

INTEGRATED SAFEGUARDS DATA SHEET CONCEPT STAGE

Report No.: ISDSC1539

Date ISDS Prepared/Updated: 22-Jul-2013

Date ISDS Approved/Disclosed: 12-Oct-2013

I. BASIC INFORMATION

A. Basic Project Data

Country:	Honduras	Project ID:	P131602
Project Name:	Sustainable rural energy services (P131602)		
Task Team Leader:	Migara Jayawardena		
Estimated Appraisal Date:	10-May-2013	Estimated Board Date:	24-Oct-2013
Managing Unit:	LCSEG	Lending Instrument:	Specific Investment Loan
Sector(s):	Other Renewable Energy (100%)		
Theme(s):	Rural services and infrastructure (50%), Rural markets (50%)		
Financing (In USD Million)			
Total Project Cost:	13.00	Total Bank Financing:	0.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			3.00
Strategic Climate Fund Grant			10.00
Total			13.00
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

B. Project Objectives

The development objective for the proposed project is to enhance the enabling framework and business models to increase access to clean energy services in rural and peri-urban areas. This will be achieved through the promotion of public and private investments in renewable energy for off-grid electrification and efficient cooking solutions.

C. Project Description

The proposed project consists of the following three components:

1. Component 1: Strengthening Policy and Regulatory Framework (Total: USD 1.00 million - USD 0.85 million SREP-WB, USD 0.15 million GoH). The main goal of this component is to create a more conducive regulatory structure and guidance that would better facilitate greater rural electrification utilizing renewable energy and access to modern cooking solutions. A key activity is the preparation of an indicative Rural Electrification Master Plan that would provide an umbrella policy, which would provide clarity and guide the various scattered electrification efforts including new activities in a cohesive manner that is necessary to progress towards universal electrification. The Master Plan will provide a framework for the development of rural electrification at a national scale by identifying the potential markets for rural electrification, proposing the least-cost technical options to serve those markets, estimating the corresponding investment required, and providing the main technical, social and environmental constraints to be considered. The component will also support the preparation of any other supporting policies and regulations that are identified during preparation and implementation as being important to achieve the overall electrification and energy access goals.

2. Component 2 : Increasing Rural Energy Access

□ Component 2A: Off-Grid Rural Electrification (Total: USD 8.50 million - USD 7.0 million SREP-WB, USD 1.50 million GoH). The aim of this sub-component is to assist the GoH develop a national program that will progressively help achieve universal connectivity, particularly focusing on targeting Mancomunidades (grouped Municipalities) that the grid expansion programs are unlikely to serve. It will seize on the existing momentum and private sector capacity that has already been built and look to supporting immediate scale-up of access in areas where there is scope for expansion under existing modalities. The component will also develop specific additional business models that will reach more deeply into rural areas with dispersed populations that would remain unserved under present modalities (i.e. the private dealer model). The effort will primarily focus on household (and community facilities) level electrification through solar photovoltaic systems, and where there are opportunities for off-grid clustered solutions, very small hydroelectric schemes (typically less than 100 kW) will be considered. The component will be prepared in coordination with other programs including the World Bank funded PROSOL, in order to support existing efforts and ensure complementarity; and include technical assistance to build institutional capacity for effective implementation. The areas of interventions and specific business models that will be supported under the proposed project, the scale of the initial intervention, project impacts including gender impacts, scope for promoting productive activities, and implementation arrangements will be determined during project preparation with the assistance of a consultancy.

□ Component 2B: Efficient Cookstove Program (Total: USD 1.93 - USD 1.43 million SREP-WB, USD 0.50 million GoH). This component will be designed to scale-up access to more efficient cooking solutions for the poor in mainly rural and some peri-urban areas. It will develop a comprehensive national program targeting the entire value chain for delivering cookstoves that will create a national strategy and enabling framework, establish standards and certifications, identify financing mechanisms and develop incentives, and build capacity within the private and public sector to implement the program. The component will identify and help strengthen existing efficient business models which take into account socio-cultural preferences (including gender considerations), also helping to design and establish new ones, in order to sustainably and cost-efficiently scale-up the use of clean and efficient cookstoves. It is envisaged that aspects of the program that can most effectively be implemented through the public sector (i.e. mainly initiatives that improve market conditions and investment climate such as development of awareness campaigns, establishment of cookstove standards and certification processes, and monitoring and

evaluation frameworks, among others) will be implemented through the proposed project, while various other stakeholders will implement the private aspects, including through a SREP funded related project supported by the Inter-American Development Bank (FOMIN – one of the private sector arms of IDB). The preparation of this component is being carried out in full coordination with IDB as well as other private stakeholders in the cookstoves industry.

3. Component 3: Project Management Support (including Monitoring and Evaluation) (Total: USD 0.61 million - USD 0.51 million SREP-WB, USD 0.10 million GoH). Support implementing agency to coordinate a national rural energy access program including performing monitoring and evaluation.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Development of activities from Component 2A. Off-Grid Rural Electrification might be implemented in selected “Mancomunidades” (a group of joined Municipalities) while activities of Component 2B. National Cookstove Program is expected to be nationwide. Further details on the selected Mancomunidades and locations of the project area will be defined during project preparation.

E. Borrowers Institutional Capacity for Safeguard Policies

The Honduras Finance Secretary (SEFIN) will serve as the main conduit for the SREP funds, while the project components will be ultimately implemented by other entities that specialize in rural electrification and the modern cooking solutions. These implementing entities will be identified during project preparation and will be defined depending of the needs of the specific business models that the proposed project will ultimately support. Once these agencies are defined, an assessment of the environmental and social management and supervision capacity will be assessed, as necessary.

Main risks are associated with the project implementation include: (i) participation of several national institutions, some with limited experience in environmental management, (ii) potentially weak capacity of environmental supervision by the Implementing agencies at the central or local level. SERNA, which is the national authority on environmental impact assessment, water resources and energy, also has limited staff and it is slow in its resolutions which could affect project implementation.

F. Environmental and Social Safeguards Specialists on the Team

Jason Jacques Paiement (LCSSO)

Ruth Tiffer-Sotomayor (LCSEN)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	Based on the project characteristics, a category B is proposed. The introduction of Solar Home Systems (SHS) and more efficient cookstoves will have a positive environmental impact by (i) reducing the use of fossil fuels and petroleum products for lighting and cooking which affect household air quality; (ii) possibly decrease amount of wood needed by more efficient cookstoves, (iii) and it is also expected to have a

		<p>positive social impact due to the improvement of the quality of lives of the beneficiaries. Small scale hydropower will also bring electricity to rural communities far from the National grid. Potential environmental impact associated with the proposed project activities might include the eventual generation of hazardous wastes (disposal of solar systems batteries) and the typical impacts due to construction of small scale hydropower. Main risks are associated with the project include: (i) participation of several national institutions, some in the financial sector with little experience in environmental management, (ii) limited capacity of environmental supervision by the Implementing agencies at the central or local level and (iii) potentially slow issuance of environmental permits.</p> <p>To ensure that any environmental issues by the project activities is appropriately addressed by the selected implementing agencies, SEFIN will prepare an Environmental and Social Management Framework (ESMF) to meet World Bank safeguards policies and national applicable legislation. The ESMF will include among others: i) a diagnostic of the potential environmental and social impacts that the subprojects could caused, ii) screening and supervision instruments, iii) guidelines for the preparation of the Environmental Management Plans (EMP), iv) definition of the grievance mechanisms, and procedures for consultations and communication plans. The ESMF will be consulted with relevant stakeholders and disclose at the World Bank and SEFIN web sites before appraisal.</p>
Natural Habitats OP/BP 4.04	Yes	<p>This policy is triggered since project activities will include development of small scale hydropower which can generate potential impacts to stream and other ecosystems. It is also triggered as a preventive measure since project locations are not known and several watersheds have been declared as protected areas in Honduras. Although unlikely, there is a possibility that projects may need construction of access roads which can affect natural</p>

		habitats. An Environmental and Social Management Framework will ensure the policy is addressed properly by screening subprojects, defining preventing and mitigation measures, ensuring compliance with national legislation, adequate supervision and consultation, and if needed, measures to ensure ecological flows in small scale hydropower schemes.
Forests OP/BP 4.36	TBD	During preparation, the team will assess if the types of investments for the cookstoves or off grid electrical distribution lines will require any forest permit from the Honduras Forest Agency (ICF) or pressure of firewood collection will require any mitigation measure.
Pest Management OP 4.09	No	The project will not finance the purchase of agrochemicals/pesticides, nor will support any investments in the agriculture sector.
Physical Cultural Resources OP/ BP 4.11	Yes	Honduras is a very rich country in archeological and cultural resources. This policy is triggered since the project will include construction of civil works and soil movements (small scale hydropower projects). The ESMF will include measures to ensure adequate prevention measures in case of chance findings to avoid impacts to cultural resources and compliance with the national legislation.
Indigenous Peoples OP/BP 4.10	Yes	This policy is triggered since the geographic scope of the project is potentially nation-wide, meaning that some indigenous and Afro-Honduran communities could potentially benefit. Initial screening indicates that there are Garifuna communities, mainly in the municipality of Tela in Atlántida, and Lenca, Misquito and Pech communities in other municipalities. The participatory methodology of the proposed Project will facilitate the inclusion of indigenous and Afro-Honduran peoples. An Indigenous Peoples' Planning Framework (IPPF) based on a Social Analysis will be prepared. The social assessment will evaluate the accessibility and cultural adequacy of (a) the overall project governance and communication strategy; (b) the eligibility criteria; (c) the design of cookstoves and their maintenance; and (d) issues related to training and management of PV system maintenance,

		operations, and related tariffs. As specific project locations are defined, Indigenous Peoples Plans (IPP) would be prepared where necessary.
Involuntary Resettlement OP/BP 4.12	TBD	The project is not expected to require any involuntary resettlement and it is highly unlikely that project activities will result in land acquisition. However, the Environmental and Social Management Framework (ESMF) will evaluate the likelihood that some small amounts of land may be required for the construction of the micro-hydroelectric schemes. As the precise locations and design specifications for the schemes may not be determined prior to project appraisal, a safeguard evaluation will determine if a Resettlement Policy Framework will be required to provide simple standards for assessing value, confirming eligibility and providing compensation in accordance with OP 4.12.
Safety of Dams OP/BP 4.37	No	The project will not support the construction or rehabilitation of dams (as defined in the policy) nor will support other investments which rely on the services of existing dams. If small dams are build for the micro-hydropower projects, safety measures and environmental evaluation will be considered as part of the OP 4.01, ensuring the environmental assessment, preparation of an EMP and safe engineering design.
Projects on International Waterways OP/BP 7.50	TBD	The small microhydro schemes are not expected to trigger the policy by virtue of its nature and scale, but this will be further confirmed once the specific project sites are identified during project preparation.
Projects in Disputed Areas OP/BP 7.60	No	The project activities will not take place on dispute areas of Honduras with neighbor countries.

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 01-Jan-2014

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

Environmental and Social Management framework should be finalized and disclosed before appraisal which is planned by April, 2014.

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

IV. APPROVALS

Task Team Leader:	Name: Migara Jayawardena	
<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name: Dianna M. Pizarro (RSA)	Date: 24-Jul-2013
Sector Manager:	Name: Malcolm Cosgrove-Davies (SM)	Date: 12-Oct-2013