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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED GRANT

FROM THE STRATEGIC CLIMATE FUND – FOREST INVESTMENT PROGRAM (SCF-FIP)

IN THE AMOUNT OF

US\$930,000

TO THE

CENTRO DE AGRICULTURA ALTERNATIVA DO NORTE DE MINAS

(CENTER OF ALTERNATIVE AGRICULTURE FROM THE NORTH OF MINAS, CAA/NM)

FOR THE

BRAZIL DEDICATED GRANT MECHANISM (DGM) BR DGM FOR INDIGENOUS PEOPLE AND
TRADITIONAL COMMUNITIES PHASE 2

October 31, 2022

Environment, Natural Resources & The Blue Economy Global Practice
Latin America And Caribbean Region

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CURRENCY EQUIVALENTS

(Exchange rate effective on August 22, 2022)

Currency Unit = Brazilian Real

US\$1 = BRL 5.12

FISCAL YEAR

July 1–June 30

Regional Vice President: Carlos Felipe Jaramillo

Country Director: Johannes Zutt

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Alberto Coelho Gomes Costa

ABBREVIATIONS AND ACRONYMS

BNDES	Banco Nacional de Desenvolvimento Social e Econômico <i>Brazilian National Bank for Social and Economic Development</i>
CAA-NM	Northern Minas Alternative Agriculture Center <i>(Centro de Agricultura Alternativa do Norte de Minas)</i>
CBO	Community-based organizations
CIF	Climate investment funds
Covid19	Coronavirus Disease
CPF	World Bank Group's Country Partnership Framework
DGM	Dedicated Grant Mechanism for Indigenous Peoples and Traditional Communities
ESMF	Environmental and Social Management Framework
FIP	Forest Investment Program
FUNAI	National Indigenous Peoples Foundation <i>(Fundação Nacional do Índio)</i>
FCP	Palmares Cultural Foundation <i>(Fundação Cultural Palmares)</i>
FMA	Financial management assessment
GDP	Gross domestic product
GHG	Greenhouse gas
GIZ	German Agency for International Cooperation <i>(Deutsche Gesellschaft für Internationale Zusammenarbeit)</i>
GRM	Grievance redress mechanism and complaints procedures
GRS	Grievance Redress Service
ILO	International Labor Organization
INCRA	National Institute for Colonization and Agrarian Reform <i>(Instituto Nacional de Colonização e Reforma Agrária)</i>
IPTC	Indigenous Peoples and Traditional Communities
IPQTCs	Indigenous Peoples, <i>Quilombolas</i> , and Traditional Communities
IRR	Internal Rates of Return
KfW	<i>German Development Bank</i> <i>(Kreditanstalt für Wiederaufbau)</i>
LUCF	Land use change and forestry
M&E	Monitoring and evaluation
NEA	National Executing Agency
NPCC	National Policy on Climate Change
NRM	Natural resource management
NSC	National Steering Committee
NTFP	Nontimber forest products
NPV	Net present Value
PNGATI	National Policy for Environmental and Territorial Management of Indigenous Lands <i>(Política Nacional de Gestão Territorial e Ambiental de Terras Indígenas)</i>
PNPCT	National Policy for the Sustainable Development of Traditional Peoples and Communities <i>(Política Nacional de Desenvolvimento Sustentável dos Povos e Comunidades)</i>

	<i>Tradicionais)</i>
REDD+	Reducing emissions from deforestation and forest degradation plus forest conservation, sustainable management of forests, and carbon stock enhancement
RPPN	Private natural heritage reserves (<i>reserva particular do patrimônio natural</i>)
SEP	Stakeholder Engagement Plan



BASIC INFORMATION

Is this a regionally tagged project? No		Country (ies)
Financing Instrument Investment Project Financing		Classification Small Grants
Approval Date 21-Nov-2022	Closing Date 30-Nov-2024	Environmental and Social Risk Classification Moderate
Approval Authority CDA	Bank/IFC Collaboration No	
Please Explain		

Proposed Development Objective(s)

To support the adoption and dissemination of sustainable and resilient natural resource management knowledge and livelihood practices among Indigenous Peoples, Quilombolas, and Traditional Communities in the Cerrado Biome.

Components

Component Name	Cost (USD Million)
Sustainable Community Subprojects	650,000.00
Capacity Building, Communication and Knowledge Exchange	100,000.00
Project Management, Monitoring and Evaluation	180,000.00

Organizations

Borrower : Centro de Agricultura Alternativa do Norte de Minas



Performance-Based Conditions (PBCs)

Contingent Emergency Response Component (CERC)

Alternative Procurement Arrangements (APA)

Hands-on Expanded Implementation Support (HEIS)

Practice Area (Lead)

Environment, Natural Resources & the Blue Economy

Contributing Practice Areas

Social Sustainability and Inclusion

OVERALL RISK RATING

Risk Category

Rating

Overall

● Moderate

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
Cultural Heritage	Relevant
Financial Intermediaries	Not Currently Relevant

Legal Covenants

Sections and Description

Article II 2.03 A. The Recipient shall maintain at all times during Project implementation, the National Steering Committee. The Recipient and the NSC shall follow the guidelines set forth in the Project Operational Manual and in the DGM Framework Operational Guidelines.

Sections and Description

Article II 2.03 B. The Recipient shall maintain at all times during Project implementation a Project management unit, with terms of reference and resources satisfactory to the Bank, and competent staff in adequate numbers.

Sections and Description

Article II 2.04. (a) The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.

Sections and Description



Article II 2.04. (b) Without limitation upon paragraph (a), the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank.

Sections and Description

Article II 2.04 (e) The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Bank.

Sections and Description

Article II 3.02. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement, except those withdrawals up to an aggregate amount not to exceed \$93,000 equivalent may be made for payments made prior to this date but on or after February 4, 2022, for Eligible Expenditures under Category (3) of the Project.

Conditions

Type	Financing source	Description
Effectiveness	Trust Funds	Article IV, 4.01 (a): Operational Manual has been adopted by the Recipient.

Type	Financing source	Description
Effectiveness	Trust Funds	Article IV, 4.01 (b): the execution and delivery of this Agreement on behalf of the Recipient have been duly authorized or ratified by all necessary corporate action.

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
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Patricia Rodrigues de Melo	Team Member	WFACS	
Extended Team			
Name	Title	Organization	Location



BRAZIL

BR DGM FOR INDIGENOUS PEOPLE AND TRADITIONAL COMMUNITIES PHASE 2

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I. STRATEGIC CONTEXT

A. Country Context

Macroeconomic and Fiscal Situation

- 1. The COVID-19 pandemic has exposed Brazil to unprecedented social and economic challenges.** By July 2022, Brazil had the third largest number of confirmed COVID-19 cases in the world (over 34 million cases), and the second highest death toll (680,000 deaths). In addition, Brazil ranks 16th in the number of deaths per 100,000 people.¹ By the end of March 2020, most of the states and larger municipalities had implemented social distancing measures to contain the spread of the virus, but these were unevenly enforced and adhered to across the country. The pandemic and Brazil's multidimensional policy response resulted in substantial economic impacts in the second quarter of 2020. In order to protect the most vulnerable from the impacts of COVID-19, the Government of Brazil (GoB) put forward a large, timely, targeted and time-bound fiscal package focused on social assistance. The cost of this package reached around R\$789.5 billion in 2020 (US\$145.9 billion), or 11.2 percent of GDP.²
- 2. The ongoing COVID-19 pandemic caused an economic recession in 2020, with GDP dropping by 3.9 percent in 2020, but a 4.6-percent GDP growth rebound followed suit in 2021.** The Brazilian economy is recovering from a steep plunge observed in the first two quarters of 2020 and is currently managing to reduce the depth of the recession for the year. This results from a relatively swift lifting of the economic lockdown and decisive monetary and fiscal policy measures, including a temporary cash-transfer program to benefit the most vulnerable. Mining and agriculture are expected to continue growing, supported by improving external prospects, and a weakened exchange rate. Industry is firmly recovering with rising domestic demand. The service sector rebound, however, is expected to be heterogeneous, as activities that are more dependent on face-to-face interactions—such as tourism, restaurants, and air travel—remain constrained.
- 3. Poverty rates have risen to about 21.5 percent in 2021 (compared to 20 percent in 2019) and projected to remain at similar levels through 2023, after the temporary income-support measures expired, and against the backdrop of a weak labor market recovery.** The crisis is expected to result in a drop in labor income, which was amplified by high and persistent inflation. Low-salary and informal workers are particularly vulnerable. The workforce and the labor market participation rate have improved from the second half of 2020 and accelerated its growth in 2021 and 2022.
- 4. Brazil needs to accelerate its productivity growth and infrastructure development to boost long-term growth.** As a result of Brazil's low total factor productivity (TFP) growth between 1996 and 2015, its per capita income has risen by just 0.7 percent per year since the mid-1990s. This corresponds to one tenth of the rate in China, and only half the average in OECD countries. In addition, Brazil has one of the lowest investment levels in infrastructure when compared to its peers (1.7 percent of GDP in 2021).³ This has resulted in a deterioration of its infrastructure stock and severe production bottlenecks. With limited fiscal space, a dwindling demographic bonus, and the COVID-19 pandemic intensifying pressures on socio-economic outcomes, accelerating productivity growth in a sustainable manner remains key to unlocking long-term growth. Toward this end,

¹ Recent reports point to potential underreporting: <https://ciis.fmrp.usp.br/covid19/analise-subnotificacao/>.

² R\$37 billion (US\$6.8 billion) in transfers to partially compensate states for tax-revenue losses due to the recession.

³ Mexico, Argentina, Colombia, Peru, Indonesia, South Africa, Chile, Russia, India and China.



reforms should focus on boosting market competition; opening the economy to external trade, which could reduce input and technology prices; and simplifying the tax system. Furthermore, higher levels of investment in infrastructure are needed to ensure an adequate stock of infrastructure capital; remove production bottlenecks; increase climate change resilience; and expand access to social services. This calls for enhancing the federal government's planning capacity, improving the regulatory environment, investing in sustainable productive sectors and leveraging private resources to finance investments.

Environmental and Climate Change Context

5. **Brazil is a critical player for global climate mitigation in view of its size and potential for carbon sink and carbon removal.** Brazil's carbon footprint has been growing over the past 10 years, with greenhouse gas (GHG) emissions rising by 2.3 percent annually on average, making it one of the top 10 global emitters by virtue of its size. In 2018, Brazil contributed with 2.9 percent of global net GHG emissions, and in 2020, its total gross emissions reached 2.16 billion tCO₂e.⁴ This increase is dominated by land use change and forestry (LUCF), and ranks second in the world in terms of net emissions from these sectors. Brazil's institutional environmental sustainability framework faces important difficulties in implementing and enforcing measures against deforestation. In 2020, the LUCF sector was the largest emitter, accounting for 998 million tCO₂e (or 46 percent of total country emissions). In the same year, agriculture and cattle raising accounted for 577 million tCO₂e (27 percent of the total). Brazil's energy sector ranked third (nearly 394 tCO₂e, or 18 percent of the total), largely because of the significant share of renewables in the country's energy mix (18 percent). Finally, industrial processes and waste were relatively smaller gross emitters (100 million and 92 million tCO₂e, respectively). Much of this LUCF emission is coming from deforestation in the Amazon and in the Cerrado Biome -an agricultural powerhouse.

6. **The Cerrado is a strategic biome for economic and environmental reasons, as well as for food security.** The Cerrado Biome is a savanna-forest mosaic located in central Brazil, south and east of the Amazon Biome, covering almost one quarter of the country (2.04 million km²). Stretching over 10 states (Goiás, Tocantins, Mato Grosso, Mato Grosso do Sul, Minas Gerais, Bahia, *Maranhão*, Piauí, Paraná, and São Paulo) and the Federal District, it is the largest wooded savanna area in a single country, and holds significant reserves of carbon, water resources, and biodiversity. Cerrado forests are important due to the substantial amount of carbon stored in their biomass and soils, as well as their biodiversity. Furthermore, the Brazilian Cerrado is considered the world's most biodiverse savanna, and one of the world's biodiversity hotspots. There is a great diversity of habitats, which results in a remarkable wealth of species with different phytophysiognomies (for example, there are 11,627 registered species of native plants alone). The Cerrado is home to an enormous abundance of endemic species, although these are currently facing serious habitat loss. It is also the headwaters of South America's three largest drainage basins (Amazon/Tocantins, São Francisco, and Prata), resulting in the region's high aquifer potential and rich biodiversity. Finally, it plays a critical role in maintaining habitat connectivity, because it shares borders with nearly all other Brazilian biomes (except for coastal ecosystems and the Pampas).

7. **The Cerrado is facing a rapid expansion of the agricultural frontier resulting from commodity and biofuel production.** Over the past 30 years, the biome's vegetation has seen a rapid change due to agricultural expansion. Much of Brazil's agricultural growth has taken place in the Cerrado, primarily through cattle ranching and the mechanized commercial production of soybeans, maize, and cotton. Presently, the Cerrado is responsible for 70 percent of Brazil's agricultural production. It accounts for 95 percent of all cotton, 54 percent

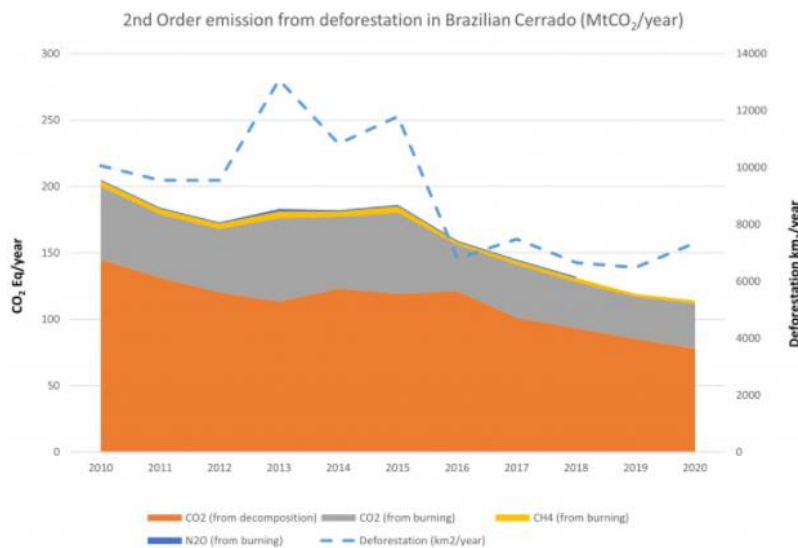
⁴ INPE-EM: Estimated greenhouse gas (GHG) emissions from land cover changes, <http://inpe-em.ccst.inpe.br/en/deforestation-driven-gross-emissions-old-growth-forests-cer/>



of all soybean, 55 percent of all beef, and 43 percent of all sugarcane produced in Brazil. In terms of production area, the most relevant commodities produced in the Cerrado region are beef cattle and soybean. This expansion has reshaped Cerrado landscapes, and generated high environmental costs, including significant land degradation and biodiversity and agriculture productivity losses. The rapid expansion of agriculture over the past three decades has had a high environmental cost, including habitat fragmentation, invasion of exotic species, and biodiversity loss, not to mention soil erosion, land degradation, and aquifer aggradation and pollution. Approximately 100 million hectares have been converted into cultivated pastures or extensive agricultural areas. According to some indexes, over 65 percent of the original Cerrado area has already been strongly modified, and about 40 percent of the area is now degraded.

8. **As a result of these pressures, the Cerrado is increasingly threatened by deforestation and land use change.** The findings of the TerraClass Cerrado report (2018) indicate that the Brazilian Cerrado has lost 81 Mha (50.6 percent) of its native vegetation cover. Between 1990 and 2017, the Cerrado Biome was responsible for an aggregated gross emission of 7 GtCO₂e from land use changes. In 2017, the Cerrado was responsible for 159 MtCO₂e in land use change emissions, accounting for 17 percent of Brazil's emissions in the land use sector in that year. In comparison, land use change in the Amazon accounted for 530 MtCO₂e, or 56 percent, in the same year (see: Fig 1). Land use changes related to the expansion of the agricultural frontier and the conversion of forests into planted pastures largely account for the Cerrado's increasing share in Brazil's GHG emissions, even though deforestation and gross GHG emissions have steadily declined in recent decades.

Figure 1: Second Order emissions from deforestation in Brazilian Cerrado (MtCO₂e/year) -2010-2020.



Source: INPE-EM: Estimated greenhouse gas (GHG) emissions from land cover changes, <http://inpe-em.ccst.inpe.br/en/deforestation-driven-gross-emissions-old-growth-forests-cer/>.

9. **Climate change is expected to impose additional pressures on the Cerrado. Under different scenarios studied by the Stern Review⁵ and the Intergovernmental Panel on Climate Change (IPCC), by 2050, climate change is expected to cost Brazil an estimated 0.5 percent to 2.3 percent of its GDP.** These impacts will: (i) hit

⁵ Stern, Nicholas. 2007. *The Economics of Climate Change: The Stern Review*. Cambridge University Press, available at http://mudancasclimaticas.cptec.inpe.br/~rmclima/pdfs/destaques/sternreview_report_complete.pdf.



harder the poorest and less developed areas in the country; (ii) have a greater effect on the agricultural sector and rural areas, with losses equal to 3.6 percent and 5 percent, respectively, thus increasing pressures for rural-urban migration; and (iii) increase regional inequalities and have a major effect on social groups whose livelihoods rely on subsistence agriculture. Due to its acute vulnerability to climate change effects, the Cerrado Biome will face the highest costs, with losses totaling 4.5 percent of GDP in 2050. The more severe predictions for temperature changes indicate that most of the Cerrado would experience an increase of about 4 °C. In the Amazon-Cerrado transition areas, an increase of 6 °C is expected. A 50-to-70-percent decrease in rainfall is expected in the event of more severe changes, or 30-to-50-percent if changes are less severe. There would also be changes in rainfall distribution throughout the year, with an expected increase of 20 to 30 days in the length of the dry season. These changes could extinguish up to 48 percent of all Cerrado tree species, and restrict their distribution areas to the southern part of the biome. Moreover, these changes will intensify the occurrence of wildfires in the region; will increase the biome's vulnerability to fires and impoverish soils; and will decrease its primary productivity.

B. Sectoral and Institutional Context

10. **Nearly half of the Cerrado has been converted into pastures (29.5 percent) or croplands (11.7 percent), and only a small portion (8.2 percent) of the biome is formally protected in the form of parks or Indigenous territories.**⁶ Of this total, 2.85 percent are full protection conservation units, and 5.36 percent are sustainable use conservation units, including private natural heritage reserves (RPPNs).⁷ Meanwhile, Indigenous peoples, *quilombolas*,⁸ and traditional communities⁹ (and their lands) have played a significant role in biodiversity conservation in the Cerrado (as well as all other different forest biomes in Brazil) due to: (i) their territorial extension; (ii) the variety of ecosystems found in the biome; (iii) the conservation status of these lands and their natural resources; (iv) the prevailing sustainable natural resource management models and livelihoods they adopt within their territories; and (v) the connectivity that their territories provide between protected areas in the different biomes. Indigenous lands alone represent 58 percent of the total number of areas under some form of protection in the Cerrado. Ninety-five Indigenous lands have already been identified, demarcated and/or regularized in the Cerrado. They cover a total area of approximately 12.3 million hectares, or 4.3 percent of the whole Cerrado. The larger Indigenous lands in the states of Mato Grosso and Tocantins are the most effective in protecting forest cover (around 80 percent of the native vegetation).

11. **Indigenous Lands are among the most protected areas with regards to deforestation in Brazil as well as in the Cerrado Biome. In the last 30 years, only 1.1 million of deforested hectares falls in Indigenous Lands (equivalent to 1.6% of the entire loss of native vegetation and only 1.0 percent of their native vegetation area).** Comparatively, in private areas the loss of native vegetation reached 47.2 million ha (equivalent to 68.4% of the total native vegetation loss and to 20.6% of the land under private areas).¹⁰ In the Cerrado Biome, deforestation within the Indigenous Lands also is significantly lower than in their surroundings and most of these lands have high territorial integrity, although their surroundings are under deforestation pressure. However,

⁶ Noojipady, Praveen, et al. 2017. Forest carbon emissions from cropland expansion in the Brazilian Cerrado Biome. *Environmental Research Letters*, 12, 025004.

⁷ Ministry of Environment. *The Cerrado Biome*. <https://antigo.mma.gov.br/biomas/cerrado.html>.

⁸ Quilombola communities define themselves by their self-ascribed ethnic identity, their unique history, a sense of belonging to a particular territory, and the presumption of African ancestry and historical resistance to oppression and exclusion.

⁹ Traditional communities are self-identified groups whose productive systems are characterized by the sustainable use of natural resources for their cultural, social, religious, ancestral, and economic perpetuation.

¹⁰ MapBiomas, Fatos sobre o Papel das Terras Indígenas na Proteção das Florestas, available at https://mapbiomas-br-site.s3.amazonaws.com/downloads/Coleccion%206/Fatos_sobre_o_Papel_das_Terras_Ind%C3%ADgenas_18.04.pdf



there is also evidence that it has been an uptick of deforestation pressure on Indigenous Lands and the rate of deforestation within these lands more than doubled in the last years. National data from DETER deforestation alerts in indigenous lands between 2016 and March 2022, show that the last three years are characterized by successive growths. Taking as reference the state of Mato Grosso (the fifth state that most destroyed the Cerrado Biome in 2021, being responsible for almost 10 percent of all deforestation detected or 803 km², which was equivalent to a 4 percent increase in the deforestation rate when compared to 2020), most of the deforestation occurred in private areas (581 km²) and the protected areas accounted for just 2% of the deforested areas, of which 17 km² within Indigenous Lands and 2.6 km² in Conservation Units.¹¹

12. **Indigenous peoples, quilombolas, and traditional communities are vulnerable and disadvantaged social groups, whose livelihoods and food security largely rely on natural resources and land-based production activities.** They have contributed to the conservation of their living habitats (an area that encompasses about 15 percent of the Cerrado Biome), but their traditional forest/land use management systems, livelihoods, and cultural survival are under increasing threat. Externally and internally driven pressures are eroding their adaptive capacity and social resilience, and increasing their social and economic vulnerability. The expansion of the agricultural frontier and the adverse impacts of climate change largely contribute to the erosion of the effectiveness and adaptive capacity of their traditional ways of life. In consequence, the global benefits for environmental conservation and for climate change adaptation (including carbon sinks) provided by their territories are increasingly at risk. Lately, these drivers of social and economic vulnerability have been further enhanced by the adverse effects of COVID-19 and the social distancing measures adopted in response to the pandemic. In order to continue providing global environmental and climate benefits, and to develop the resilience required to cope with the adverse impacts of climate change and other anthropogenic threats, these peoples and communities need to develop—in the short and medium terms—an enhanced understanding of climate change. They also need support aimed at promoting sustainable natural resource management and climate-smart livelihoods, which may contribute to ensuring their food security, traditional livelihoods, and development.

13. **Brazil has enacted important legislation protecting the rights of Indigenous peoples, quilombolas, and traditional communities (IPQTCs).** The 1988 Federal Constitution requires the Brazilian State to protect popular, Indigenous and Afro-Brazilian cultural manifestations. With regard to Indigenous peoples, it includes provisions that: (i) recognize the right to their distinctive social organization, customs, languages, beliefs and traditions, as well as their original rights over the lands that they have traditionally occupied;¹² (ii) assure their right to use their languages and own processes for education at the primary school level; (iii) rule that Indigenous lands are to be permanently occupied by Indigenous peoples, who should enjoy exclusive use of existing soils, rivers, and lakes situated therein; and (iv) state that the exploitation of water resources, including energy potentials, research, and extraction of mineral wealth in Indigenous lands can only be carried out with the authorization of the National Congress, after hearing the affected communities. There is also a significant number of laws supporting the environmental and territorial management of Indigenous lands (PNGATI, Decree no. 7,747/2012), Indigenous peoples' rights over traditional knowledge (Biodiversity Law, Law no. 13,123/2015), and the protection of isolated and recently contacted Indigenous peoples. Brazil has also signed International Labor

¹¹ ICV, Características do Desmatamento no Cerrado Mato-grossense em 2021, <https://www.icv.org.br/website/wp-content/uploads/2022/03/caracteristicas-do-desmatamento-no-cerrado-2022-6pag-v2.pdf>.

¹² "Lands traditionally occupied by Indigenous communities are those that they have inhabited permanently, used for their productive activity, their welfare, and that are necessary for their cultural and physical reproduction, according to their uses, customs, and traditions." (1988 Constitution of the Federative Republic of Brazil, article 231, paragraph 2).



Organization Convention no. 169, known as Indigenous and Tribal Peoples Convention, and incorporated it into domestic law through Decree no. 5,051/04 and Decree no. 10,088/2019; and signed the United Nations Declaration on the Rights of Indigenous Peoples, and regulated its provisions. With regard to *quilombola* communities, the 1988 Federal Constitution establishes that remaining *quilombola* communities shall have the definitive ownership of the lands they occupy, and that the State must issue the respective deeds for such lands. Finally, with regard to other traditional communities, the National Policy for the Sustainable Development of Traditional Peoples and Communities (PNPCT—Decree no. 6,040/2007) establishes that the State must recognize and protect other culturally differentiated groups. The main objective is to promote their sustainable development, with an emphasis on recognizing, strengthening, and guaranteeing their territorial, social, environmental, economic, and cultural rights, with respect and appreciation for their identity, their forms of organization, and their institutions.

14. **Brazil has historically developed a strong policy framework to foster sustainable natural resource management and address climate change.** In 2009, The Brazilian government created the National Policy on Climate Change (NPCC, or Law no. 12,187/2009) to steer the country toward fulfilling its national voluntary commitment to reduce GHG emissions between 36.1 percent and 38.9 percent of projected emissions by 2020. In the context of the NPCC, the Ministry of Agriculture, Livestock, and Food Supply (MAPA) developed the "Sector Plan for Mitigation and Adaptation to Climate Change for the Consolidation of a Low Carbon Emissions Agriculture Economy", also known as the ABC Plan (Decree no. 7,390/9/2010). The ABC Plan is expected to reduce pressure on forests by increasing agricultural productivity and promoting sustainable management practices. This will be done through the promotion of technologies that have a proven effect on the reduction of GHG emissions and on the increase of carbon sequestration by the agriculture sector: degraded pasture restoration; crop-livestock-forest integration; commercial forest planting; biological nitrogen fixation; and animal waste treatment.

15. **However, since the middle 2010s, the availability of public resources for supporting rights and needs of Indigenous Peoples, Quilombolas and Traditional Communities (IPQTCs) has shrunk.** A recent assessment by the Institute of Applied Economic Research (IPEA) has shown that – between 2012 and 2017 – Indigenous Peoples became more present in budgetary instruments, but this does not mean that, in fact, more resources have been spent in order to make their rights more effective. On the contrary, even though the Indigenous Federal Budget (IFB) showed an increase of 36 percent in this period, the Management and Maintenance Program and the Program for the Protection and Promotion of the Rights of Indigenous Peoples – under the responsibility of National Indigenous Peoples Foundation (FUNAI) – had their resources reduced and the “dehydration of FUNAI is evident”.¹³ The process of designation of Indigenous Lands and Quilombola Territories – critical for protection of their habitats and livelihoods – has also been hampered.¹⁴

C. Higher Level Objectives to which the Project Contributes

16. **The project is consistent with the World Bank Group’s Country Partnership Framework (CPF) 2018–23**

¹³ Barbosa da Silva, F.A. and Lunelli, I.C., Estudo sobre Orçamento Indigenista Federal: Desafios e Limitações aos Direitos e Políticas Públicas Voltadas aos Povos Indígenas no Brasil – Texto para Discussão 2583 – August 2020. The positive evolution of the IFB is related to the increase in expenditures of the Health Ministry.

¹⁴ Thus, there are 124 Indigenous Lands (17 percent of all the Indigenous Lands in the country) still being identified by a working group appointed by FUNAI (including 6 interdicted lands for groups in voluntary isolation). According to the National Coordination of Articulation of *Quilombola* Communities (CONAQ), there are around 1,700 *quilombola* communities (among the nearly 3,600 identified by the *Palmares* Cultural Foundation) waiting for the conclusion of anthropological studies or the issuing of technical reports to get their definitive titles, whereas only 154 *quilombola* territories have been titled since 1988.



for the Federative Republic of Brazil (Report no. 113259-BR) discussed by the Executive Directors on July 13, 2017, and continues to be relevant as highlighted in the Brazil Performance and Learning Review (Report No Report no. 143636), which closed on May 24, 2022. The project would directly contribute to the third focus area of the CPF (Inclusive and Sustainable Development), namely by conserving and fostering the recovery of the Cerrado. Engagement in the country (and specifically in the Cerrado) seeks to: (i) combine conservation with the promotion of local and regional economic development; (ii) support increased sustainability of agricultural production and forestry; (iii) focus on long-term solutions to further capitalize on its natural resource assets in a sustainable manner; and (iv) improve the sustainable management of natural resources and enhance resilience to climate shocks, while maximizing contributions to local economic development, and enabling local communities, civil society, and the private sector to actively participate in policy formulation and implementation.

17. **The project is well aligned with the World Bank’s corporate commitments on greenhouse gas emissions, as well as Brazil’s nationally determined contributions (NDC) commitments.** Brazil’s NDC has, among its targets, a 50-percent reduction in GHG emission reductions from 2005 levels by 2030, which translates as 1.28 GtCO₂e. In addition, Brazil has committed to achieving climate neutrality by 2050. The conversion of natural Cerrado into croplands and livestock production areas is a major source of carbon emissions in Brazil.

18. **The project will also contribute to Brazil’s 19 national targets under the Convention on Biological Diversity (CBD),** including: (i) National Target 13: By 2020, the genetic diversity of microorganisms, cultivated plants, farmed and domesticated animals, and wild relatives, including socioeconomically as well as culturally valuable species, is maintained, and strategies have been developed and implemented for minimizing the loss of genetic diversity; (ii) National Target 14: By 2020, ecosystems that provide essential services, including services related to water, and contribute to health, livelihoods, and well-being, are restored and safeguarded, taking into account the needs of women, traditional peoples and communities, Indigenous peoples and local communities, and the poor and vulnerable; (iii) National Target 15: By 2020, ecosystem resilience and the contribution of biodiversity to carbon stocks has been enhanced through conservation and restoration actions, including restoration of at least 15 percent of degraded ecosystems, prioritizing the most degraded biomes, hydrographic regions, and ecoregions, thereby contributing to climate change mitigation and adaptation and to combatting desertification; and (iv) National Target 18: By 2020, the traditional knowledge, innovations, and practices of Indigenous peoples, family farmers and traditional communities relevant for the conservation and sustainable use of biodiversity, and their customary use of biological resources, are respected, in accordance with their uses, customs and traditions, national legislation, and relevant international commitments, and fully integrated and reflected in the implementation of the CBD targets, with the full and effective participation of Indigenous peoples, family farmers, and traditional communities, at all relevant levels.

19. **The project is also well aligned with the World Bank’s corporate commitments on gender equity and citizen/stakeholder engagement.** On gender equity, the proposed project acknowledges that women have played an important role in the management of Cerrado ecosystems for centuries, and that, more so than men, they rely on nontimber forest products, including waxes, fiber, tenants, oils, food, aromatic and medicinal, for their livelihoods. In other words, since the beginning, the project has incorporated a gender-sensitive lens.

20. **Finally, the objectives of the project are in line with the objectives established by the Global Dedicated Grant Mechanism (P128748) and the Brazil Investment Plan (BIP – P152285),** both projects currently under implementation. The project contributes to: (i) strengthen the capacities of Indigenous Peoples and



Traditional Communities (IPTCs) in Brazil's Cerrado Biome so that they can participate more effectively in Forest Investment Program (FIP) and other REDD+¹⁵ processes at local, national and global levels as well as in planning and implementing sustainable forest and climate adaptation, natural resources management, ethno-development, coping and adaptive strategies; and (ii) reduce deforestation and forest degradation pressures within indigenous and traditional territories in the Cerrado, increase IPTCs' adaptive capacity and social resilience to deal with the manmade pressures and climate-change risks that they face and that threaten their livelihoods and cultural survival, and consequently protect and promote biodiversity and sociocultural diversity within this biome.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

21. **The development objective is to support the adoption and dissemination of sustainable and resilient natural resource management knowledge and livelihood practices among Indigenous peoples, quilombolas, and traditional communities in the Cerrado Biome.**

B. Project Beneficiaries

22. **The project's direct beneficiaries are IPQTCs and their representative organizations in the Brazilian Cerrado Biome.** Based on the experience acquired under Brazil DGM Phase 1 (P143492) and the amount of resources available, it is estimated that Phase 2 will benefit 15 IPQTCs and directly reach up to 2,100 people with its community subprojects and capacity building activities. This is just a small share of the IPQTCs found in the Cerrado Biome. The Project aims to prioritize women and youth groups among its IPQTCs beneficiaries.

23. **The Indigenous peoples present in the Cerrado Biome comprise 83 different ethnic groups who speak different languages.** The most common languages are Karajá, Aruak, Jê, and Tupi-Guarani. Most groups still maintain their cultural characteristics and perpetuate religious, political, and social organization practices from precontact times¹⁶. They total about 140,000 people (approximately 16 percent of Brazil's Indigenous population). The Cerrado Biome also has 44 *quilombola* territories, and is home to dozens of other traditional peoples and communities (*geraizeiros, vazanteiros, chapadeiros, and fundo and fecho de pasto*, among others). *Quilombola* territories are estimated to cover 5,519 km² (0.27 percent) of the biome.

24. **The range of traditional communities is defined by several common socioeconomic and cultural features:** (i) dependence on nature, natural cycles, and renewable natural resources for their way of life; (ii) livelihoods based on in-depth knowledge of natural cycles, and on various seasonal sources of income (combining extractive activities, farming and pastoralism, fishing, and handicrafts), orally passed on from one generation to another; (iii) a deep sense of spatial belonging, and awareness of their economic and social survival's dependence on their traditional territory; (iv) occupation of this traditional territory for several generations, although some individual members may have moved to urban centers, and later returned to the

¹⁵ REDD+ is a framework created by the UNFCCC Conference of the Parties (COP) to guide activities in the forest sector that reduces emissions from deforestation and forest degradation, as well as the sustainable management of forests and the conservation and enhancement of forest carbon stocks in developing countries.

¹⁶ Cerrado Indigenous peoples include the following groups: Apinayé, Atikum, Avá-Canoeiro, Bakairi, Bororo, Cinta Larga, Enauwenê-Nawê, Gavião Pukobiê, Guajá, Guajajara, Guarani-Kaiowá, Halotesu, Irantxe, Javaé, Kadiwéu, Kanela, Karajá, Kaxixó, Kinikináo, Kiriri, Krahô, Krahô-Kanela, Krenak, Maxakali, Myky, Nambikwara, Ofayê, Pankararu, Paresi, Tapirapé, Tapuia, Tenetehara, Terena, Timbira, Tuxá, Umutina, Wasusu, Xakriabá, Xavante, and Xerente, among others.



land of their ancestors; (v) the critical nature of subsistence activities in the group's economic organization, although commodity production and access to markets may have been developed; (vi) reduced assets and financial capital; (vii) the essential nature of family, household, kinship, and communal relations for economic, social, and cultural life; (viii) association of myths and rituals with hunting, fishing, and gathering activities; (ix) reliance on simple, low-impact technologies and on a productive system in which technical and social divisions of labor are reduced; (x) weak political power and representation; (xi) self-identification as members of a distinct cultural group, and recognition of this identity by others; and (xii) customary systems for governing access to land and natural resources, mainly based on a combination of small family-farmed garden plots, with large areas used collectively for gathering, hunting, and pastoral activities.

C. PDO-Level Results Indicators

25. **The project components will support activities aimed at enhancing the understanding of climate change adaptation issues by IPQTCs from the Brazilian Cerrado Biome, as well as their use of climate-smart livelihoods and sustainable natural resource management practices.** The PDO indicators to be measured are:

- Number of project beneficiaries (disaggregated by gender and ethnic identity);
- IPQTCs supported with access to knowledge on climate change adaptation (number of participants satisfied with capacity-building events plus number of users accessing the project's knowledge-sharing channels plus number of IPQTCs reporting new sustainable Natural resource management (NRM) and climate-smart livelihood practices through the knowledge-sharing channels);
- IPQTCs adopting sustainable natural (water and forest) resource management practices (number of communities undertaking NRM subprojects); and
- IPQTCs adopting climate-smart livelihood practices (number of communities undertaking environmental-related livelihood subprojects).
- Share of community-based subprojects that generate livelihood benefits (percentage)"

III. PROJECT DESCRIPTION

Achievements of Brazil DGM Phase 1

26. **This proposed Brazil DGM Phase 2 project will rely on and aim to expand Brazil DGM Phase 1 project's achievements.** Phase 1 was an ambitious and innovative effort to address the climate change consequences of rapid land-use change in the Cerrado Biome, which made relevant contributions to: (i) strengthening connections among IPQTCs; (ii) enhancing the institutional capacity of their representative organizations; (iii) expanding their understanding of climate change and REDD+; (iv) promoting sustainable natural resource management and livelihoods within their territories; and (v) recovering from adverse impacts from the pandemic. In the end, project beneficiaries were empowered to protect natural resources over an area above 6 million hectares.¹⁷ The main achievements towards PDO and the intermediate indicators of the table presented below.

¹⁷ Brazil DGM Phase 1 came into effect in June 2015, and ended on January 31, 2022. Its achievements are presented in more detail in Annex II. All project-related information is publicly available on the dedicated Brazil DGM website: https://dgmbrasil.org.br/en/biblioteca/documentos/?tipo_documento=institucional.



Table 1: Achievement of Indicators - Brazil DGM Phase 1 (P143492)

Indicators	End target	Results achieved
PDO-level		
Cerrado Biome’s Indigenous Peoples and Traditional Communities representatives supported in conservation and other REDD+ related processes at regional, national, and global level.	24 IPTC representatives	34 IPTC representatives
Community-based subprojects that generated livelihood benefits to the communities	50%	89%
Land area under sustainable landscape management practices	600 hectares	707 hectares
Intermediate indicators		
Community-based subproject beneficiaries	18,000 beneficiaries	34,780 beneficiaries
Community-based subproject beneficiaries satisfied with technical assistance provided by the project	75%	100 %
Community-based subprojects completed	75%	97%
COVID-19 Support Grant beneficiaries	6,250 beneficiaries	11,911 beneficiaries
Indigenous peoples and traditional communities representative organizations provided w/capacity-building.	180 organizations	188 organizations
Participants in project-supported capacity-building activities with increased understanding of REDD+ and climate change	80%	83.8%
Registered grievances regarding the delivery of project benefits that were actually addressed	100%	100%
Current and up-to-date project information available and made public through social media on a regular basis	Yes	Yes

27. **Women have been involved in all consultations and represented in the National Steering Committee (NSC) ¹⁸, which has also been coordinated by a woman.** Specific capacity-building activities were conducted with a view to enhancing women's skills, engagement, and leadership. Subproject selection criteria pointed out that subprojects should engage women in project design and include them as co-implementers. The end goal of the Brazil DGM is for 30 percent of beneficiaries to be women, and progress reports show that this target has already been exceeded. Thirteen out of the 64 selected subprojects were led by women or women

¹⁸ Please refer to subsection IV-A: Institutional and Implementation Arrangements.



representative organizations. Subprojects supported under Phase 1 benefited 11,041 women (32 percent of all beneficiaries). Women beneficiaries have expressed their desire that the DGM should continue to fund their activities and help them to expand their access to the market ¹⁹. Women participation should be further prioritized in Brazil DGM Phase 2.

28. **Stakeholder engagement has been a cornerstone of Brazil DGM Phase 1.** Since the preparation of Brazil DGM Phase 1, representative IPQTCs community organizations and traditional leaderships have been consulted on all matters related to the project. Throughout its implementation, Brazil DGM Phase 1 developed and implemented a robust communication and stakeholder engagement strategy, relying on IPQTC networks and their members in the NSC. The strategy also benefited from key medium-level networks of community organizations found in the Cerrado Biome (Rede Cerrado, MOPIC, APOINME, CONAQ, *Articulação Pacari*, *Articulação Rosalino*, and MIQCB), and from the use of social media (before and after the outbreak of COVID-19).

29. **Brazil DGM Phase 1 also experienced numerous challenges, from which key lessons have been drawn for this Brazil DGM Phase 2 project.** The first major challenge is related to capacity. On the one hand, Component 1's community-driven approach resulted in a large number of small transactions and enabled the delivery of equipment and goods to remote locations. On the other, there are still uncertainties about beneficiary organizations' implementation capacity at the community level, which led to the initial decision to make the National Executing Agency (NEA) responsible for all acquisitions on behalf of beneficiary community organizations. The challenge is how to achieve an appropriate level of fiduciary management with an adequate level of delivery, while avoiding the delays caused by the dispersed and remote location of project activities. In order to address it, some procurement-related measures will be adopted to render small transactions less time-consuming and more flexible, without jeopardizing the proper level of fiduciary accountability. Northern Minas Alternative Agriculture Center (CAA-NM) will continue to centralize the payment of procured goods, equipment, and services, and the delivery of training and technical assistance on managerial skills offered to beneficiary organizations will be improved. A second main challenge derived from the considerable number of IPQTCs living in the Cerrado Biome, which may raise expectations that cannot be met by the project, due to its limited resources. Information disclosure and communication strategies are key to manage expectations and avoid frustration. The project will review its stakeholder engagement approach, expand the role of NSC members as focal points for interaction with beneficiary communities, and enhance NEA interactions with regional networks of representative organizations to make this two-way information flow more efficient. Finally, Brazil DGM Phase 1 was heavily affected by external factors (such as the COVID-19 outbreak) that caused unexpected delays in project implementation and required project restructuring efforts.

30. **An adaptive management approach is essential to overcome these unexpected challenges, and to take advantage of unforeseen opportunities.** Since IPQTCs landscape management processes are dynamic and complex, they require ongoing learning, reflection, and adjustments. Furthermore, the need to coordinate the activities of diverse IPQTCs requires agreement on a common vision and on fund sharing arrangements. This requires broad consensus on general goals, challenges, and concerns, as well as on options and opportunities. Transparency is supported by good governance.

A. Project Components

31. **Brazil DGM Phase 2 comprises three components that have been agreed upon during consultations**

¹⁹ Pierce, Deborah. 2019. *Voices of Women in the Brazil Dedicated Grant Mechanism Evidence and Experiences*. World Bank/DGM Global/ClF. Washington, DC.



held with IPQTCs and other communities in the Cerrado Biome.

32. **Component 1: Sustainable Community Subprojects (estimated budget US\$650,000).** Under this component, technical assistance and subgrants will be provided to implement Sustainable Community Subprojects proposed by IPQTCs, representative organizations, and regional networks. These initiatives will be selected by the Brazil DGM NSC, and must focus on:

(i) Sustainable livelihood subprojects aimed at ensuring natural resource conservation while generating income and increasing food security and well-being, including the adoption/strengthening of climate-smart livelihood practices. Thus, Brazil DGM Phase 2 will: (a) foster the sustainable use and conservation of native forests through the strengthening of existing networks for the exchange of creole seeds and native tree seedlings in the Cerrado; (b) promote the implementation of agroecological gardens and agroforestry systems; (c) enhance the participation of beneficiary communities in the biodiversity production chain; and (d) promote territorial protection.

(ii) Adaptation to climate change through water resource management (protection of water springs and streams), restoration of degraded areas, and fostering the use of clean energy sources in beneficiary communities.

33. **This component will also allocate resources for the delivery of technical assistance and training to selected community subprojects (up to 15 percent of subproject value).** Technical assistance may be provided by the NEA if it has in-house capacity, or by social organizations or private firms located closer to the beneficiary communities.

34. **This component will comprise two windows:**

- **First Window (up to US\$150,000): Consolidation.** This window will provide support to IPQTCs and their organizations that have been previously funded by Brazil DGM Phase 1. These communities will be selected according to “satisfactory performance criteria during Phase 1”, which will be discussed with the NSC, and will aim to scale up supported activities, enhance their outcomes, and ensure their sustainability.
- **Second Window (up to US\$500,000): New Opportunities.** This window will fund new sustainable Community Subprojects proposed by IPQTCs and their representative regional networks, community organizations, and/or community organization coalitions. These subprojects will be selected by the NSC based on a widely disseminated call for proposals. This call for proposals will be exclusively available to IPQTCs that have not been supported under Brazil DGM Phase 1 and to IPQTC women organizations.

35. **Component 2: Capacity Building, Communication, and Knowledge Exchange (estimated budget US\$100,000).** Under this component, Brazil DGM Phase 2 will support:

- a) Brazil DGM NSC’s meetings to plan and oversee the implementation of project activities, and opportunities to expand their advocacy and representative skills on behalf of their constituencies on issues related to climate change, adaptation, sustainable natural resource management, and climate-smart livelihoods. Face-to-face meetings are preferable; however, during the COVID-19 pandemic, all meetings will be held online to ensure the safety of NSC members, who were eligible to an allowance to cover the costs of adequate connectivity services. The costs of all NSC meetings during the project lifecycle shall not exceed 25 percent of the amount assigned to Component 2.



They will cover expenditure with internet connectivity (for online meetings), travel, accommodation, and allowances [*per diem*].

- b) Capacity-building and training events aimed at: (a) enhancing beneficiary communities’ managerial skills and market access; (b) promoting sustainable natural resource management practices and climate-smart livelihood practices, such as agroecology; (c) valuing traditional healing practices and knowledge of Cerrado biodiversity; and (d) enable the NSC to identify sources of financing to support IPQTC initiatives and to submit proposals for these sources and to connect the IPQTCs to global instances of representation and advocacy on behalf of their rights and interests.
- c) The production and distribution of educational resources that include: best practice factsheets (digital and hard copies) on climate change adaptation, sustainable natural resource management practices, and climate-smart livelihood practices supported by the project, as well as other well-recognized initiatives.
- d) The implementation of the project’s Communication, Information Disclosure and Knowledge Sharing Strategy to promote the mobilization of communities and organizations, based on visual and oral materials to enable the experiences and lessons learned by beneficiary organizations to be shared by these organizations and reach other IPQTCs, who may not be benefiting from the Brazil DGM project, in order to scale up results.

36. Component 3: Project Management, Monitoring, and Evaluation (estimated budget US\$180,000).

Under this component, the project will support: (i) the administrative and fiduciary management of the grant, including the technical coordination of components 1 and 2, as well as supervision, monitoring and evaluation of activities; (ii) the implementation of environmental and social risk management instruments according to World Bank Environmental and Social Standards; (iii) refurbishing of CAA/NM office and/or training facility; and (iv) the production of two auditing reports.

B. Project Cost and Financing

Project Components	Project cost	Trust Funds	Counterpart Funding
Component 1: Sustainable Community Subprojects	US\$ 650,000	US\$ 650,000	-
Component 2: Capacity Building, Communication and Knowledge Exchange	US\$ 100,000	US\$ 100,000	-
Component 3: Project Management, Monitoring and Evaluation	US\$ 180,000	US\$ 180,000	-
Total Costs	US\$ 930,000	US\$ 930,000	-
Total project costs	US\$ 930,000	US\$ 930,000	-



Total financing required

US\$ 930,000

US\$ 930,000

-

37. **Retroactive Financing.** Up to US\$93,000 (ninety three thousand dollars) in retroactive financing will be available for eligible expenditures on goods, non-consulting services, consultants' services, training and operating costs under Component 3 of the Project, in accordance with Bank guidelines for payments made prior to the Signing Date but on or after February 4, 2022, the date of the internal Initiation/Concept Review Meeting, but in no case more than one year prior to the date of the Grant Agreement.

Other Design Aspects

38. **Climate Co-benefits.** The proposed project is a community-driven development projects designed to produce GHG savings through the promotion of sustainable forms of agriculture and forestry, where emissions (a) would have diverse and negligible sources of emissions and, simultaneously, (b) are not likely to be significant. Therefore, it is not possible to have an ex-ante GHG estimation, because the diffuse sources and small amounts of GHG emissions (if any) make it technically and financially unfeasible to estimate them. However, it shall be highlighted that:

- The traditional territories held by IPQTC provide global benefits for forest and biodiversity conservation as they represent relevant carbon sinks.
- Brazil DGM Phase 2 will continue to benefit IPQTC who are among the most vulnerable social groups to climate change, but also make a relevant contribution to mitigation and adaptation, because they often heavily depend on their surrounding ecosystems for subsistence, livelihoods and cultural survival and because they often heavily rely on a very narrow set of natural resources and climate-sensitive activities, holding little scope for livelihood diversification and for coping with climate-change.

39. **In addition, the Project aims to support "no regrets adaptation options", which are adaptive measures that are worthwhile (i.e., they deliver net socioeconomic benefits) regardless of future trends in greenhouse gas emissions and climate scenarios.** These no regrets adaptation options can be justified from socioeconomic and environmental perspectives whether or not natural hazard events or climate change take place. These options are more likely to be implemented, generate obvious and immediate benefits with few or no tradeoffs, improve well-being, and provide experience upon which to build further assessments of climate risks and adaptation measures. They are nature resource-based adaptation measures that bring about synergies among climate change mitigation, adaptation and the protection of crucial ecosystem services. Finally, they are also - and by definition - GHG emissions reduction options that have negative net costs, because they generate direct or indirect benefits that are large enough to offset the costs of implementing the options.

40. **Gender.** The social impact assessment carried out as part of the preparation of the Environmental and Social Management Framework of the Brazil DGM Phase 1 project has i) acknowledged the critical role that IPQTC women have played in the management of the Cerrado ecosystems for centuries, ii) considered cultural norms that traditionally prevail among the IPQTC in the Cerrado Biome and iii) pointed out how these norms define distinctive gender roles and lead to gender gaps in livelihood and nature resources management as well as in participation in internal and external arenas of decision-making. In consequence, Brazil DGM Phase 1 and Phase 2 have incorporated - since the start - a gender-sensitive lens and established prioritization criteria to ensure women can have an equitable share of project benefits and participate in its capacity building activities. Thus, women have been involved in all consultations and represented in the NSC, which is currently coordinated



by a woman. Specific capacity building activities to enhance the skills and participation of women leaderships have been approved by the NSC and carried out as part of the Brazil DGM Phase 1 and are expected under the proposed project. The sub-project selection criteria will emphasize that sub-projects should engage women in proposal design and include them as co-implementers. Capacity-building activities will be planned in a way to ensure the participation of women. The project's communication strategy will take the appropriate steps to inform women in the selected watersheds about project activities and include venues that women frequent or to which they have access. Training activities will be conducted with a view to fostering the participation of women and youth. All three PDO indicators are disaggregated by gender monitored.

41. **Citizen engagement.** The Project adopts a robust participatory and inclusive stakeholder process that is critical for positive outcomes in adaptation efforts, which call for solid grounding of interventions in local realities, with the intensive involvement of local communities, the strengthening of their representative organizations, and reliance on their knowledge of the most pressing risks that affect their security and livelihoods. As under Brazil DGM Phase 1, the Project was prepared as a joint partnership with IPQTC. Consultations were carried out with the broad participation of men and women. The main features of the proposed project design were debated and approved by self-appointed representatives of IPQTCs. All relevant information about the Project has been provided in a culturally appropriate manner and its design received IPQTCs' broad support. With regard to beneficiary and citizen engagement, a Stakeholder Engagement Plan (SEP) has been prepared in consultation with key stakeholder and defined permanent and culturally adequate information disclosure and consultation strategies as well as channels for raising their concerns and grievances with regards to the environmental and social performance of the Project. The Project includes three intermediate indicators that allow the adequate monitoring and evaluation of beneficiary and citizen engagement - namely: (i) community-based subproject beneficiaries satisfied with technical assistance provided by the project; (ii) participants satisfied with capacity-building activities; and (iii) relevant project-related information made public through knowledge-sharing channel. The systems in place for grievance redressing and for monitoring Citizen, beneficiary and stakeholder engagement allow for adaptive management of project supported activities.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

42. **Brazil DGM Phase 2 will keep the same institutional and implementation arrangements as Brazil DGM Phase 1.** In accordance with Global DGM guidelines, these arrangements comprise: (i) a National Steering Committee (NSC) with decision-making powers and overall implementation oversight roles, with most members (12) being IPQTC representatives, but also including key governmental agencies (3 members); and (ii) a National Executing Agency (NEA) – the Centro de Agricultura Alternativa do Norte de Minas (CAA-NM)) holding implementation responsibilities and competitively selected among nongovernmental and nonprofit organizations. The project will be internally treated in the World Bank as a new small grant, and as any other Climate Investment Funded project, it will be approved by the Board of Directors on a “absence of objection” basis.

43. **Following this successful implementation arrangement, Centro de Agricultura Alternativa do Norte de Minas (CAA-NM) will be the NEA for Brazil DGM Phase 2.** CAA-NM is a nonprofit civil society organization, which was competitively selected to be the NEA of Brazil DGM Phase 1. CAA-NM will manage the grant, under the deliberations of the NSC. It will be responsible for administrative and fiduciary management, as well as environmental and social risk management according to World Bank procedures. CAA-NM will also be



responsible for managing the official channels of communication and for disseminating information on the project. CAA-NM will develop a capacity-building plan in line with the description under Component 2, and with inputs from the NSC. CAA-NM may also provide direct technical assistance to community subprojects. It will be responsible for larger procurement processes and will coordinate the acquisition of simple goods and hiring of community services in close collaboration with the communities. Finally, CAA-NM will keep the necessary staff required for the efficient implementation of project activities, including (i) overall technical coordination, (ii) fiduciary management, (iii) procurement, (iv) environmental and social risk management, (v) communications, and (vi) monitoring and evaluation. CAA-NM will report on technical, fiduciary, environmental, and social risk management to the World Bank on a semiannual basis. CAA-NM's successful experience with the implementation of Brazil DGM Phase 1 provides a strong basis for implementation readiness.

44. **The NSC will continue to fulfill decision-making and overall implementation oversight roles.** The NSC will be composed of 15 members, distributed as follows: six representatives of Indigenous peoples present in the Cerrado Biome; six representatives of *Quilombolas* and traditional communities located in the Cerrado Biome; and three representatives of the Brazilian Federal Government. The NSC will hold quarterly meetings. The project will provide all NSC members with proper connectivity conditions to hold virtual meetings as required by current health protocols. CAA-NM will provide secretariat support to the NSC, organizing its meetings.

45. **Lessons learned from Phase 1 have been reflected in the design of Phase 2, and are detailed in Annex 2²⁰.**

B. Results Monitoring and Evaluation

46. **The results framework under Section VII will be the main tool for monitoring and evaluating overall project outcomes and intermediate results/outputs.** The key results expected are:

- IPQTCs supported with access to knowledge about climate change adaptation,
- IPQTCs adopting sustainable natural resource management and/or low-carbon, climate-smart livelihood practices; and,
- IPQTC representative organizations with increased voice and advocacy capacity on climate-change and natural resources management at the regional level.

C. Theory of Change

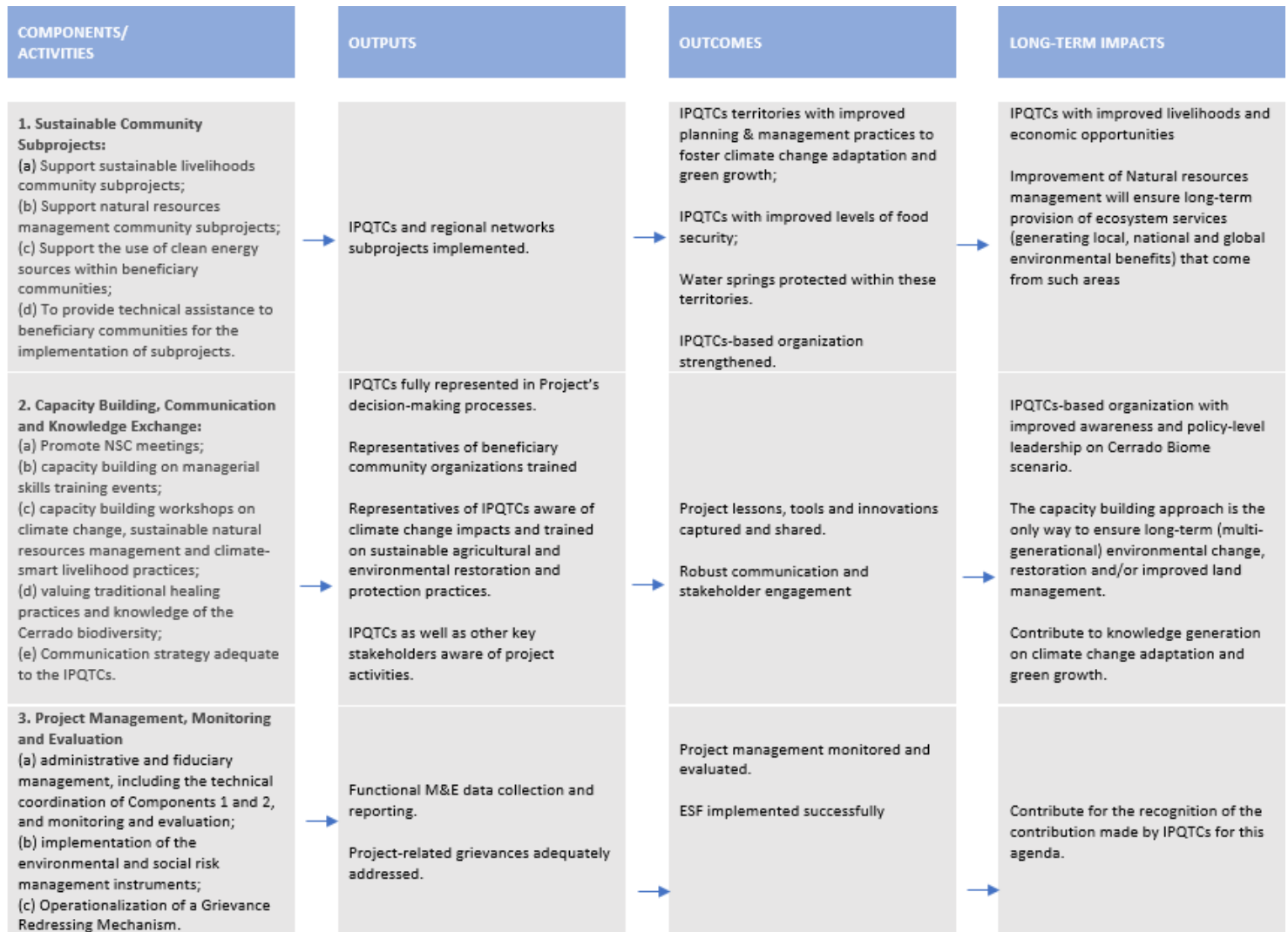
47. **The Project aims to address a vicious-cycle process that has taken over the lives of many IPQTCs in consequence of the economic development model of the Cerrado Biome,** which has (a) led to high levels of environmental degradation and deforestation, (b) increased IPQTCs' social vulnerability (poverty, food insecurity, social conflicts over scarce resources, migration of young people, weakened social ties, etc.), and (c) rendered the forest and land use management systems traditionally pursued by IPQTCs – that bring global benefits for forest and biodiversity conservation – increasingly ineffective to ensure their physical and cultural survival. Based on lessons learned from the Brazil DGM Phase 1 and other previous experiences, the Project aims to address these issues and reduce the vulnerability of IPQTC in the Cerrado through the adoption of three cumulative strategies: (i) promoting capacity building and knowledge exchange as well as increasing their presence and voice in policies and programs related to forest adaptation, REDD+ and climate change adaptation that may affect their lives and livelihoods, (ii) supporting climate change/no regrets adaptation initiatives based

²⁰ Implementation Completion and Results Report for Brazil DGM Phase 1 has been published in <https://documents1.worldbank.org/curated/en/099955009282210265/pdf/BOSIB0e13996f40350bfe0053c50a751bd0.pdf>



mostly on the diversification of their livelihoods and the sustainable use of their lands and natural resources and (iii) following a highly participatory strategy for project designing and implementation, empowering IPQTCs in decision-making arenas, which is critical for positive outcomes in adaptation efforts. These interventions are expected to contribute to increase the participation of IPQTC in relevant policy and decision-making arenas and to reduce their social and economic vulnerability.

48. **The Theory of Change (see figure below), from left to right, depicts how the proposed activities and outputs contribute to the achievement of these results, as well as to the achievement of the PDO and long-term outcomes beyond the project lifecycle.** Component 1 will support selected IPQTCs located in the Brazilian Cerrado Biome.





D. Sustainability

49. **Institutional sustainability will be enhanced through capacity-building efforts to strengthen beneficiary IPQTC community-based organizations, as well as regional level networks organized by them.** In order to ensure that activities are maintained, and that benefits are sustained beyond the project's lifecycle, one of the strategies is to promote the full participation of key stakeholders and main beneficiaries in its highly participatory preparation and implementation processes, and in its governance arrangements.

50. **The project also proposes coordinated and synergistic actions by different IPQTCs to improve the sustainability and efficiency of natural resource management and land use in the Cerrado, particularly in Indigenous lands and quilombola territories.** Since Brazil DGM Phase 1 and the beginning of Brazil DGM Phase 2 (design stage), there has been successful collaboration among IPQTC representatives. This has enabled the development of a strategic approach with the ability to foster synergies not only between subprojects, but also with other Cerrado-related initiatives being implemented by bilateral agencies and other partners (for example, GIZ²¹, KfW²², and BNDES²³). This has helped to ensure the sustainability and continuity of demonstrated collaboration.

51. **Community subprojects are expected to be sustainable.** This is supported by the results of an earlier rigorous assessment of proponent communities' feeling of ownership, as well as their potential contribution to both sustainable natural resource management and improved livelihoods. In addition, the project will help IPQTCs to adopt sustainable natural resource management and restoration practices.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

52. **The project's overall implementation risk level is assessed as *Moderate*.** No substantial risks have been observed which could negatively affect the achievement of the PDO; in addition, the project does not foresee any major changes in the technical design and activities which could raise its risk profile. During the implementation of Brazil DGM Phase 1, the NEA acquired considerable experience with World Bank policies and procedures, as well as with the challenges posed by the implementation of community subprojects spread across a large territorial area, and benefiting a broad range of social groups in a highly participatory manner.

53. **The project's innovative participatory design and implementation approach lays the foundation for the sustainability of its development objective.** However, it also leads to implementation challenges. Although Brazil DGM Phase 1 achieved major successes in addressing the climate change consequences of rapid land use change through the implementation of 64 subprojects and institutional capacity activities, it also faced numerous challenges because:

- a) Investing in behavioral changes regarding current land use practices and natural resource management requires a medium-to-long-term timeframe to produce significant reductions in GHG emissions from land use practices. Changes in human behavior are often slow to develop and require constant reinforcement and enforcement to take root. This means that additional efforts will be needed to enforce sustainable resource management and to support long-term GHG reduction. Thus,

²¹ German Agency for International Cooperation (GIZ)

²² German Development Bank (KfW)

²³ Banco Nacional de Desenvolvimento Econômico e Social (BNDES)



knowledge sharing, capacity building, and institutional strengthening have to be taken as an integral part of the process of increasing the participation of IPQTCs in decision-making processes that affect their lives, and building their long-term capacity for climate change actions.

b) Incorporating IPQTCs' planning and decision-making processes requires additional time and resources to prevent conflicts, overcome limitations in the managerial, fiduciary and procurement capacities of their representative organizations, and secure long-term sustainability.

c) The considerable number of IPQTCs found in the Cerrado Biome may raise expectations that cannot be met by the project, due to its limited resources.

d) There are remaining uncertainties about beneficiary organizations' implementation capacity at the community level. Delays during implementation and a low level of fiduciary capacity among beneficiary organizations may affect the pace and quality of implementation. This risk will be reduced, as CAA-NM continues to centralize all procurement processes. Furthermore, outreach communications and onsite training and technical assistance have been developed to ensure the institutional strengthening of beneficiary organizations and to mitigate these risks.

VI. APPRAISAL SUMMARY

Economic and Financial Analysis

54. **Project Strategy Analysis.** As under Brazil DGM Phase 1, the Project strategy has been designed to maximize sustainability and efficiency. To this end, it will invest in activities that seek an optimum combination of immediate and long-term benefits and rely on support for "no regrets" adaptation options for community activities that: a) address the underlying drivers of vulnerability and enable livelihood diversification are the first step in the process of adaptation, b) fall under predetermined themes related to forest and land use management, livelihoods and sociocultural survival and c) are of the IPQTCs' choice.

55. **Cost-Benefit Analysis.** As under Brazil DGM Phase 1, given the demand-driven nature of Component 1, the Project will respond to the demands of its target population. A detailed ex-ante cost-benefit analysis of the Project is not warranted, due to the diversity of benefits that cannot be easily valued in monetary terms (including, inter alia, degraded areas restored or on the way to recuperation, Cerrado land used sustainably, knowledge and skills related to sustainable land management acquired by beneficiaries, communities understand the potential and restrictions of landscapes and cultural traditions of IPTC communities recovered or revived, and young people willing to stay in the community) and, consequently, too many assumptions would be made, resulting in an unreliable scenario with few or no meaningful results. Nevertheless, a rough cost-benefit analysis was undertaken for the Implementation Completion Report of Brazil DGM Phase 1²⁴, comparing the economic value of CO₂ sequestration against the cost of planting seedlings in one hectare of degraded area. Under the given assumptions, the net present value of a hectare of degraded area planted is positive at US\$633, using the higher carbon price projection recommended by the Bank (as per the "Guidance note on shadow price of carbon in economic analysis", World Bank, November 2017), but is negative at US\$ 1,338, for the lower

²⁴ Brazil DGM Phase 1 (P143492) ICR: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099955009282210265/bosib0e13996f40350bfe0053c50a751bd0>



carbon price projection. Furthermore, the Bank has relevant experience among vulnerable rural communities in Brazil with Community Driven-Development (CDD) projects, in which the calculated net present values (NPVs) and internal rates of return (IRRs) turn out to be accurate and net returns are consistently high. Based on this prior experience, the Project is expected to have positive results in terms of cost effectiveness, which will be monitored during project implementation.

56. **Co-benefit Analyses.** Co-benefit analyses of policies related to the environment, specifically climate change, usually take into account only the relative cost-effective policies and actions taken. Thus, the co-benefits are rarely considered in the design and implementation of these policies and have little influence on the decision-making process. In strict economic terms, co-benefit analyses require both negative and positive quantification of what people value. These values are then monetized in some sort of currency so that a direct comparison of benefits can be made. However, although this technique is useful to compare and quantify the positive and negative effects of policies, not all impacts can be quantified and monetized.

57. **With these limitations in mind, the qualitative aspects of the main co-benefits generated by the Project have been identified.** The main environmental co-benefits of the Project are as follows: i. Conservation of greater biodiversity and increase in genetic flows in the forested areas of indigenous lands and traditional communities; ii. protection of soils and water resources through improved and sustainable forest and land use management systems; iii. protection of headwaters of the rivers that form the Pantanal and are located in the Cerrado of the Central Plateau; and iv. removals of significant amounts of CO₂ from the atmosphere due to avoided deforestation as well as native forest restoration. With respect to socioeconomic co-benefits, the Project is expected to contribute to: i. reduce vulnerability of IPQTCs and their traditional low-impact livelihoods to manmade and climate change-related threats; ii. increase monetary and nonmonetary benefits for forest users due to livelihood diversification and sustainable forest/land use management systems; and iii. enhance the adaptive capacity of IPQTCs to climate-change. Finally, the Project can contribute to some relevant institutional co-benefits, including: i. strengthened representative organizations of IPQTCs; ii. increased engagement and participation, role and voice of IPTCs in REDD+/climate change decision-making bodies at the local, national, and global levels; and iii. enhanced partnerships between IPTC representative organizations and networks.

58. **Implementation readiness.** Considering that NEA composition will remain the same, and that their way of working will not change, but will rather improve as a result of the experience and lessons learned from Brazil DGM Phase 1, the project is ready to be implemented. Consultations were held during project preparation to take into consideration IPQTCs' views and demands, which is a requirement under DGM guidelines.

59. **Technical aspects.** The project seeks to support IPQTCs in their adopting green and resilient development practices. Its design draws upon the experience gained under Brazil DGM Phase 1. To this end, the project will expand Brazil DGM Phase 1's efforts to enhance natural resource management and capacity building. While COVID-19 and its social distancing requirements present a new challenge, innovative technical and practical measures are already emerging to address this challenge under the parent project. The project will also deliver sustainable economic benefits to be derived from forest and freshwater ecosystems. It will adopt the same institutional arrangements as the parent project, building upon the strong institutional arrangements that have been tested over the past five years. The project will generate, share, and manage knowledge and best practices, building on and contributing to the existing Brazil DGM website.

60. **Financial management.** Based on the latest financial management assessment (FMA), CAA-NM has adequate FM (financial management) capacity, as demonstrated by its longstanding experience and moderate satisfactory performance in executing Brazil DGM Phase 1.

61. **Procurement.** Procurement of works, goods, non-consulting services, and consulting services under the



project will be governed by the procurement regulations for IPF (Investment Project Financing) Borrowers, issued in July 2016, and revised in November 2017 and August 2018. The National Executing Agency (CAA-NM) has adequate capacity to manage procurement, as demonstrated by its experience in executing this project and other World Bank-financed projects. CAA-NM has successfully prepared the Brazil DGM Phase 2 Project Procurement Strategy for Development and the first Procurement Plan.

62. **Environmental and social aspects.** The project is expected to have a positive environmental impact because it seeks to promote sustainable and climate-smart livelihoods, foster natural (water and forest) resource management, and expand awareness and knowledge on climate change adaptation among IPQTCs living in the Cerrado Biome. No activities at the community level shall take place without meaningful consultation, in a culturally appropriate and gender and inter-generationally inclusive manner, with beneficiary IPQTCs. The proposed activities will neither have adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation of Indigenous Peoples, nor cause relocation of Indigenous Peoples from land and natural resources subject to their traditional ownership or under customary use or occupation, nor have significant impacts on Indigenous Peoples cultural heritage that is material to their identity and/or cultural, ceremonial or spiritual lives. Although free, prior and informed consent (FPIC) is not required per ESS 7 (Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities) in these circumstances, the Brazilian regulatory framework requires Indigenous Peoples be involved and consulted in all interventions that interfere with their lands and FUNAI be informed about these. During Brazil DGM Phase 1, the National Executing Agency (CAA-NM) has shown adequate capacity to address all environmental and social risks and impacts of project activities, according to the World Bank’s Operational Policies triggered for the project. For Brazil DGM Phase 2, CAA-NM has updated the project’s Environmental and Social Management Framework (ESMF), which includes the Labor Management Procedures, and prepared a SEP, all in accordance with the principles and requirements set out in the World Bank’s Environmental and Social Standards. The draft ESMF and the draft SEP have been publicly disclosed and consulted²⁵. They will be revised to incorporate the feedback received through this consultation process, and the final versions will be disclosed within 30 days of the project’s effective date. An Environmental and Social Commitment Plan (ESCP) has been agreed and disclosed.²⁶

A. Legal Operational Policies

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

²⁵ ESMF and SEP were disclosed in-Country on February 2, 2022.
https://dgmbrazil.org.br/en/biblioteca/documentos/?tipo_documento=institucional

²⁶ ESCP was disclosed in-Country of June 30, 2022.
https://dgmbrazil.org.br/en/biblioteca/documentos/?tipo_documento=institucional



B. Environmental and Social

63. **Based on the assessment of the proposed list of activities, the environmental and social risk rating of Brazil DGM Phase 2 is considered Moderate.** The following Environmental and Social Standards (ESSs) are considered relevant: ESS1-Assessment and Management of Environmental and Social Risks and Impacts; ESS2-Labor and Working Conditions; ESS3-Resource and Efficiency and Pollution Prevention and Management; ESS4-Community Health and Safety; ESS5-Land Acquisition, Restrictions on Land Use and Involuntary Resettlement ESS6-Biodiversity Conservation and Sustainable Management of Living Natural Resources; ESS7-Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities; ESS8-Cultural Heritage; and ESS10-Stakeholder Engagement and Information Disclosure. CAA-NM has developed and consulted an Environmental and Social Management Framework (ESMF) and a SEP. As IPQTCs are the sole project beneficiaries, the elements of the time-bound plan required by ESS7 have been included in the overall project design, and the preparation of a stand-alone Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities plan is not necessary.

64. **During the implementation of Brazil DGM Phase 1, CAA-NM acquired the necessary capacity to comply with the World Bank's environmental and social safeguard policies.** Safeguard compliance has been rated as Satisfactory throughout the implementation of Phase 1. This positive track record is expected to make it easier to achieve objectives that are materially consistent with the ESSs during the implementation of Phase 2. Throughout project preparation, CAA-NM proactively engaged with relevant IPQTCs to ensure their ownership of and engagement in project design. Four seminars took place. The first three were held online before the closing of Brazil DGM Phase 1 Project, in compliance with all COVID-19 required biosafety measures and protocols. The results achieved during Phase 1 were presented, and an initial Phase 2 Concept Note and draft Phase 2 ESMF and SEP were discussed. The last seminar was held in Brasília with the participation of 26 IPQTC representatives to define the scope of project activities and institutional arrangements. The environmental and social risk management instruments (ESMF and SEP) have also been publicly disclosed for consultation on the project's website at <https://dgmbrasil.org.br/> Feedback gathered during the seminars and virtual consultations have been assessed and will be incorporated, as appropriate, into the final version of all environmental and social risk management documents, and into project design. The final versions of the ESMF and the SEP will be publicly disclosed on the project's website no longer than 30 days after the project comes into effect. CAA-NM will keep the required number of environmental and social risk management specialists throughout Brazil DGM Phase 2.

VII. World Bank Grievance Redress

65. **Grievance redress mechanism and complaints procedures (GRM).** In accordance with DGM Operational Guidelines and the requirements of ESS10-Stakeholder Engagement and Information Disclosure, the GRM established by the NEA under Brazil DGM Phase 1 will remain in use. This GRM ensures that all complaints received and related to a grant-award decision, representation in the NSC or Global Steering Committee, or the governance of the program will: (i) have a written record; (ii) receive timely resolution of issues; and (iii) be publicly reported. Regardless of the nature of the grievance, the Brazil DGM Phase 2 will ensure that a transparent, timely, and fair process is adopted to address each complaint. The initial point of contact for all grievances will be a dedicated member of staff within the NEA. The NEA will record all complaints received in a publicly accessible online system that allows complaints to be tracked and monitored. The abovementioned GRM will operate without prejudice to any additional mechanism established by the World Bank to address related issues of damages, and/or jurisdiction of any other national authorities. The project GRM is available on <https://dgmbrasil.org.br/en/ombudsman/>. The Project will rely on the GRM established under Brazil DGM Phase 1. This GRM was widely disseminated, accessible to key stakeholders and was able to facilitate the



resolution of concerns and grievances raised by its users in a timely and culturally adequate manner.

66. *Grievance Redress.* Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit www.worldbank.org/grs. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Brazil

Brazil DGM for Indigenous People and Traditional Communities Phase 2

Project Development Objectives

To support the adoption and dissemination of sustainable and resilient natural resource management knowledge and livelihood practices among Indigenous Peoples, Quilombolas, and Traditional Communities in the Cerrado Biome.

Project Development Objective Indicators

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Name: Project beneficiaries		Number	0.00	1,200.00	Semiannual	Technical reports.	NEA (CAA-NM)
Project beneficiaries - female		Number	0.00	400.00			
Description:							
Name: IPQTCs supported with access to knowledge on climate change adaptation (disaggregated by gender)		Number	0.00	1,200.00	Semiannual	Technical reports. This indicator measures the cumulative number of IPQTCs that participate in capacity-building and	NEA (CAA-NM)



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
and ethnic identity).						knowledge-sharing events.	
Description:							
Name: Indigenous peoples, quilombolas, and traditional communities adopting sustainable natural resource management practices (disaggregated by gender and ethnic identity)		Number	0.00	300.00	Semiannual	Technical reports.	NEA (CAA-NM)
Description:							
Name: Indigenous peoples, quilombolas, and traditional communities adopting climate-smart livelihood practices (disaggregated by gender and ethnic identity)		Number	0.00	600.00	Semiannual	Technical reports.	NEA (CAA-NM)
Description:							
Name: Share of community-based		Percentage	0.00	75.00	Yearly	Communities surveys and technical reports.	NEA (CAA-NM)



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
subprojects that generate livelihood benefits							
Description:							

Intermediate Results Indicators

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Name: Community-based subprojects completed		Number	0.00	15.00	Semiannual	Progress reports, including data disaggregated by ethnic groups. This indicator measures the number of IPQTCs community subprojects were implemented successfully.	NEA (CAA-NM)
Description:							
Name: Community-based subproject beneficiaries satisfied with technical assistance provided by		Percentage	0.00	80.00	Semiannual	Progress reports, including data disaggregated by ethnic groups.	NEA (CAA-NM)



Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
the project							
Description: This indicator measures the number of IPQTCs benefiting from sustainable community initiatives that are satisfied with the technical assistance received.							
Name: Participants satisfied with capacity-building activities		Percentage	0.00	80.00	Semiannual	Progress reports, including data disaggregated by ethnic groups and gender.	NEA (CAA-NM)
Description: This indicator measures the number of IPQTCs that participates in capacity-building events and believe they had access to relevant knowledge.							
Name: Knowledge-sharing channels developed and operational		Yes/No	N	Y	Semiannual	Progress reports.	NEA (CAA-NM)
Description:							
Name: Relevant project-related information made public through knowledge-sharing channels		Yes/No	N	Y	Semiannual	Progress reports.	NEA (CAA-NM)
Description: This indicator will be measured through the number of people having access to information materials disseminated through the project’s knowledge-sharing channels.							



Target Values

Project Development Objective Indicators

Indicator Name	End Target
Project beneficiaries	1,200.00
Project beneficiaries - female	400.00
IPQTCs supported with access to knowledge on climate change adaptation (disaggregated by gender and ethnic identity).	1,200.00
Indigenous peoples, quilombolas, and traditional communities adopting sustainable natural resource management practices (disaggregated by gender and ethnic identity)	300.00
Indigenous peoples, quilombolas, and traditional communities adopting climate-smart livelihood practices (disaggregated by gender and ethnic identity)	600.00
Share of community-based subprojects that generate livelihood benefits	75.00

Intermediate Results Indicators

Indicator Name	Baseline	End Target
Community-based subprojects completed	0.00	15.00
Community-based subproject beneficiaries satisfied with technical assistance provided by the project	0.00	80.00
Participants satisfied with capacity-building activities	0.00	80.00
Knowledge-sharing channels developed and operational	N	Yes
Relevant project-related information made public through knowledge-sharing channels	N	Yes





Annex 1. Brazil DGM Phase 1 (P143492) Achievements

66. **This proposed Brazil DGM Phase 2 will rely on and aim to expand the achievements of Brazil DGM Phase 1.**²⁷ The development objectives of Phase 1 were (i) to strengthen the engagement of Cerrado's IPQTCs in FIP, REDD+, and similar climate-change-oriented programs at the local, national, and global level; and (ii) to contribute toward improving livelihoods, land use, and sustainable forest management in their territories. The main beneficiaries of both project phases are IPQTCs and their representative organizations in the Cerrado Biome. This US\$6.5 million grant has been under implementation for five years. It is managed by *Centro de Agricultura Alternativa do Norte de Minas* (CAA-NM—the competitively selected National Executing Agency) under the leadership of IPQTCs representatives assembled in the NSC.

67. **Since April 2015, the Brazil DGM Phase 1 project has established an efficient institutional structure, which has remained in place after the end of Phase.** Firstly, it launched a communication campaign to gain visibility among target communities. Secondly, it issued two calls for proposals for community subprojects, and received nearly 200 proposals. Since early 2018, Brazil DGM Phase 1 has selected and supported the implementation of 60 community subprojects, and four subprojects focused on the institutional strengthening of IPQTC representative organizations. It also delivered training on how to prepare subprojects; is implementing a capacity-building plan agreed with the NSC; and facilitated the exchange of experiences among local communities, as well as with other FIP pilot countries (Mozambique and Indonesia).

68. **Brazil DGM Phase 1 comprised three components.** Component 1 (Sustainable Community Initiatives) aimed to support Indigenous peoples and local communities and organizations in developing community activities in order to promote sustainable forest and land use management systems, more resilient livelihoods, ethno-development, and climate change adaptation, by providing subgrants to community-based organizations (CBO) and CBO networks under three grant windows: (i) the Natural Resource Management Subproject Window, (ii) the Immediate Threat Response Subproject Window and (iii) the Market-Oriented Productive Subproject Window. Component 2 (Capacity Building and Institutional Strengthening) aimed to fund activities that contribute toward increasing managerial and technical capacities, access to financing sources for forest/land use and sustainable natural resource management, and participation in FIP, REDD+ and climate-change-related decision-making processes. Component 3 (Project Management, Monitoring, and Evaluation).

69. **Component 1 supported 64 community subprojects spread all over the Cerrado Biome (including 13 women-led subprojects).** These community subprojects aimed to improve natural resource protection, enhance production systems, and expand commercialization networks for biodiversity products. It varied widely according to each thematic line, and in response to specific self-identified community needs.²⁸ The most demanded type of subproject focused on the processing of fruits, nuts, and nontimber forest products in the Cerrado Biome. They added value to sustainable productive activities, generating income to local communities. The restoration of vegetation cover, springs, and water courses in degraded areas was the second most demanded type of community subproject supported under Phase 1. Community subprojects reached a total of 34,780 direct beneficiaries (9,145 households), including 11,041 women, and contributed to the protection of 73 water springs and the recovery of 659 hectares of native forest areas. CAA-NM carried out 93 technical assistance field visits to support the implementation of community subprojects.

²⁷ It became effective in June 2015, and ended on January 31, 2022.

²⁸ By ethnic identity, 56 percent of the community subprojects benefited Indigenous peoples, 25 percent benefited *quilombola* communities, and 19 percent benefited other traditional communities.



70. **COVID-19-related restrictions to face-to-face gatherings slowed down and affected some capacity-building and technical assistance activities planned under Component 2.** Nevertheless, 22 capacity-building programs were held, benefiting 188 community-based organizations, or 2,140 participants—including 1,212 women. These capacity-building activities encompassed project planning and design workshops, introduction to climate change and REDD+, women empowerment, restoration of degraded areas, and sociobiodiversity agroindustry entrepreneurs, as well as a Socioenvironmental Sustainability and Political Incidence Course, delivered in partnership with the University of Brasilia. Additionally, Phase 1 also supported the participation of IPQTC representatives in 38 national and international knowledge-sharing events; and the participation of five young IPQTC representatives in a master’s program delivered by the University of Brasília.

71. **Following the outbreak of COVID-19, Brazil DGM Phase 1 project was restructured, and incorporated an emergency aid subcomponent.** In response to a demand from IPQTC representatives and organizations in the NSC, Brazil DGM Phase 1 provided emergency assistance to address adverse COVID-19 impacts on IPQTCs’ livelihoods, health, and food security, and established social distancing measures. The emergency assistance reached a total of 2,786 families from 59 communities benefited under Component 1.

72. **In short, Brazil DGM Phase 1 has made relevant contributions to:** (a) strengthening the links between IPQTCs; (b) enhancing the institutional capacity of their representative organizations; (c) expanding their understanding of climate change and REDD+; (d) promoting sustainable natural resource management and livelihoods within their territories; and (e) supporting their recovery from adverse COVID-19 impacts. In the end, project beneficiaries were empowered to protect natural resources over an area above 6 million hectares.²⁹

²⁹ All project-related information is publicly available on the dedicated Brazil DGM website: <https://dgmbrasil.org.br/>



Annex 2. Lessons from Phase 1 Incorporated to Guide Phase 2

1. Brazil DGM Phase 1 was an ambitious and innovative effort to address the climate change consequences of rapid land use change in the Cerrado Biome. Its 64 subprojects and institutional capacity-building activities were successful, but also experienced numerous difficulties. Together, these have served as a basis for the following list of lessons learned that guide this Brazil DGM Phase 2 proposal:

a) Investing in behavioral changes regarding current land use practices and natural resource management requires a medium-to-long-term timeframe to produce significant reductions in GHG emissions from land use practices. Changes in human behavior are often slow, and require constant reinforcement and enforcement to take root. This means that additional efforts will be needed to enforce sustainable resource management and support long-term GHG emission reductions.

b) Knowledge sharing and institutional strengthening are an integral part of building long-term capacity for climate change actions. Capacity building and institutional strengthening are critical to increasing the participation of IPQTC organizations in decision-making processes that may affect their lives. It is the process through which individuals, organizations, and societies obtain, strengthen, and maintain their capabilities to set and achieve their own development objectives, and to deal with global challenges. The Brazil DGM website, subproject monitoring tools, and communication materials have provided considerable support to IPQTC representative institutions in their developing internal capacity and routines to prepare their project and monitor implementation. The experience gained under Brazil DGM Phase 1 and in coordination actions across FIP projects may serve as the building blocks for an expansion of these activities and a refinement of institutional capacity activities.

c) Steering Committee participation—at an adequate level and with appropriate timing—is a key element in garnering support and acceptance of project activities. The NSC should continue playing its role in accompanying the implementation of community subprojects, not only to help with advice on implementation and with supervision, but also to expand their knowledge and experience as to what happens at the grassroots level, what works, and what does not. The NSC should also keep its role of overall project planning and decision-making.

d) An adaptive management approach is essential for a program to overcome unexpected challenges and to take advantage of unforeseen opportunities. External factors may often lead to unexpected delays in project implementation. Brazil DGM Phase 1 dealt with challenges caused by: (i) state and national elections, which often lead to a change in interlocutors; (ii) the COVID-19 outbreak; and (iii) the remote location of many beneficiary communities. Procurement was also an issue because of the considerable number of small purchases that had to be made by the NEA on behalf of beneficiary community organizations, and the delivery of equipment and goods to remote locations. An adaptive management approach enables the project to take advantage of unforeseen opportunities and provide a timely response to the demands of beneficiary communities. The NEA has learned its lessons and will be able to help beneficiary communities and their organizations to get their subprojects started and implemented more quickly.



Annex 3. Implementation Action Plan

Implementation Arrangements

- 1. The Brazil DGM Phase 2 will adopt the institutional and implementation arrangements of the Brazil DGM Phase 1:** a NSC with decision-making power and composed by representatives of Indigenous Peoples, traditional communities and governmental agencies and a NEA - the Centro de Agricultura Alternativa do Norte de Minas (CAA/NM) that was competitively selected among non-governmental and non-profit organizations - with implementation responsibilities.
- 2. The NEA – Centro de Agricultura Alternativa do Norte de Minas - was selected through a competitive process supported by the World Bank and carried out by the NSC with the assistance of the Government of Brazil, as part of the Brazil DGM Phase 1 procedures.** The NEA is a nonprofit and nongovernmental organization (NGO) that meets the World Bank’s program-related, fiduciary and safeguard requirements.
- 3. The NEA will facilitate the work of the NSC and provide to the World Bank operational and financial reports: Implementation Arrangements, and progress reports on results to date toward achieving the PDO.**
- 4. The NEA’s main responsibilities include:** serving as secretariat to the NSC; ensuring that Brazil DGM Phase 2 funds are used appropriately and that procurement is carried out in accordance with Bank rules and procedures; ensuring timely implementation of all project activities; monitoring project activities and related indicators; maintaining documentation on Brazil DGM Phase 2 projects and preparing progress and financial reports; ensuring that the Bank’s safeguard policies triggered under the Project are observed and complied with; maintaining communications and technical dialogue with stakeholders; and managing redress processes for grievances and complaints. The NEA will begin operations following project effectiveness. A grant agreement will be signed by the NEA and the World Bank to administer the grant scheme.
- 5. A NSC will accompany project implementation.** The NSC will work as a deliberative and social control arena. Its principal roles and responsibilities are to: (i) decide on the work plans; (ii) review and make funding decisions on eligible community proposals; (iii) provide oversight of the project’s implementation and keep the functioning of the NEA under review; (iv) review the progress of activities with regard to PDOs against indicators, and promote learning from the results among stakeholders; (v) report to the Global Steering Committee (GSC) on national; and (vi) mediate any conflicts related to Brazil DGM Phase 2 funding proposals that may arise during the course of project implementation. The NSC will include representatives from IPTCs, and the Brazilian Government. The World Bank will provide guidance on the technical soundness and feasibility of the proposals as well as their compliance with fiduciary, procurement and safeguard policies. However, the Bank will not participate in NSC’s decision-making processes.
- 6. Project Operational Manual.** CAA/NM will implement the project in accordance with a Project Operational Manual, which will include standard rules, methods, guidelines, documents and procedures for the project, including: (i) descriptions of project activities and institutional arrangements; (ii) administrative, accounting, auditing, financial reporting, acquisition and disbursement procedures; and (iii) monitoring indicators.



Implementation Support Plan

7. **The World Bank office in Brasilia will be the main source of project support, as it has the technical and administrative expertise related to project scope, fiduciary and safeguard aspects required to follow up on project implementation.** Implementation support will be provided through short follow-up technical meetings and semiannual implementation support missions.

Skill Mix Requirements

Skill needs for implementation support	Origin	Estimated staff weeks
Task team leaders (2)	Country-based	4 per year
Environmental specialist	Country-based	2 per year
FM specialist	Country-based	1 per year
Procurement specialist	Country-based	1 per year
Social specialist	Country-based	2 per year
Operations analyst	Country-based	5 per year
Legal counsel	Country-based	1 for project lifecycle
Disbursement officer	Country-based	1 per year



Annex 4. Map

