraisal and updated for negotiation and after negotiation. Each ESCP version will be immediately disclosed by the Association and the Client.

During project implementation, the Project will:

1. Update, finalize, and implement all environmental and social standards (ESSs) instruments as per the requirements and timeframe of the negotiated ESCP.
2. Develop and implement a comprehensive environmental and social impact assessment (ESIA) and environmental and social management plan (ESMP) for distribution grid reinforcement and extension works as per the terms of reference acceptable to the Bank and within the timeframe of the negotiated ESCP.
3. Develop and implement necessary environmental and social assessments (ESAs), ESMPs and environmental and social codes of practice (ESCOPs) for all other respective subprojects. The latter will follow the guidelines in the ESA developed during the project preparation phase, the negotiated ESCP, the project operation manual (POM), and the ESIA.
4. Update and implement the following environmental and social instruments during the project implementation phase and after effectiveness, and within the timeframe of the negotiated ESCP: resettlement policy framework (RPF), indigenous people's planning framework (IPPF), labor management procedures (LMP), grievance mechanism (GM) with channels for labor and public grievances, including those related to sexual exploitation, abuse, and sexual harassment (SEA/SH), a project-level E-waste management plan, resettlement plans (RPs), ESMPs, and ESCOPs.
5. Implement all other requirements as per the ESCP.

III. CONTACT POINT

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IV. FOR MORE INFORMATION CONTACT

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