



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Brazil	LATIN AMERICA AND CARIBBEAN	P175723	
Project Name	Mato Grosso Sustainable Development of Family Farming		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Agriculture and Food	Investment Project Financing	2/6/2023	5/29/2023
Borrower(s)	Implementing Agency(ies)		
Mato Grosso State Department of Finance (SEFAZ MT)	SEAF - Secretaria de Estado Agricultura Familiar, State of Mato Grosso		

Proposed Development Objective

The proposed Project Development Objective is to improve access to climate-smart, sustainable practices and contribute to the economic inclusion of family farmers in the State of Mato Grosso.

Financing (in USD Million)	Amount
Total Project Cost	100.00

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

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The proposed project will develop and implement a sustainable, climate-smart model of family farming that helps to address the AF/PIPCT inclusion challenges facing the State. This approach will complement other projects such as the Mato Grosso Fiscal Adjustment and Environmental Sustainability Development Policy Loan (P164588), which presents measures that focus primarily on the environmental issue of the large-scale agricultural sector (i.e. the 'Produce' and 'Conserve' axes of the PCI Strategy). The proposed project will have a specific focus on the 'Inclusion' axis as well,



catalyzing investments that increase agriculture sector benefits to AF/PIPCT populations while improving their sustainability and resilience to climate change.

Component 1 will contribute to the long-term sustainable and inclusive access of family farmers in the State's economy, by promoting the adoption of climate-smart technologies and measures (focusing on climate mitigation and adaptation), and improving production processes and value addition throughout key value chains. Component 2 will contribute to improving the state's capacity to promote sustainable and resilient production systems. In particular it will offer support for improved: (i) prevention and control of deforestation and forest fires, (ii) efficiency of environmental and land regularization of family farming PIPCT establishments, (iii) coordination between different bodies and secretariats, actions and projects that aim to advance the State's strategy of Producing, Conserving and Including - PCI.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

Located in the West-Central region, Mato Grosso (MT) is the 3rd largest state in Brazil (903 km²) with a population of 3,526,220 inhabitants (81.8% in urban areas) and demographic density of 3.36 inhabitants/km². MT occupies a prominent position on the national scene due to the natural wealth of three important Brazilian biomes and its role as a hub of agricultural production.

The Amazon Biome, the Cerrado and Pantanal cover 53%, 40% and 7% of its territory, respectively. The expressive environmental wealth of MT is threatened by growing deforestation, large forest fires and other phenomena related to climate change – such as more frequent and intense droughts. There are 104 105 Conservation Units Protected Areas (PAs) within the state: 23 federal PAs (16 of sustainable use and 7 under full protection); 46 state PAs (12 of sustainable use and 34 under full protection); and 36 municipal PAs (17 of sustainable use and 19 under full protection), as well as 12 Key Biodiversity Areas. Some of the subprojects under Component 2 may be implemented inside sustainable use PAs or KBAs. Climate – high degree of insulation, regularity of rainfall and high rainfall index (2,000 mmm annually) – and relief – not very rugged – favor the development of agribusiness.

MT is the largest national producer of cereals, legumes and oilseeds (soybeans and corn account for more than 90% of this total production) and beef as well as the largest exporter of commodities (17.3%). Making up 50.5% and 20.1% of the state's GDP, agribusiness and primary production boosted the state economy and social development, but are concentrated in 20 cities in the Cerrado, which hold the highest HDIs in the state. Nevertheless, rural areas of the state continue to show higher poverty rates than urban ones. The 2010 rural poverty rate (26.9%) was nearly 4 times higher than urban poverty and family farms were marred by low economic dynamism, which was dramatically aggravated by the Covid-19 pandemic.

Family farmers encompass a mosaic of social groups, including: 7,733 production units of the National Land Credit Program and the 549 agrarian reform settlements, more than 44,000 indigenous people, 71 Quilombola communities and other Traditional Communities. They hold 69% of the 118,631 farms in the state, employ 51% of the rural workforce (2.6 workers/farm and a ratio of one job per each 23.8 hectares), but the average area (62.9 hectares) is just 13% of the average farms in the state (473.0 hectares). Family farms account for 14% of the state's territory and Indigenous lands add to 15.4% of the state's territory.

Data on land ownership shows that social inequalities based on gender, race, ethnicity and generation factors are rampant. The parcel of farms run by women equals 17%, rising to 18% among family agriculture. Just 0.9% of the farmers and 1.1% of the family farmers self-identify as Indigenous Peoples. Blacks and Pardos count for 49% of the



farmers and 53% of the family farmers. The size of the farms and the proportion of family farms owned by these race and ethnic groups is much smaller than those owned by white people. On average, farms run by Indigenous peoples and Afro-Brazilians represent areas that are 43% and 27% of the size of white farmers, respectively. Among family farmers these ratios are 53.4 and 70.9 percent, respectively. Finally, only 9% of the producers are aged under 35 years old.

The drivers of low economic dynamism among family farmers have been attributed to low integration with markets and lack of competitiveness as a consequence of: low use of technology and the reliance on extensive systems of production with low productivity; lack of access to technical assistance; lack of guarantees to offer as collateral to loans as many do not comply with the legal requirements on land and environmental regularization; and rare participation in economic, productive or commercial organization as well as in partnerships with the private sector.

D. 2. Borrower's Institutional Capacity

The Borrower would be the Government of Mato Grosso. The Secretariat of State for Family Agriculture and Land Affairs (SEAF) would be in charge of Project implementation and coordination.

SEAF will host a Project Management Unit (PMU). The PMU will be responsible for overall management, planning, coordination, monitoring and evaluation of all project activities both at central and regional levels, project financial management, procurement, disbursements and accounting. The PMU will also be responsible for implementing the E&S risk management instruments, as well as for disseminating project results through a proactive communication strategy.

The PMU's E&S risk management team has received guidance from the Bank's assigned specialists on the ESSs. The PMU will be composed by specific administrative and technical career staff and also specialized consultants contracted with loan proceeds for the management of E&S risks, the implementation of communication and stakeholder engagement strategies, and the work with beneficiary Indigenous Peoples and Traditional Communities. The PMU will be coordinated by a career civil-servant and will include an environmental and a social specialist. SEAF will partner with EMPAER, INTERMAT, and SEMA, which will play a vital role in the implementation of project activities in the areas of rural extension, land tenure and environmental regularization.

SEAF has developed some experience with stakeholder engagement and consultations with a diversity of stakeholders, during the elaboration of the the State Plan for Family Agriculture (PEAF) in coordination with the State Council for Sustainable Rural Development (CEDRS). PEAFF was prepared in 2017 on the basis of 8 regional workshops and the participation of 880 representatives from 99 municipalities, including Indigenous Peoples, Quilombola and traditional communities, rural laborers unions, rural social movements, agrarian reform settlers, family farmers and NGOs.

CEDRS - created by Decree 2061/2013 and Law 10.643/20 - would carry out the social oversight of the Project. CEDRS is a highest advisory and integration body, with the objectives of (i) advising, evaluating and proposing to the Government of Mato Grosso the guidelines for state public policies related to family agriculture and (ii) deliberating on norms and criteria aimed at accelerating sustainable and solidary rural development.

SEAF has also experience handling grievances. Its Sectoral Ombudsman Office is part of the State Ombudsman Network and is responsible for ensuring efficiency and effectiveness in meeting the demands of the citizen and receives complaints, suggestions, compliments, demands and requests for information and providing the appropriate referrals; provides feedback to citizens on the measures taken; recommends to SEAF measures to improve the provision of administrative services based on on the citizens' opinions; organizes and keeps an up-to-date register; and prepares, on a periodic basis, reports containing a summary of the citizen's concerns and grievances, highlighting the resolutions reached.

SEAF has no previous experience with the World Bank ESF. Indeed, the Government of Mato Grosso has only a limited experience with the ESSs, which has increased due to .he preparation of the Progestão Mato Grosso: Public Sector



Management Efficiency (P178339) and the Mato Grosso Resilient, Inclusive, and Sustainable Learning Project (P178993).

During project preparation, the Bank task team will assess the capacity of SEAF to carry out E&S risks management and, if necessary, propose a capacity building plan as part of the ESMF. This assessment will consider the adequacy and efficiency of SEAF’s GM to respond and facilitate resolution of Project-related concerns and grievances and report on them. The project Environmental and Social Commitment Plan will define the possible issues to be considered for proper E&S risk management throughout Project implementation.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Moderate

The environmental risk rating of the project is Moderate. The project will support the adoption of climate-smart technologies and measures focusing on climate mitigation and adaptation. The Project will support improving production processes and value addition throughout key value chains, through the development of diagnostics and matching grants for investment subprojects to be further detailed during project preparation. Such subprojects could include investments such as minor on-farm infrastructure; plantations; energy, soil, water, vegetation and biodiversity conservation measures; provision and utilization of inputs, equipment and tools; and off-farm infrastructure for storage, processing and packaging. At this stage, the main environmental risks are associated to these subproject interventions in family farmers’ holdings, which may cause limited, temporary and reversible environmental impacts such as erosion, pollution and contamination of soil and/or water from waste and chemicals. To reduce or mitigate these risks, screening criteria for subproject selection would be developed and the project would implement and monitor preventive and mitigation measures to be identified and described in the project’s ESMF and integrated in procurement documents and approved subproject proposals. Another environmental risk is that support provided to improve production might result in the expansion of production areas over natural habitats, increasing deforestation and environmental degradation. To prevent this risk, the project would provide agronomic technical assistance and capacity building which would integrate the environmental sustainability measures identified in the ESMF, as well as provide advice on environmental compliance with the national Forest Code. When appropriate, the project may also provide advice to family farmers on the obtention of environmental certification, generation and sale of carbon credits, or payment for environmental services to access carbon markets, which require the maintenance and/or recuperation of natural areas and would also assist in mitigating this risk. Environmental benefits would be gained from project support to the prevention and control of deforestation and forest fires, efficiency of environmental and land regularization of AF/PIPCT establishments, and coordination between different bodies and secretariats, actions and projects that aim to advance the State’s “Produce, Conserve and Include” (PCI) Strategy under Component 2.

Social Risk Rating

Substantial

The social risk rating of the project is Substantial. The Project is expected to generate positive social and economic benefits to family agriculture – and, particularly, the poor small landholders located in areas of low economic dynamism, Indigenous Peoples, Quilombolas and other Traditional Communities – in the context of Covid-19 recovery. The pandemic aggravated the uncertainties and losses for family agriculture. Early assessments show this situation is more dramatic in the Amazonian territories and in the Pantanal. Project interventions are expected to enhance productivity, increase production and income, and expand the resilience and the coping capacity of these

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disadvantaged and vulnerable social groups in face of the adverse effects exacerbated by Covid-19 and climate change on their livelihoods, food security and well-being. The Project would contribute to reduce rural poverty and avoid rural-urban migration, while stimulating the adoption of sustainable and resilient production systems. Nevertheless, the Project would be intervening within Indigenous Lands and other traditional communities that may have visions of their well-being and aspirations that are distinct from mainstream groups in the national society and the Project needs to ensure proper processes of consultation, engagement and benefit sharing for these Indigenous Peoples, quilombolas and traditional communities as far as the goal of reducing their economic marginalization needs to be adequately balanced with the full respect for their rights, identity, culture, traditional knowledge about the geographically distinct habitats they are collectively attached to and their natural resource-based livelihoods. Measures need to be incorporated in project design to allow them to have an opportunity to adapt to changing conditions and to benefit from Project activities in a manner and a timeframe acceptable to them. This risk will be minimized by the Borrower's full commitment to carry out consultation and engagement processes in culturally appropriate manners to build informed consensus and broad support as a requisite for Project interventions. The Borrower would develop an Indigenous Peoples Planning Framework (IPPF) and a Stakeholder Engagement Plan (SEP) considering the different views, aspirations and needs and proposing measures to ensure these social groups can fully participate in the Project. A second major social risk refers to a potential initial reluctance of impoverished small landholders to adopt the new productive technologies and practices and to commit with the recovery of degraded areas as they require behavioral changes. To reduce or mitigate such risks, the Project would provide technical assistance and offer capacity building training and develop a robust communication and awareness raising strategy. Additionally, the Project must consider the potential risk of exclusion of female small landholders/producers from the financing of micro-grants, the environmental and land regularization interventions and the capacity building and the technical assistance activities because of cultural norms, traditional gender-based roles and discrimination. The project social impacts assessment will need to address these issues and the ESMF shall include a Gender Action Plan aiming to ensure women's views are considered and that women take part in and benefit from Project interventions. Project workers may be exposed to health and safety risks, which will also be assessed as part of the ESMF. Measures to ensure OHS will be defined in the Labor Management Procedures (LMP). Although Project-supported activities can take place in remotely located communities, they are not expected to increase risks ordinarily associated with the influx of workers on small rural communities as this number is expected to be low.

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

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This standard is relevant. The project would support on-the-ground interventions in family agriculture holdings through subprojects spread over a large portion of Mato Grosso state, provide rural technical assistance, support value chains/market studies and diagnostics, increase efficiency of environmental and land tenure regularization of AF/PIPCT establishments, and increase efficiency of the prevention and control of deforestation and forest fires. The state has a strong agribusiness and cattle production sector present in all three biomes – Amazon, Cerrado and Pantanal – which are threatened by growing deforestation, large forest fires and other phenomena related to climate change – such as more frequent and intense droughts. Even though large agribusiness operations are the greater contributors to these impacts, the lack of technical assistance and access to credit among AF/PIPCT often leads to the



adoption of unsustainable production practices such as the use of fire and inadequate or excessive use of agricultural chemicals and inputs.

Project interventions are expected to result in more environmentally sustainable and climate-smart production among beneficiary AF/PIPCT, improved environmental regularization of their holdings, and improved fire and deforestation prevention action at the state level, generating positive environmental benefits. Nevertheless, production subprojects may cause localized and reversible impacts, which could be prevented or mitigated through appropriate measures. The project ESMF would define sustainability criteria for screening proposed production subprojects and would identify the potential impacts and respective preventive and mitigation measures for all types of interventions to be detailed during project preparation. The ESMF would also define the tools and methodology to monitor environmental and social compliance of all actions to be financed under the project.

The Project's ESMF would pay special attention to the distributive impacts and benefits of Project interventions on disadvantaged and vulnerable social groups, including a gender-sensitive lens. Family agriculture encompasses an array of social groups that are more likely than others to be disadvantaged and vulnerable as well as excluded to take advantage of project benefits. They include: Indigenous Peoples, quilombola and traditional communities as well as the poorer Afro-Brazilian small landholders and the female small landholders without secure tenure. The Project's ESMF would pay special attention to the impacts and benefits of Project interventions on these disadvantaged and vulnerable social groups and the Project's SEP would define – as needed – special measures to engage, disseminate information and consult in a culturally appropriate manner with them.

The Project's ESMF will also:

- Consider social factors and customary norms that may hamper the participation of female small landholders and indigenous women in Project activities (whereas the SEP would propose measures to promote women's engagement in project activities and participation in Project benefits);
- Identify potential risks and impacts on the health, safety and well-being of project-workers and project-beneficiary communities, including aspects related with SEA/SH and GBV and management of hazardous materials;
- Identify potential impacts that activities on environmental regularization and recovery of degraded lands may have on the livelihoods of small landholders and traditional communities and appropriate measures to minimize or mitigate them, if any;
- Identify potential adverse economic and social impacts of land regularization activities (including an assessment of the institutional, legal and governance capacity of the responsible agencies) and appropriate measures to minimize or mitigate them (if any) and consider measures to ensure land regularization processes and procedures, including a consultation strategy with all key stakeholders and, particularly, potentially affected people;
- Identify potential risks of child labor, forced labor and serious safety issues that may arise in relation to primary suppliers;
- Identify potential risks related with access to communication technologies and digital exclusion of remotely located beneficiary communities and help the identification of adequate processes and channels for information disclosure and stakeholder engagement;
- Identify features with cultural heritage significance that might be located in the areas of intervention.
- Include an exclusion list to avoid any potential affectation of critical biodiversity areas given the potential expansion of production areas over natural habitats.

Finally, according to the CERC Guidance Note (Oct. 2017), the project ESMF will include a specific section for the CERC that will include: a) Identification of potential activities that the CERC could finance (positive list of goods, services and works); b) Analysis of potential Environmental and Social Risks and Impacts; c) Environmental and Social



Management Procedures (Screening, clearance and approval, Implementation and M&E, and Completion and Evaluation); and d) Institutional Arrangement for the EAP Implementation.

Given the proposed timeline for Project preparation, the restrictions imposed by the electoral legislation on the use of official governmental websites during the electoral period (July-October) is a risk for the timeframe for the readiness of ESF documents. While the draft ESF documents would be disclosed before Project Appraisal, the timeline for disclosing final ESF documents by 30 days after Effectiveness is proposed to allow sufficient time for consultations with multiple stakeholders, taking into consideration the majority elections to be held in October 2022, which freezes the official websites during the electoral period, thus restricting the consultation process.

Areas where “Use of Borrower Framework” is being considered:

The use of Borrower Framework is not being considered.

ESS10 Stakeholder Engagement and Information Disclosure

This standard is relevant.

The Project is expected to benefit the diversified array of social groups that comprise family agriculture. They include rural smallholders who mostly rely on the family workforce in their productive activities, land reform settlers, traditional communities (such as Indigenous Peoples, Quilombola communities, riverine and artisanal fishery communities, extractive communities, and social groups identified by their collective attachment to geographically distinct habitats, including, among others, the “retireiros do Araguaia”, “pantaneiros”, “beiradeiros”, “raizeiros”, “canoeiros”, “piloteiros” and “morroquianos”), family agriculture organizations and unions, community associations and cooperatives. Other interested parties include municipal governments, financing agents, providers of technical assistance and rural extension services, NGOs and the private sector engaged on the value chains of biodiversity products, state and federal authorities that are incumbent of environmental and land regularization, protection of Indigenous Peoples, Quilombolas and traditional communities, the state and municipal Councils of Sustainable Rural Development and the State Committee of Traditional Peoples and Communities (CEPCT).

During Project preparation, the Borrower would prepare, disclose and consult a draft Stakeholder Engagement Plan (SEP). The final version of the SEP – updated with the feedback collected through the consultation process – would be publicly disclosed in a dedicated Project website of SEAF/MT within 30 days of Project effectiveness.

The preparation of the SEP will require: (a) an identification of different stakeholders, paying particular attention to those who because of their particular circumstances may be disadvantaged or vulnerable, more likely to be adversely affected by the project impacts, more limited than others in their ability to take advantage of Project benefits or more likely to be excluded from or unable to participate in the Project’s consultation processes; (b) the assessment of special needs some stakeholders may have to get access to relevant information and to participate in the consultation process; (c) an assessment of consultations previously held with key stakeholders on the relevant issues dealt with by the Project; (d) the timely disclosure of relevant information and the definition of an adequate methodology for carrying out consultations; (e) the assessment of the existing channels available for receiving and facilitating the resolution of concerns and grievances, its adequacy and accessibility for the Project’s stakeholders; and (f) the carrying out of consultations on the draft SEP.

Aiming to avoid the unsustainable duplication of structures, the Borrower may rely on existing engagement structures and grievance redressing mechanism (GRM) within its system for carrying out meaningful consultations with stakeholders, engaging on a continued basis with stakeholders and responding to concerns and grievances raised by stakeholders. In this regard, three main instances would be evaluated: the CEDRS, the CEPCT and SEAF/MT Sectoral Ombudsman Office.



- As mentioned, the Borrower has proposed to use CEDRS as the main entity for the social oversight of the Project. CEDRS was created by Decree 2061/2013 and Law 10.643/2017 and has a consultative, propositional, deliberative character. It is the highest advisory and integration body, with the objective of advising, evaluating and proposing to the Government of the State of Mato Grosso the guidelines of state public policies related to family agriculture, as well as deliberating, within its competences, on norms and criteria aimed at accelerating sustainable and solidary rural development. It is equally composed by 28 representatives of civil society and state government agencies, including, among others representatives of: relevant state Secretariats and Agencies, relevant federal agencies, cooperatives and financing institutions, municipal governments, agrobusiness, agricultural workers and rural landless workers, NGOs and research institutions, technical assistance and extension workers as well as the Federation of Indigenous Peoples and Organizations of Mato Grosso (FEPOIMT) and the Quilombola State Federation.
- The State Committee of Traditional Peoples and Communities (CEPCT) was established through Decree No. 466/2016 with the main objectives of: elaborating state policies for the sustainability of traditional peoples and communities and proposing the state plan for their articulation, execution and consolidation, encouraging the participation of civil society through permanent dialogue with the communities and respecting their practices, identities and diversities; identifying the need and proposing the creation or modification of instruments necessary for the implementation and monitoring of such policies; and promoting the social rights of traditional peoples and communities. CEPCT is composed by 24 members – 11 representatives of State Secretariats (including SEAF and the Indigenous Affairs Superintendency) and 13 representatives of civil society (including, Indigenous Peoples, Quilombolas, riverine communities, Gypsy Peoples, Afro-Matrix religions, rubber-tap communities, craftsmen, “pantaneiros”, “capoeiras”, “raizeiros” and “benzedeiros and traditional dancers).
- As part of SEAF/MT’s organizational structure there is a Sectoral Ombudsman Office. It is part of the State Ombudsman Network and is responsible for ensuring efficiency and effectiveness in meeting the demands of the citizen. The attributions of the Sectoral Ombudsman are: (i) receiving complaints, suggestions, compliments, demands and requests for information and provide the appropriate referral; (ii) providing citizens with feedback on the measures taken and information on their completion within the legal term; (iii) maintaining the due discretion and confidentiality of what is transmitted by the citizens; (iv) suggesting to SEAF/MT measures to improve the provision of administrative services based on the citizens' opinions; (v) organizing and keep an up-to-date file of documents issued and received; (vi) preparing in a periodical bases reports containing a summary of the citizen's manifestations, highlighting the referrals and, if possible, the results arising from the measures taken; (vii) exercising special measures as determined by the General Ombudsman of the State; and (viii) receiving demands and providing information, as a Citizen Information Service (SIC), in compliance with the provisions of the Access to Information Law; and (ix) observe the guidelines, standards and techniques established by the State Comptroller General. During preparation, the existing engagement structures and GRM would be assessed on their main features and functionalities and decisions will be taken with regards to their utilization, with or without the adoption of supplementary project-specific arrangements as needed. Due to Covid-19 and required social distancing measures, including restrictions on face-to-face gatherings, the consultation of the draft SEP would follow the WB recommendations on how to carry out consultations during the Covid-19 outbreak (“Technical Note: Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings”) and rely on virtual channels for disclosure of the draft SEP and collection of stakeholders’ feedback.

B.2. Specific Risks and Impacts



A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

This standard is relevant.

Project implementation would rely on direct workers (including civil servants from the implementing agencies), contracted workers and primary supply workers. During preparation it would be assessed whether or not the Project would engage community workers for the purpose of fostering community-driven development and – in case it would – also assess whether or not the application of all requirements of ESS 2 is appropriate or whether or not the Borrower should just require measures to be implemented to ascertain that such labor would be provided on a voluntary basis as an outcome of individual or community agreement (as provided on ESS 2, paragraph 34).

During project preparation, the Borrower would prepare Labor Management Procedures (LMP), which would address aspects related with: terms and conditions of employment, fair treatment, non-discrimination and equal opportunity; minimum working age and measures to prevent the use of all forms of forced labor and child labor; and worker’s organizations. The LMP will include considerations on child labor in family farms, as there may be occasions where children may help their parents in carrying out activities related to the Project supported activities, as part of broader family task sharing.

The LMP would also assess the potential risks faced by different groups of workers and propose occupational health and safety measures. The LMP would state that the Borrower would make reasonable efforts to ascertain that the employers of contracted workers and primary supply workers are legitimate and reliable entities and have in place labor management procedures applicable to the project that will allow them to operate in accordance with the requirements of ESS 2. The ESMF would identify potential risks of child labor, forced labor and serious safety issues that may arise in relation to primary suppliers and the LMP would set out roles, responsibilities and measures to remedy these risks.

The LMP would state the need to establish a standalone grievance redressing mechanism to raise workplace concerns and would define the features of this mechanism in line with the requirements of ESS 2. The workers grievance mechanism may utilize existing grievance mechanisms – providing that they are properly designed and implemented, address concerns promptly, and are readily accessible to such project workers - and would be put in place within 30 days of Project effectiveness and operated thereafter. The GRM would be accessible to direct and contracted workers.

The LMP would also include measures to prevent SEA/SH in the workplaces and in the relationships between project workers and beneficiary community populations.

Finally, the LMP would address potential risks related with labor influx and propose a code of conduct to which all project workers will abide in their relationships with the beneficiary community populations.

The draft LMP would be disclosed prior to Project Appraisal, and the final LMP will be disclosed by 30 days after Project Effectiveness.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant.

Subprojects promoting the recovery of degraded lands and new farming technologies and practices are not expected to expose communities or producers to hazardous materials and substances. They are expected to encourage the use of integrated pest management or integrated vector management approaches. Thus, pesticide use would neither be stimulated nor increased. Therefore, no significant quantities of pesticides are expected to be procured. It is, however, possible that in some cases, even if temporarily, some products could be used during the first year in which



forest species are being introduced. In these circumstances, the Borrower would not use any pesticides or pesticide products or formulations unless such use is in compliance with the EHSs, nor that contain active ingredients that are restricted under applicable international conventions or their protocols or that are listed in, or meeting, the criteria of their annexes, applicable international agreements or meet the criteria of carcinogenicity, mutagenicity, or reproductive toxicity as set forth by relevant international agencies.

The Environmental and Social Management Framework (ESMF) would assess the potential risks related with the use of pesticides and the ESMF would include screening procedures to identify any adverse risks, as well as measures to promote careful management and use of agricultural chemicals in all situations where appropriate under the project. It would also define the set of criteria that would apply to the selection and use of pesticides in line with the requirements of paragraphs 22-24 of this standard. The project is not expected to involve significant pest management issues and, consequently, the Borrower would not be required to prepare a standalone Pest Management Plan.

In the event that small-scale irrigation would be necessary for any supported production scheme, the ESMF would define appropriate criteria to select the most water-efficient irrigation systems for the intended crop and the best practices and measures to prevent or mitigate erosion, soil salinization and any other potential impact from irrigation identified in the ESMF. The ESMF will incorporate guidance on the adoption of waste reduction measures, recycling/reuse (where possible) and proper disposal for any intervention generating residue and/or waste water. The ESMF will also assess the potential risk of generation and disposal of electronic waste (e-waste), and shall the assessment identify potential risks and impacts, an e-waste management guideline will be developed as part of the E&S instrument

At this stage of preparation, it is unclear whether GHG emissions would be relevant or significant in this Project. The potential reduction of GHG emissions will be assessed during Project preparation.

ESS4 Community Health and Safety

This standard is relevant.

The envisaged works are not expected to lead to traffic and road safety risks or to risks associated with the influx of laborers (fraternization, SEA/SH, community exposure to communicable diseases, social conflicts between laborers and local people). Project activities would neither support the design and construction of new dams, nor rely on the performance of an existing dam or a dam under construction. Project activities are expected to have a positive impact on ecosystem services and beneficiary communities by promoting reforestation, recovery of degraded lands and conservation of natural habitats.

However, activities to improve productive practices, increase productivity and enhance competitiveness of family farmers and PIPCT may require the use of chemical fertilizers and soil amendments posing some risks to the environment, but also the health and safety of local communities. The ESMF would assess the positive and negative impacts on ecosystem services as well as the risks that may result from the management of hazardous materials on community health and safety and the ESMF would identify the measures need to prevent, minimize or, at least, mitigate these risks.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The standard is currently not relevant.



Activities envisaged under the Project would neither directly require land acquisition, nor impose restrictions to land use or require involuntary resettlement. The ESMF will include an exclusion list to ensure that the project would neither directly require land acquisition, nor impose restrictions on land use or require involuntary resettlement. This provision will also apply to any privately owned land that has occupants other than the owners.

Family farmers would enroll in environmental regularization on an exclusively “voluntary basis”. It is worth mentioning that the establishment of Permanent Protected Areas and Legal Reserves within private landholdings is ruled by the country legislation since the 1960s (Law 4771/65) and reinforced by the Law for Protection of Native Vegetation (Law 12,651/2012, also known as the Forest Code). This regulatory framework requires that all privately owned rural landholdings keep a certain percentage of native vegetation (Legal Reserves) and protect riparian forests along watercourses, steep slopes, mountaintops (Areas of Permanent Preservation). The preservation of these areas do not restrict access to natural resources. Small landholders are allowed to develop sustainable agroforestry activities within these areas as long as they do not alter ecosystem functions in the area; whereas large landholders are allowed to compensate the productive use of these areas by establishing them in other areas.

Subprojects aiming the recovery of degraded areas that may lead to restrictions of access to natural resources taken place within private landholdings will be carried out only where family farmers enroll in Project activities on a voluntary basis. Whenever such interventions are proposed as part of community-based natural resource management subprojects and may affect collectively used lands, the Project would provide prior and satisfactory evidence to the Bank that these decisions were made through adequate community-decision making processes, which reflect voluntary and informed consensus and put in place agreed appropriate measures to mitigate adverse impacts (if any) on the vulnerable members of the community (ESS 5, footnote 9).

Land regularization activities would only benefit settlers of governmental land reform programs and are intended just to confirm and regularize their land rights. The potential risks and impacts of land regularization will be assessed as part of the ESMF and measures to minimize and mitigate potential adverse economic and social impacts would be designed – as needed – following the requirements of ESS 1.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is relevant.

Positive impacts are expected from Project support to the protection and/or recuperation of degraded native vegetation of the Amazon, Cerrado and Pantanal biomes in holdings seeking environmental regularization, which would benefit biodiversity. The project would also support the improvement of efficiency in state-level systems to prevent and control deforestation and forest fires, contributing to reduce the loss of biodiversity and habitats. The ESMF will assess the types of production subprojects to be detailed during Project preparation and define sustainability screening criteria, as well as potential impacts on biodiversity including pollinators, such as those derived from the use of agricultural chemicals, soil or water contamination, unsustainable use of forest or biodiversity resources, among others, and will define the respective preventive or mitigatory measures, considering the mitigation hierarchy as defined under ESS-1.

As the state of Mato Grosso counts with many Protected Areas and Key Biodiversity Areas, the ESMF would include an exclusion list to avoid any potential affectation of critical biodiversity areas given the potential expansion of production areas over natural habitats.

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



This standard is relevant.

The Project is not expected to have any adverse impact on Indigenous Peoples. On the contrary, it aims to contribute to promote sustainable development interventions that would benefit Indigenous Peoples in a manner that respects their aspirations, unique cultural identities, traditional knowledge and natural resource-based livelihoods and is culturally appropriate and inclusive.

There are 43 Indigenous Peoples in the State of Mato Grosso, including one Isolated or Recently Contacted Indigenous Peoples (the Tupi Kawahiv) already identified and seven under identification. The indigenous Peoples population in the state totals 42,538 people (13.7% living in urban areas). They belong to the Apiaká, Apurinã, Arara, Aweti, Bakairi (Kurã), Bororo (Boe), Chiquitano, Cinta Larga, Enawenê-Nawê, Guató, Irantxe (Manoki), Juruna (Yudja), Kaiabi (Kawaiwete), Kalapalo, Kamayurá, Kanela (Krahô), Karajá (Iny), Kayapó (Mebêngôkre), Kisêdjê, Krenak (Maxakali), Kuikuro, Matipu, Mehinako, Munduruku, Nafukwa, Nambikwara, Naruvotu, Panará, Paresí (Haliti), Rikbaktsa, Surui (Paiter), Tapayuna, Tapirapé (Apyãwa), Terena, Trumai, Txicão (Ikpeng), Umutina (Balotiponê), Waurá, Xavante (A'uwe), Yawalapiti and Zoró (Pangyjêj) Peoples.

According to FUNAI, there are 78 Indigenous lands in the state territory, holding an area of 20.2 million hectares. Most of these lands (56) are regularized, two have their boundaries ratified, 6 have obtained the authorization for demarcation, 4 have their studies concluded and published and are under analysis by the Ministry of Justice and 9 are in the preliminary stage of anthropological, historical, land, cartographic and environmental studies that support the delimitation of Indigenous Lands. They are found in 55 of the 141 municipalities of the state. There are two Indigenous Lands for Isolated or Recently Contact Indigenous Peoples (IRCIP) in the state: Kawahiva do Rio Pardo (412,000 ha) and Piripkura (243,000 ha). Other IRCIPs are found within the Indigenous Lands Apiaká do Pontal, Apiaká-Kayabi, Arara do Rio Branco, and Escondido. These 43 Indigenous Peoples have organized themselves in the Federation of Indigenous Peoples and Organizations of Mato Grosso (FEPOIMT). It was formally created in 2017, comprising seven regionals: Kayapó Norte, Médio Araguaia, Noroeste, Xavante, Vale do Guaporé and Xingu. FEPOIMT has a seat on the State Council of Sustainable Rural Development, which is being proposed as the main instance for social control of Project interventions.

As part of Project preparation, the Borrower will prepare an Indigenous Peoples Planning Framework (IPPF) following the requirements of this Standard. The IPPF will comprise the following elements: (a) the types of programs and subprojects likely to be proposed for financing under the Project; (b) the potential positive and adverse effects of such programs or subprojects on Indigenous Peoples; (c) a plan for carrying out the social assessment for such programs or subprojects. (d) a framework for ensuring free, prior, and informed consultation with the beneficiary Indigenous Peoples' communities; (e) a description of the institutional arrangements (roles and responsibilities), budget, and commitment for funding for Project supported activities, evaluating their effects on Indigenous Peoples, consulting them, and addressing any grievances; (f) monitoring and reporting arrangements; (g) disclosure arrangements for Indigenous Peoples Plans to be prepared under the IPPF; and (h) the timing for completion of any specific plans. As the representative of all Indigenous Peoples in Mato Grosso, FEPOIMT should play a central role in the process of Indigenous Peoples consultation about the draft version of the IPPF, which final version would be disclosed in the Project's dedicated website within 30 days of Project effectiveness.

During the due consultation process to be carried out with Indigenous Peoples representatives to prepare the IPPF, special attention will be given to collect their views on how to ensure that climate and sustainability adaptation practices supported by the project-supported will take into consideration and respect traditional/customary farming practices and livelihoods of Indigenous Peoples.

It is worth noticing that FEPOIMT has supported the implementation of the REM (REDD Early Movers)/MT Program (as well as the inclusion of Indigenous Peoples in the state governmental PCI Plan). The prior experience with



Indigenous Peoples consultations carried out to draw the subprogram Indigenous Lands of the REM/MT (REDD Early Movers – REM) as well as the governance structure set for its implementation may provide relevant inputs for the preparation of the Project’s IPPF. The REM/MT Subprogram for Family Agriculture and Traditional Peoples and Communities finances projects to strengthen production chains that keep the forest standing, converging with the Project.

It is also relevant to highlight that the institutional structure of the state government of Mato Grosso includes the Superintendence of Indigenous Affairs (SAI), located within the structure of the Civil House of the Governorship Office. SAI has the mission of cooperating, providing assistance, intermediating, implementing and developing policies applicable to indigenous peoples, aiming at the well-being and peaceful understanding of indigenous and non-indigenous peoples. SAI is responsible for: (i) participating in technical cooperation actions of interest of Indigenous Peoples; (ii) acting as an interlocutor in indigenous affairs; (iii) proposing the implementation of indigenous policy guidelines and measures; (iv) evaluating and monitoring the guidelines and measures of indigenous policies to be implemented by the State; (v) providing immediate assistance (together with FUNAI) to Indigenous Peoples, in cases of emergency and public calamities; (vi) acting (together with FUNAI) as a support, guidance, execution, elaboration and inspection body in actions aimed at the preservation of indigenous peoples, as well as their culture and sustainability; (vii) developing social actions to improve the quality of life of indigenous peoples; and (viii) holding assemblies, meetings, lectures, seminars and joint efforts on indigenous matters or activities. Due to its attributions, SAI can play a relevant advisory role in Project implementation.

ESS8 Cultural Heritage

The standard is relevant.

Project activities will not include excavations, demolition, flooding or other environmental changes, and are not located in, or in the vicinity of, known cultural heritage sites. However, the Project would support interventions within Indigenous Lands, quilombola and traditional communities and the Borrower will propose a methodology to identify – through research and consultation with these project-beneficiary groups – natural features with cultural heritage significance that might be located in the areas of intervention, the people who value such features and the people with authority to represent and negotiated regarding the location, protection and use of the cultural heritage. The Project does not intend to use cultural heritage (including traditional knowledge and practices) for commercial purposes. The need (or not) to define a chance finds procedure to be followed if previously unknown cultural heritage is encountered during project activities will be assessed during preparation. If needed, a chance finds procedure will be included within the ESMF.

ESS9 Financial Intermediaries

This standard currently is not relevant.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

Public Disclosure



III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered?

No

Financing Partners

None

B. Proposed Measures, Actions and Timing (Borrower’s commitments)

Actions to be completed prior to Bank Board Approval:

Before Appraisal, the Borrower will prepare and disclose:

- A draft Environmental and Social Management Framework (including LMP and gender Action Plan);
- A draft Stakeholder Engagement Plan;
- A draft Indigenous Peoples Planning Framework.

The draft SEP will also be consulted before appraisal.

The draft Indigenous Peoples Planning Framework will be prepared through consultations with Indigenous Peoples representatives.

The potential restrictions to public consultations during the electoral period (July-October 2022) may require some innovative approaches to carry out these consultations.

The Borrower will also agree with the Bank on the Environmental and Social Commitment Plan and disclose it in its website before appraisal.

The restrictions imposed by the electoral legislation on the use of official governmental websites during the electoral period (July-October) will require that a feasible information disclosure strategy be devised.

Possible issues to be addressed in the Borrower Environmental and Social Commitment Plan (ESCP):

- Assignment of environmental and social specialists (as need) to the Project Management Unit within 30 days of project effectiveness;
- Definition of capacity building calendar (as needed);
- Consultation of the ESMF and the IPPF within 30 days of project effectiveness;
- Disclosure and implementation of the final SEP and LMP within 30 days of project effectiveness;
- Disclosure and implementation of the final ESMF and IPPF within 30 days of project effectiveness;
- Operationalization of the Project’s Grievance Mechanism within 30 days of project effectiveness;
- For community-based natural resource management subprojects, the ESCP will require the provision of prior and satisfactory evidence to the Bank that decisions about community land use restrictions are made through adequate community-decision making processes, which reflect voluntary and informed consensus and put in place agreed appropriate measures to mitigate adverse impacts (if any) on the vulnerable members of the community
- Definition of monitoring and reporting arrangements – including aspects related to accidents, incidents and fatalities associated with Project activities.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

12-Dec-2022

Public Disclosure



IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: Mato Grosso State Department of Finance (SEFAZ MT)

Implementing Agency(ies)

Implementing Agency: SEAF - Secretaria de Estado Agricultura Familiar

Implementing Agency: State of Mato Grosso

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s): Barbara Cristina Noronha Farinelli, Alexandre Kossoy

Practice Manager (ENR/Social) Genevieve Connors Recommended on 12-Jul-2022 at 10:10:49 GMT-04:00

Safeguards Advisor ESSA Angela Nyawira Khaminwa (SAESSA) Cleared on 27-Jul-2022 at 14:55:57 GMT-04:00