Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 03/28/2025 | Report No: ESRSC04869

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), Secretaria de Energia (SEN)	04-Jun-2025	15-Oct-2025
Estimated Concept Review Date	Total Project Cost		
20-Mar-2025	87,000,000.00		

Proposed Development Objective

To expand access to electricity services 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 & 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

A Program Coordinating Unit (UCP, as per Spanish acronym) has been established by the National Electric Energy Company (ENEE, as per Spanish acronym) 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 and other multilaterals such as the Inter-American Development Bank (IDB), the Central American Bank for Economic Integration (CABEI), and the Japan International Cooperation Agency (JICA). The UCP/ENEE will collaborate with the Social Fund for Electric Development (FOSODE, as per Spanish acronym), responsible for supervising and reporting on the progress of electrification activities to the World Bank. Both the UCP/ENEE 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/ENEE lacks experience implementing WB projects under the ESF, therefore, the Bank will recommend capacity-building measures, considering lessons learned from other projects, potentially extending to other collaborative agencies like FOSODE. The findings, recommendations, and actions will be documented in the appraisal ESRS and the Project ESCP. As part of

Project preparation, on December 4, 2024, the World Bank ESF Team delivered virtual ESF training to the UCP/ENEE, involving over 15 specialists. The UCP/ENEE has begun consulting with Garifuna communities and will further involve other IPs 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/OHS specialist availability, OHS compliance, and strong OHS measures for smaller contractors.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Substantial

A.1 Environmental Risk Rating

Substantial

The environmental risk rating is considered Substantial. This rating is based on the high biodiversity values and 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) occupational health and safety (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 full range of key risks and impacts will be further assessed during the Environmental and Social Assessment (ESA) disclosed by project appraisal. Appropriate measures to prevent or mitigate risks will be identified and set out in the Project's ESCP. These will align with good international industry practice (GIIP) as outlined in the World Bank Group General Environmental, Health, and Safety (EHS) Guidelines. The environmental risk rating will be reassessed during preparation as more details become available and 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 building minor public infrastructure, monitoring systems for mini-grid construction, and installing solar panels for individual photovoltaic 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 Environmental and Social Standard (ESS). 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. Relevance of Standards and Policies at Concept Stage

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. These will be further assessed during the ESA for Components 1 & 2 of the Project and disclosed by project appraisal. The ESA will inform project design in line with the Directive on Vulnerable people, and will ensure that the E&S risks and impacts, including risks of exclusion from Project components' benefits including Component 2, are fully identified, evaluated & managed properly. The appropriate methods & tools for managing the E&S risks and impacts, will be set out in the ESCP by appraisal. These are likely to include a screening checklist, generic ESMPs/ESCOPs, to be incorporated into the project bidding documents. Also, a project-level e-waste management plan, LMP, a SEP, Grievance Mechanisms (GMs), a capacity building plan, and other necessary E&S instruments will also be developed.

ESS10 - Stakeholder Engagement and Information Disclosure Relevant

Main project stakeholders include government agencies, local governments, private sector, CSOs, Environmental CSO's , indigenous peoples communities, vulnerable groups (women, the unemployed, low-income households, youth, and persons with disabilities), other projects (as interested parties). Stakeholders will be further defined during project preparation, including to address biodiversity conservation. Prior to appraisal, the Project will prepare, start to consult with the above stakeholders, including IPs and women, and disclose a draft SEP, consistent with ESS10. The SEP will include a GM to ensure that all project-level complaints are received and resolved in a timely manner, with channels to manage SEA/SH complaints confidentially. The SEP will also address the requirements of meaningful consultations, and Free, Prior, & Informed Consent (FPIC) in contexts involving Indigenous Peoples, consistent with ESS7. If necessary, the SEP will be updated within the timeframe of the ESCP.

ESS2 - Labor and Working Conditions Relevant

The Project will include direct and contracted workers. The engagement of community and primary supply workers will be defined during project preparation. 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, the Project will prepare an LMP consistent with the national laws and ESS2, and within the ESCPs timeframe. The Project GM will have dedicated channels to address workers' grievances and SEA/SH-related complaints. The LMP will include a code of conduct for project workers, provisions on non-discrimination, prevention of SEA/SH, and procedures for incident and accident reporting.

ESS3 - Resource Efficiency and Pollution Prevention and Management Relevant

The Project will finance minor civil works under Component 1. Environmental impacts during construction are not expected to be significant and will likely be predictable, temporary, and localized, including those related to air, soil and water pollution, noise, and waste management, and for which proven mitigation measures and strategies exist.

Procedures to avoid dumping construction waste in uncertified sites/in the open will be included in ESMPs/ESCOPs. During operation, improper disposal of solar panels, batteries, and transformers can lead to leakage of toxic substances into the soil and groundwater, causing long-term environmental contamination. The lack of adequate recycling facilities means that valuable materials contained in the e-waste may not be recovered, leading to resource inefficiency. The establishment of a project-level e-waste management plan and adherence to measures set out in ESMPs/ESCOPs will be needed to ensure proper management of associated risks and impacts.

ESS4 - Community Health and Safety Relevant

Community health & safety risks may 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 e-waste can lead to community health risks, including contamination of local water sources and agricultural lands, & will be further assessed in the ESA. The need for security forces will be assessed during preparation. Subproject ESAs and/or ESMPs/ESCOPs will further assess these risks and include relevant plans to manage them as part of the ESMPs/ESCOPs. Furthermore, the ESMPs/ESCOPs and LMP will include SEA/SH prevention measures to address direct project-related risks, such as a code of conduct for workers, capacity-building measures, and dedicated GM channels for SEA/SH. 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

Some of the works under Component 1, could pose low to moderate risks of involuntary resettlement, including temporary economic or permanent physical displacement, and considering that some of the area is privately owned and there could be houses, businesses, and crops where work could take place. The latter could also be the case for Indigenous People (IP) individuals, for which the Project will follow the World Bank Directive on Disadvantaged or Vulnerable Individuals. Alternatively, for land that could be donated by IPs, it will be subject to prior Bank approval. The Project will ensure that proper arrangements are made with the respective indigenous communities for the use of these lands and will obtain their consent, in line with ESS5. A Resettlement Policy Framework (RPF) will be developed or adapted from another Honduras IPF Project, to guide the formulation of the respective Resettlement Plans (RPs). The timing of the RPF and the RPs will be determined in the Project's ESCP.

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

Based on the preliminary scope of work and potential subproject locations, Project interventions are not expected to result in biodiversity loss. This will be further assessed as part of the elaboration of the ESA. Works associated with the mini-grids will likely take place on relatively small parcels of land in already disturbed areas with low potential for impacting environmentally sensitive areas. Solar panels for the individual photovoltaic systems will be installed on existing housing and public infrastructure within selected communities. The improper management and disposal of large volumes of e-waste can lead to significant environmental contamination, adversely affecting terrestrial and aquatic ecosystems. Risks and impacts as per ESS6 will be further assessed during the ESA disclosed by project appraisal. Appropriate mitigation measures will be outlined in the ESA and/or ESMPs/ESCOPs, as well as in the project-level e-waste management plan.

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 Garifunas, in the departments of Gracias a Dios, Olancho, and Colón. During preparation, the team will identify specific indigenous communities in the project area. An IPPF will be developed within the timeframe indicated in the ESCP, to guide the formulation of Indigenous Peoples Plans (IPPs) if needed. The SEP will integrate 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. The Project will follow an FPIC approach for land consent (ESS5) related to potential donation of land in IPs territories for electric mini-grids that will benefit their territories, and that will be done in line with ESS7 and good national and international practices. FPIC approach will be described in the A-ESRS.

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. During preparation, related risks and impacts will be further assessed, and as part of the elaboration of the ESA, and if needed, addressed in the relevant ESAs/ESMPs/ESCOPs. The Project will also implement a chance finds procedure within the ESMPs/ESCOPs to manage any cultural heritage discoveries during implementation.

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 Appraisal?

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

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 Environmental and Social Commitment Plan (ESCP) that will be disclosed 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 necessary Environmental and Social Assessments (ESAs), Environmental and Social Management Plans (ESMPs) and Environmental and Social Codes of Practice (ESCOPs) for respective subprojects. The latter will follow the guidelines in the ESA developed during the Project Preparation Phase, the negotiated ESCP, and the Project Operation Manual (POM).
3. Develop and implement the following E&S 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), and a project-level e-waste management plan.
3. Implement all other requirements as per the ESCP.

III. CONTACT POINT

World Bank

Task Team Leader:	Laura Wendell Berman	Title:	Senior Energy Specialist
Email:	lberman@worldbankgroup.org		
TTL Contact:	David Vilar Ferrenbach	Job Title:	Senior Energy Specialist, Program Leader
Email:	dvilar@worldbank.org		

IV. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: http://www.worldbank.org/projects

V. APPROVAL	
Task Team Leader(s):	Laura Wendell Berman, David Vilar Ferrenbach
ADM Environmental Specialist:	Jorge Alberto Quinonez Zepeda
ADM Social Specialist:	Norman Russle Howard Taylor