



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)
Panama	LATIN AMERICA AND CARIBBEAN	P174289	
Project Name	Panama Sustainable Rural Development and Biodiversity Conservation		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Agriculture and Food	Investment Project Financing	1/21/2021	3/31/2021
Borrower(s)	Implementing Agency(ies)		

Proposed Development Objective

To contribute to improved protected areas management and promote access to inclusive and biodiversity-friendly economic opportunities in project areas.

Financing (in USD Million)	Amount
Total Project Cost	11.01

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]

Panama is considered one of the most biologically diverse countries in the world (Climate change knowledge portal, the World Bank Group). The country, as part of the Mesoamerican Biological Corridor (MBC), is home to 8 of the 200 ecoregions recognized worldwide, with 21 times more plant species per square kilometer than in Brazil, and a greater number of vertebrate species than any other country in Central America and the Caribbean. According to the National Strategy for Biodiversity 2018-2050, the National Protected Areas System (SINAP) comprises 120 protected areas (PAs), 12 wildlife zones, and a variety of ecosystems, which together account for 31.8 percent of the country's land surface and 13.5 percent of the country's marine areas. Approximately 12 percent of the Panamanian population inhabits forested areas of the country and two-thirds of the country's forest cover are in indigenous peoples'



traditional territories, which include both indigenous territory and PAs, comprising some of Panama's richest natural resources and cultural diversity. The Panamanian territory plays an important role in the natural connectivity south of the MBC and northern South America, as it has played in different geological times. Biodiversity is of paramount importance not only due to the environmental good and services it provides, but also because an estimated 45 percent of the global economy is based on biological products and processes (World Tourism Organization, 2011).

Rural inhabitants under clear land planning principles and a proper governance structure are at the core for the preservation of Panama's natural capital which is of national and global significance. Growth in world population has led to increased demands for greater supplies of food, causing one of the main drivers for GHG emission, biodiversity loss, and land degradation when improperly managed. Biodiversity conservation relies on, inter alia, creating the opportunities to reduce the pressure affecting PAs. Better economic opportunities must be created for those rural inhabitants trapped in poverty, which currently results in the need of expanding the agricultural frontier with unsustainable productive systems that are fragmenting the ecosystem to improve their livelihoods. This scenario threatens to amplify a vicious cycle over the rural economy that could result in major threats to the SINAP. From 2006 to 2012, a total of 65,250 hectares were deforested, of which 89 percent (58,309 hectares) were converted to areas for agricultural activities, with cattle farming accounting for most (45,542 hectares) of the deforested areas. The balance between forest gains and losses continues to be negative over the period 2012-2019, with a loss of 56,369 hectares. Recent studies indicate that connectivity for most large terrestrial mammals is low in the Panamanian portion of the MBC, particularly forest in Darien, Donoso-Santa Fe, and La Amistad National Park, leading to habitats fragmentation as a primary driver of wildlife loss (Meyer, et al., 2019). Infrastructure development specially to create connectivity between Central and South America may threaten the natural habitats remaining and leave patches of natural vegetation increasing biodiversity loss. Additionally, mining exploration and exploitation, hydroelectric projects, and the opening of rural roads and pathways are also part of the main drivers of deforestation, forest degradation and natural habitat fragmentation.

Complicating the rural development challenge is the fact that Panama's rural economy is highly exposed to the combined effects of extreme weather events and climate change. The annual cost of disaster impacts is estimated to range from US\$ 125 to 150 million (0.36 percent to 0.42 percent of GDP), which would have significant effects on long-term economic growth. Extreme weather events - intense storms, floods, and droughts - are negatively and more regularly affecting the livelihoods of people living in lagging regions, predominantly women, Indigenous people and Afro-descendants. Evidence is accumulating that the increasing frequency and severity of extreme weather events are attributable to climate change, which threatens to undermine Panama's unique biodiversity, the sustainability of agri-food systems, and the ability of the rural families to be food- and nutrition-secure, diversify, and improve their livelihoods (Panama Climate Risk and Adaptation Country profile). Climate change has, and will continue to, adversely affect biodiversity at the genetic, species and ecosystem level. The majority of ecosystems in the Americas have already experienced increased mean and extreme temperatures and/or precipitation which have, for example, caused changes in species distributions and ecosystem boundaries. The main impacts on terrestrial, freshwater and marine species are the shift in their geographic ranges, and changes in seasonal activities, migration patterns and abundances (Bustamante, et al., 2018).

The proposed operation aims at building institutional capacity and leveraging the activities that drive the rural economy to ultimately improve the management of PAs containing biodiversity of vital importance. Building institutional capacity and coordination of the public and private stakeholders will be essential for the operation to mainstreaming biodiversity into income generation initiatives and towards a more systematic agenda for the



sustainable use of the country's natural resources. The project will promote sustainable and environmentally friendly investments to reduce biodiversity losses, particularly for the poorest households in the country, mostly located in Indigenous and Afro-descendants territories. As main driver of potential biodiversity losses, both agriculture and tourism and their linkages will be the main entry points for the operation's objective to contribute to a sustainable dynamization of Panama's rural economy. The operation will promote the early engagement with the private sector, local communities and governments as critical partner to embrace and co-finance the proposed approach to maximize the impact of the Global Environment Facility (GEF) allocation. The integration of biodiversity with the agricultural and tourism sectors will contribute to reduce biodiversity loss giving value to the natural capital and the reinforcement of the natural assets to value nature will be the focus. The core benefit of the project would be in favor of the protected areas and the conservation of the biodiversity. The direct beneficiaries will include primarily (i) Indigenous and Afro-descendant communities, family farmers, producer cooperatives, small size entrepreneurs in project areas; and (ii) key public institutions -Ministry of Environment, Ministry of Agricultural Development, and the National Tourism Authority- and their civil servants would also directly benefit from capacity building interventions of the project. In addition, indirect beneficiaries will include those benefiting from the improved biodiversity management, stronger rural economy and better institutional services. Women and youth will be supported under all components. The project is organized in three components:

Component 1 (C1) will support institutional strengthening for land-use planning and reinforce the skills to promote knowledge management and dissemination for the protection of the country natural capital. This will be done by (a) nature-based landscape vision and (b) knowledge for environmental management. The component will facilitate technical and financial support to activities that integrate biodiversity into the public institutions and strengthen national in these environmental institutions, public policies, partner entities, local governments, and a more active participation of the private sector and communities in the conservation of biodiversity, particularly in the IPs and Afro-descendants territories (inclusive conservation). Investments under the component are intended to maintaining ecosystems connectivity through the conservation and/or recovery of natural spaces between protected areas (including private nature reserves) that contribute to strengthening and recovering biological corridors that protect local biodiversity. The Component includes two subcomponents: Subcomponent 1.1 (SC1.1) will support improved environmental governance and management, climate change adaptation/mitigation efforts, private participation and conservation in targeted biodiversity areas; SC2.2 will finance activities to raise awareness about the intrinsic economic value, climate change potential impacts, and sustainable returns of country's natural capital.

Expected synergies between Component 1 and Component 2. The activities of both components contribute in a coordinated approach to achieving the PDO. The strengthening of the governance structure and the generation and dissemination of knowledge to strengthen land-use planning are the basis for improving the management effectiveness while enhancing the importance of biodiversity for the local, national, and global economy. As per synergies with Component 2, biodiversity-friendly inclusive economic opportunities for resource-efficient value chains would be facilitated to maximize the impact of a more robust governance structure and to contribute for a sustainable management natural ecosystems and biodiversity on which they depend. A description of the investments under Component 2 are presented below:

Component 2 (C2) will support biodiversity friendly, climate-smart, economically viable, and inclusive initiatives ("subprojects"). Subprojects will facilitate the promotion of deforestation-free and climate resilient value chains and restoration of degraded landscapes for sustainable income-generation initiatives. For that purpose, the component will facilitate participatory processes, the provision of technical assistance and financing (matching-grants) to



individuals and associated beneficiary groups to increase incomes, competitiveness and adoption of relevant innovations, better practices and technologies for biodiversity conservation and job creation. The Ministry of Environment (MiAmbiente), in coordination with the Ministry of Agricultural Development (MIDA) and the Panamanian Tourism Authority (ATP), will facilitate the preparation of subprojects (precision agriculture, livestock intensification, sustainable forestry; cultural, creative and ecotourism services and “orange economy” work streams; other rural services, such as uberization of mechanization services and equipment; food processing, agro-logistics, development of niche brands, marketing, etc.), prioritizing initiatives to address the greatest threat to the country's biodiversity and natural capital in the project area. The project investments may create the conditions to leverage private commercial finance for the modernization and climate-change adaptation/mitigation of ecotourism, agricultural productive systems and development of new services and business lines in the rural space. Inclusion of women, youth, IPs and Afro-descendants as members or leaders of the farmers groups/organizations will be ensured (inclusive conservation).

Component 3 (C3) will support project management, monitoring, and evaluation, environmental and social risk management, stakeholder engagement and information dissemination activities, as well as the project grievance redress mechanism. Project results will be monitored annually and periodically evaluated during implementation for ensure that the project effectively achieves the results. Monitoring and evaluation (M&E) at the project level will be carried out in accordance with the requirements established by the World Bank and the GEF.

The proposed operation is directly aligned with two of the Pillars of the Bank's CPF 2015-2021. Pillar 2: Ensuring Inclusion and Opportunities for Marginalized and Indigenous Groups and Pillar 3: Bolstering Resilience and Sustainability. Water, forest and biodiversity resources are critical to Panama's growth model. The renewed focus on inclusion aims to improve the delivery of social services, while building the basic infrastructure, and economic conditions for people to create their own prosperity and dignity over the long-term. Moreover, the main objectives of Bank engagement in response to the global pandemic are to provide a fast response to COVID-19 while ensuring that recent poverty reduction gains are not lost, and longer-term development impact is supported through expanded jobs creation and transformational structural reforms.

The initiative will also contribute to two strategic objectives of the GEF-7 for biodiversity: (i) mainstreaming biodiversity conservation and sustainable use into production landscapes/seascapes and sectors; and (ii) address direct drivers to protect habitats and species (sub-objective “Improving Financial Sustainability, Effective Management, and Ecosystem Coverage of the Global Protected Area Estate”). This project will provide support to Panama's NBSAP from 2018 in all five strategic pillars: (i) reduction to pressure on biodiversity, (ii) conservation, (iii) education and communication, (iv) sustainable use and management, (v) governance and participation. Activities herein presented are those identified in the 6th National Report (2018) to achieve Aichi Targets, among them conservation sites and PAs, conservation and management plans, best practices in productive areas, information system, environmental education and local governments, among others.

D. Environmental and Social Overview

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



Building on the WB ASA, Exploring the Development Potential of Panama’s Rural Economy, and in close coordination with the Client (to support the Colmena Plan and other strategic priorities), the project will focus its interventions under C1 in 12 PAs: Bosque Protector Palo Seco; Parque Internacional La Amistad; Parque Nacional Volcán Barú; Reserva Forestal Fortuna; Área Protegida Choro-go-Palo Blanco; Parque Nacional Santa Fe; Reserva Forestal La Yeguada; Parque Nacional Cerro Hoya; Parque Nacional Omar Torrijos; Reserva Forestal La Tronosa; Parque Nacional Altos de Campana; and Área Silvestre Protegida del distrito de Narganá. Subprojects (SPs) under C2 would be focused on the poorest rural, Indigenous (IP), and Afro-Descendant (AD) communities and concentrated in 99 corregimientos, of which 56 percent are part of the Colmena Plan. Such corregimientos are located within and/or in the buffer zones of the 12 PAs mentioned above, and potentially 6 additional PAs: Humedal de Importancia Internacional San Pond Sack; Parque Nacional Marino Isla Bastimentos; Parque Nacional Marino Golfo de Chiriquí; Área Protegida Manglares de la Bahía de Chame; Humedal de Importancia Damani Guariviara; Paisaje Protegido Isla Escudo de Veraguas. Some of these areas overlap with the IP comarcas of Ngäbe-Bugle, Guna Yala and Guna de Madungandí, as well as Naso and Bribri territories, and may also overlap with other recognized or unrecognized IP territories. Where applicable, SP selection criteria will ensure they are designed and implemented in accordance with the PA’s protection status and management plans to ensure the sustainable management of natural ecosystems.

Poverty levels are highest in three comarcas: Ngäbe Buglé (93.4 percent), Guna Yala (91.4 percent) and Emberá (70.8 percent); on average, poverty rates in these comarcas are 4.5 times higher than the national poverty rate. IP men earn on average 57 percent less and IP women 70 percent less than non-IP men and women. While according to the 2010 census, ADs are 9 percent of the population, this figure may be understated as higher income people are more likely to self-identify as AD, resulting in seemingly better welfare results. In any case, AD households are 4 percent more likely to be poor and 7.6 percent more likely if also rural.

Extreme weather events, including intense storms, floods, and droughts, are negatively and more regularly affecting the livelihoods of people in Panama’s lagging regions, predominantly women, IPs and ADs. Evidence is accumulating that the increasing frequency and severity of extreme weather events are attributable to climate change, which threatens to undermine Panama’s unique biodiversity, the sustainability of agri-food systems, and the ability of rural families to be food and nutrition-secure, to diversify and improve their livelihoods.

The lack of economic opportunities and climate change impacts go beyond the negative effects on rural inhabitants, affecting enterprises which rely on biodiversity and ecosystem services and major contributors to GDP, including the Panama Canal, which relies on the sustainable management of its watershed’s complex water resource systems. The conservation of natural habitats and implementation of best practices for production systems are necessary to maintain ecosystem services such as water infiltration intact, with sustainable production systems contributing towards securing water quality and availability.

The Covid-19 crisis poses additional challenges, but also an opportunity to build back better by promoting more sustainable and inclusive growth. Panama’s economic reactivation proposal aims to address urgent issues including biodiversity, climate change and resilience of vulnerable populations, as well as strengthening the regulatory framework for environmental issues. Panama’s SINAP has a role in bringing together and building back better the main economic activities in rural areas: agriculture, forestry and tourism.

D. 2. Borrower’s Institutional Capacity

The project will be implemented by the Ministry of Environment (MiAmbiente). MiAmbiente has previous experience working with the World Bank having closed the Sustainable Production Systems and Conservation of Biodiversity



Project (P145621) in December 2019. The project, which was implemented under the former Safeguards Operational Policies, was rated Satisfactory in terms of Environmental and Social Safeguards compliance for most of the project duration. However, the former PIU has been dismantled with only a skeleton team currently in place and no existing environmental and social capacity. At concept stage, it is unknown how many environmental and social specialists will be hired as part of the PIU and what additional resources might be required to support project implementation across the targeted PAs and to ensure the adequate management of key aspects such as gender, inclusion and Indigenous Peoples. During this early phase of project development, the WB’s Environmental and Social team has not yet had the opportunity to engage with the client’s team. It is likely that the new PIU will require training on the WB’s Environmental and Social Framework (ESF). During preparation, the WB will carry out an assessment of the client’s capacity and needs, including synergies across MiAmbiente’s relevant units, such as forests and PAs, to develop the Environmental and Social instruments, as well as on the needs for capacity strengthening to adequately manage E&S risks and impacts during 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 overall environmental impacts are expected to be positive and at concept stage, the environmental risk rating is assessed to be MODERATE. The project aims to contribute towards improved protected areas management and to promote access to inclusive and biodiversity-friendly economic opportunities in project areas (PDO). It aims to strengthen governance structures for the protection of Panama’s natural capital, whilst promoting public-private partnerships in targeted conservation areas and financing activities to improve biodiversity knowledge and facilitating access to this information. Through technical assistance and financial support to the agriculture, forestry and tourism sectors as entry points to contribute to a sustainable dynamization of the rural economy, investments are aimed at maintaining ecosystem connectivity through the conservation and/or recovery of natural spaces within and between PAs (including private nature reserves). This shall contribute to strengthening and recovery of biological corridors that protect local biodiversity. The project will foster multi-sectoral and participatory approaches to climate resilience to promote more resilient landscapes and ecosystem function. By strengthening the management of key protected areas and promoting biodiversity-friendly and climate-smart investments, the project will increase adaptation and mitigation to climate change capabilities of rural inhabitants and Panama’s natural capital, including the conservation and enhancement of forest carbon stocks.

Planned investments in sustainable production systems in target PAs and their buffer zones may include small-scale agricultural production (including coffee, fruits, vegetables and tubers), small species livestock production (such as quails), cultural/creative and ecotourism services, food processing and agro-logistics, the development of niche brands - including certification, eco-labelling and marketing. Investments in equipment and infrastructure (such as for minor irrigation works and processing) will be within existing footprints. Investments will be assessed for and designed to ensure climate resilience, promoting improved land management practices, promoting climate smart agriculture, reducing food loss waste (and associated Green House Gas emissions) and through the reforestation of headwaters of river basins and riparian forestlands, also contribute towards improvement of water quality and availability.

Public Disclosure



The potential negative impacts are anticipated to be i) predictable, temporary or easily mitigated, ii) of low magnitude and site-specific and iii) taking place in previously intervened areas or within existing footprints. Potential impacts associated with planned interventions are primarily associated with the installation of equipment (processing and marketing) and the rehabilitation or construction of basic infrastructure (such as minor irrigation works and processing rooms/sheds), including minor on-site vegetation clearing, minor earthworks, construction and community health and safety impacts, as well as impacts associated with waste handling and disposal. The extent to which agrochemicals will be used during the project will be determined during project preparation. If required, the ESMF will provide guidance on the development of sub-project specific Integrated Pest Management Plans (IPMPs) and define capacity building requirements for beneficiaries. Detailed impacts will be identified and assessed as part of the initial Environmental and Social Assessment (ESA) conducted during the development of the project's Environmental and Social Management Framework (ESMF). In addition, an exclusion list will be defined in the ESMF and included in the Operations Manual detailing equipment, goods and services to be excluded from financing under the project due to the potential substantial adverse environmental and social impacts associated with them.

Social Risk Rating

Substantial

The Project will have mainly positive social impacts from the promotion of income generation activities for rural communities around PAs, including indigenous and afro-descendant communities. The project's social risk classification is Substantial at this stage due to the potential of the project to include the following risks: i) the risk of elite capture, exclusion of vulnerable groups, and inadequate benefit sharing in productive alliances involving private commercial entities and rural communities or producer organizations, including Indigenous Peoples (IP) and Afro-Descendants (AD); ii) the potential of the project to cause or exacerbate conflicts over land or natural resources in PAs or their buffer zones, especially in relation to collective lands, or conflict within or among communities in relation to subproject selection; iii) lack of inclusion of traditional knowledge and practices in the design of project activities involving indigenous peoples and Afro-Descendants, and risks associated with commercial use of cultural heritage, to be confirmed by the project's ESA; iv) the risk of restrictions of access to natural resources in PAs and potential changes in management of natural resources in surrounding areas; v) occupational health and safety risks of agricultural activities and risks related to the participation of children in family or community based income generating activities supported by the project; and vi) community health and safety risks from small-scale construction activities.

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.

Project activities under C1 will be located in 12 PAs and their buffer zones, while subprojects under C2 will be located in prioritized corregimientos within or around the 12 prioritized PA, as well as potentially 6 additional PAs, to be confirmed during project appraisal. Given that the specific scope and location of project activities, including subproject investments under C2, cannot be known during project preparation, the Borrower will be asked to develop an Environmental and Social Management Framework (ESMF) to adequately identify and manage



environmental and social risks and impacts of project activities. The ESMF will be new for the project but will draw on the ESMF prepared for the Sustainable Production Systems and Conservation of Biodiversity Project (145621), which is the previous Bank project implemented by MiAmbiente. The ESMF will cover activities under C1 in 12 PAs, and potential activities under C2 in all 18 PAs, and will set out the principles, guidelines and procedures to assess the environmental and social risks and impacts of each intervention based on ESF requirements. It will include the following minimum components:

i) **Environmental, Social and Gender Assessment (ESA):** The ESA will be carried out in consultation with stakeholders, and will assess, in relation to potential project intervention areas and types: i) the social baseline of the beneficiary target populations, with a focus on identifying indigenous and afro-descendant populations in the project area; ii) the conditions of women in the project's areas of intervention and their roles and participation in income generating activities and decision-making instances, as well as the risks of SEA/SH in the project, with a particular focus on indigenous and afro-descendant women; iii) the potential for elite capture and/or exclusion of vulnerable individuals or groups, defined as those that by virtue of, for example, their age, gender, ethnicity, religion, physical, mental or other disability, social, civic or health status, sexual orientation, gender identity, economic disadvantages, or indigenous status, and/or dependence on unique natural resources, may be more likely to be adversely affected, and whether proposed mechanisms for subproject selection and benefit sharing involving private sector commercial entities in productive alliances adequately prevent or minimize such risks; iv) the land tenure situation and risk of creating or exacerbating conflicts over land, water or natural resources, including in areas where land tenure of potential project beneficiaries may not be clearly established or secure; v) the potential for proposed project activities to use cultural heritage for commercial purposes, including cultural heritage of IPs and ADs; iv) risks related to restrictions of access to natural resources in PAs where the project will intervene or changes in management of natural resources in protected area buffer zones; vi) the labor needs of the project and labor risks including occupational health and safety, the risk of child labor as defined in ESS2, among others; vii) health risks for local populations and diverse environmental risks and impacts in relation to project activities (construction, use of pesticides, waste disposal, erosion control, etc.); viii) potential barriers to access to Project benefits for the elderly, people with disabilities, LGBTI individuals, and other vulnerable and disadvantaged groups, including elite capture, gender based, intrafamily, and domestic violence, as well as contextual security issues. The ESA will also assess the environmental baseline of the targeted PAs to i) confirm existing threats and opportunities to biodiversity conservation including the risks posed by land degradation and conversion, ii) the potential risks associated with water use associated with project activities and opportunities for improved water management in the watersheds within and adjacent to the target PAs, iii) the potential risks and impacts posed by climate change on selected PAs and beneficiary groups.

ii) **Legal Framework:** The legal framework will provide an overview of how each ESS is relevant to the project, as well as highlight national regulations, international agreements and Environmental, Health and Safety (EHS) Guidelines and Good International Industry Practice (GIIP) that are applicable to the Project and relevant to the application of each ESS including, as applicable, general and industry specific WBG EHS Guidelines. Emphasis will be placed on national regulations related to: i) the development of activities in national PAs and their buffer zones; ii) the E&S assessment of proposed interventions under the project. The legal framework will also include a gap analysis between the national framework and the ESF and how gaps will be addressed during project implementation.

iii) **Institutional Framework:** This will describe the necessary institutional arrangements for the implementation of the Project, the level of decentralization for the supervision and oversight of interventions, as well as the institutional capacity of the PIU to manage Project E&S aspects according to the ESF.



iv) Environmental and social management process: i) an exclusion list with intervention types that will not be financed by the project due to their E&S risks; ii) a tool and procedure for the screening, review, and approval of activities and subprojects to be financed under C2, including to determine the type of E&S assessment and management plan needed for each subproject or activity per national law and the ESF, subproject-level stakeholder engagement activities, as well as the need to prepare a subproject specific Indigenous Peoples Plan (IPP) or Resettlement Action Plan (RAP); iii) a Social and Gender Action Plan to be applied in project activities with specific actions based on the results of the Social and Gender Assessment, including specific actions for the analysis, selection, and implementation of subprojects to ensure inclusion of women and vulnerable groups; and iv) guidelines for the preparation of site-specific ESMPs, including a chance finds procedure to be applied in subprojects, per the requirements of the ESF and national law.

In addition, technical assistance under the project will be carried out in a manner consistent with relevant requirements of the ESSs. In particular, technical assistance for strengthening the Fideicomiso will include elements related to environmental and social risk management.

A draft of the ESMF will be prepared, consulted, and disclosed before appraisal and a final version will be ready before disbursements for any activities under C1 or C2 take place.

In addition to the above, the Borrower will prepare and disclose an Environmental and Social Commitment Plan (ESCP) prior to appraisal. The ESCP will provide an overview of the measures that the project will need to address during implementation to comply with the requirements of the ESF, as well as monitoring and reporting arrangements. The draft ESCP will be disclosed in country and in the WB's external website prior to appraisal.

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

None.

ESS10 Stakeholder Engagement and Information Disclosure

This Standard is relevant.

Based on preliminary screening and experience from previous operations, the Bank has identified the following groups of stakeholders: i) producer, ecotourism, and other associations at the community level in the prioritized territories, including Indigenous and Afro-Descendant (AD) organizations; ii) indigenous Comarca leaders and traditional decision-making bodies such as the Ngäbe-Bugle, Bri Bri, Naso-Tjerdi, Guna Yala, and Guna de Madugandí general congresses, as well as regional and local congresses iii) other indigenous and AD organizations at various levels; iv) associations of producers, ecotourism, and others relevant for the project ii) national and local non-governmental organizations in prioritized territories iii) government entities and programs working in the project area; and iv) international organizations working on biodiversity and carbon finance or with IPs and ADs on similar initiatives.

The Borrower will prepare a Stakeholder Engagement Plan (SEP), which will be both a planning and management instrument for the Project and will: i) describe the Project stakeholders making a distinction between affected and other interested parties; ii) describe the timing and methods of engagement with key stakeholders throughout the



life cycle of the Project, including the role of stakeholder organizations in the Project and specific plans for their engagement during project preparation and implementation, including strategies to manage organization and community expectations; iii) include a protocol for planning, implementing, and documenting consultation processes, taking into account specific requirements for Indigenous Peoples to be outlined in the Indigenous Peoples Framework to be developed under ESS7; iv) a framework for stakeholder participation in specific activities and investments (subprojects) once they are activated; v) include differentiated measures to remove barriers to participation for vulnerable groups including women, the elderly, LGBTI people, and people with disabilities; vi) budget, responsibilities, and implementation arrangements for the implementation of stakeholder activities under the Project; and vii) the description of the Project specific grievance redress mechanism accessible to Project affected parties, including any necessary cultural adaptations for indigenous peoples and ADs.

Before appraisal, the borrower will carry out consultations with key project stakeholders in the prioritized territories, to gather feedback about the project objectives and components, potential E&S risks and proposed mitigation measures, implementation arrangements, and the proposed grievance redress mechanisms. The consultations will include base level producer associations, and indigenous decision-making structures at the appropriate level and AD community organizations.

Given constraints to public consultation meetings related to the COVID-19 pandemic, the SEP will take into account the Bank technical guidance on “Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings, March 20, 2020.” The project will ensure that the needs and voices of vulnerable peoples are heard through inclusive consultation and participation to ensure that they can equally participate and benefit from the project. Likewise, the SEP will be developed in a culturally appropriate manner to carry out meaningful and adequate consultations with Indigenous Peoples.

A draft SEP will be prepared, consulted, and disclosed prior to appraisal and will be finalized before disbursements under C1 and C2 take place.

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.

Worker categories under ESS2 that may be relevant in the project include direct workers hired to the PIU including consultants, contractor workers, as well as potentially primary supplier and community workers. The project may also have government civil servants working in connection with the project, who will remain subject to the terms and conditions of their existing public-sector employment agreements, unless there has been an effective legal transfer of their employment or engagement to the project. ESS2 will not apply to such government civil servants (except for the provisions of Protecting the Work Force, and Occupational Health & Safety).

The ESMF will document and inform the general labor needs of potential activities to be financed by the project and labor issues as well as the status of implementation of local labor laws and will develop general principles for the



management of project workers. Preliminary screening indicates the potential presence of child labor as part of family and community income generating activities in sectors that could be supported by the project. The ESMF will specifically assess the risk of child labor in family and community income generating activities in the subprojects selected for Bank support and describe the way in which subproject specific ESMPs will analyze and mitigate this risk for specific SPs.

The Borrower will be asked to develop standalone written Labor Management Procedures (LMP), which will describe the way in which project workers will be managed. The ESMF will assess the scope of application of the LMP in accordance with the requirements of national law and ESS2. No child labor as defined under ESS2 will be allowed under the project. The LMP will describe the specific strategies the project will use in the design, selection, and implementation of income generating activities to ensure compliance with ESS2. If the use of workers between the ages of 14 and 18 under the project, the LMP will describe the use of risk assessments and regular monitoring of health, working conditions, hours of work, and other requirements in accordance with paragraph 18 of ESS2. These measures will be included in subproject ESMPs and adopted and implemented by contractors, productive alliances, and any subproject beneficiary organization. The LMP will also describe how agreements with community workers will be reached in cases where they are involved in the project, and the terms on which such labor will be provided, including, if relevant, how the voluntary nature of the work will be ascertained and documented, how community workers will be represented, and the methods by which community workers can raise grievances in relation to the project. The LMP will also include a standard code of conduct (CoC) for workers, including considerations related to SEA/SH, and will describe how the CoC will apply to the different types of project workers, including direct project workers, contractor workers, and community workers, as relevant. The LMP will also assess any Occupational Health and Safety (OHS) risks involved for different activities and will provide linkages to the ESMF to ensure that OHS measures are also identified at the SP level and incorporated in ESMPs. Such OHS measures will include measures designed to protect workers and minimize the spread of COVID-19, taking into account, as necessary, the World Bank's Interim Note "COVID-19 Considerations in Construction/Civil Works Projects". The LMP will describe a GRM accessible to project workers, which will be separate from the project level GRM mentioned in ESS10.

A draft of the LMP will be available before appraisal, and the final version will be disclosed before disbursements under components C1 and C2 take place. Adequate OHS training will be provided to workers, incidents will be reported and investigated, and corrective measures implemented to prevent recurrence. These aspects will also be detailed in the ESMF. Subproject ESMPs will also include all relevant labor requirements, including OHS aspects.

ESS3 Resource Efficiency and Pollution Prevention and Management

This Standard is relevant.

In line with the PDO of increasing project beneficiaries' resilience to climate change, the project is likely to contribute to reductions in post-harvest food losses and food waste which in turn may contribute towards reductions in GHG emissions, contribute to reductions in inefficient resource use, whilst also promoting food safety and security. During preparation, the FAO Ex-Ante Carbon-balance Tool (EX-ACT) will be applied to estimate the potential impacts of proposed investments on the carbon-balance. The project level rapid Climate and Disaster Risk Screening conducted during early stages of project design to assist the project team in considering climate and disaster risks



demonstrate low/no risk to the outcome/service delivery of the proposed project. While the project has a moderate rating for the exposure of project locations and impacts on the physical infrastructure/assets, the project’s soft components and broader development context are likely to modulate potential risks via the proposed interventions under C1 and C2. An in-depth climate risk screening will be conducted at appraisal stage. Potential investments are likely to focus on non-exclusively native or naturalized products (including honey, coffee, vegetables, cocoa and fruits) and to promote reforestation in headwaters of river basins and riparian forestlands. The contribution that these activities may make towards Panama’s climate adaptation and mitigation agenda will be assessed during preparation.

Project design will consider the use of renewable energy as well as energy and resource efficient technologies for project financed infrastructure and equipment. These requirements shall be incorporated into building design and will include measures such as efficient lighting and cooling where relevant, and efficient water use.

Under Component 2, agricultural production, reforestation / forestry activities, processing of products and ecotourism investments will require water as an input into production. Project design will promote sustainable water harvesting and water use that does not result in reduced availability for downstream users and which does not affect ecological flows. During preparation, the project will assess whether the cumulative use of water across all beneficiaries meets the ESS3 threshold for requiring a water balance assessment. Project water requirements, potential water sources and likely water use impacts will be assessed in the ESMF, including the risk of conflicts over water use, and mitigation measures will be detailed in project specific ESMPs. Where applicable, against a backdrop of recurring droughts and resulting adverse impacts on the operations of the Panama Canal, the ESA will identify opportunities for promoting sustainable management of water resources in target project areas and watersheds.

Waste management practices will aim to avoid, reduce, reuse or dispose of waste materials in a manner that is safe for human health and the environment. The ESMF will include guidelines for including waste management measures in site specific ESMPs. Measures will aim to ensure there is no soil, water and/or air contamination from handling and disposal of waste. The project is not expected to generate hazardous waste – this will be confirmed during preparation.

At concept stage, whether and what agrochemicals (such as fertilizers and pesticides) will be used during the implementation of agricultural, forestry or livestock (small species such as quails) subprojects is unknown - this will be confirmed during preparation. If and when necessary, the environmental and health risks associated with the use of agrochemicals will be assessed in the ESMF, with guidance to be provided on the development of subproject-specific Integrated Pest Management Plans (IPMP). In addition, measures will be defined to prevent and mitigate against potential adverse health impacts on project beneficiaries and adjacent communities.

ESS4 Community Health and Safety

This Standard is relevant.

Given the nature and scale of interventions, and based on the available information at Concept Stage, main potential community health and safety (CHS) risks and impacts from the small scale infrastructure and technical assistance



activities under C1 and C2 are expected to be mainly related to those posed by unsafe construction work practices (including installation of equipment) and the occurrence of contingencies (accidents due to inadequate use of equipment, technology, risk of exposure to pesticides, among others). These risks will be confirmed during preparation as part of the ESMF and specific measures to avoid or minimize them will be included in ESMPs. Mitigation measures will also be considered to protect communities from the spread of COVID-19. Additionally, where technically and financially feasible, the concept of universal access will be applied in works under the project.

The LMP will assess the risks of Sexual Exploitation and Abuse (SEA) and Sexual Harassment (SH) related to labor in the project and include a standard code of conduct (CoC) for workers, including considerations related to SEA/SH, and will describe how the CoC will apply to the different types of project workers, including direct project workers, contractor workers, and community workers, as relevant.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This Standard is relevant.

Project activities are not likely to involve involuntary resettlement. Subprojects under C2 are not expected to involve land acquisition by the PIU or other government entities. A such no economic or physical displacement is expected. However, as specific subprojects will not be known during preparation, the project will include a Resettlement Policy Framework (RPF) to guide the preparation of specific Resettlement Action Plans (RAP) to address the cases of involuntary resettlement and land acquisition if they are identified during project execution, including if any result from the demarcation of PAs or from environmental territorial plans supported under the project.

Under C1.1, the project will support the demarcation, monitoring, and signaling of legally designated PAs, as well as the preparation of environmental territorial plans for municipalities whose lands are part of the demarcated PAs. While the project will not establish any new PAs, it will support upgrading two national PAs for the green listing of IUCN's protected area. These project activities have the purpose of improving governance and conservation of target biodiversity areas but may result in restrictions of access to natural resources in PAs or involuntary resettlement. The RPF will assess, to the extent possible, the current uses of the space and resources and whether project activities may result in impacts covered by ESS5. To address risks of loss of access to natural resources, the RPF will include a Process Framework (PF), which will establish the process by which members of potentially affected communities will participate in the design and implementation of the referenced project activities, including in the identification of impacts and the development, eligibility, and selection of potential mitigation or compensation measures. The PF will also describe the process for resolving disputes relating to resource use restrictions. In the case of project activities in Indigenous Comarcas, the PF will be a key document for identifying together with indigenous peoples the planning process for environmental territorial plans to ensure that there is a balance between the social and livelihood demands and needs of indigenous peoples with the promotion of biodiversity conservation. The RPF will also include a notional budget for such compensation measures. During the preparation of instruments, the focus will be on the avoidance of adverse impacts, using the mitigation hierarchy, providing elements to inform project design.

A draft of the RPF, including the Process Framework will be prepared, consulted and disclosed prior to appraisal. The document will be finalized before disbursements for SC1.1 and 2 take place.



ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This Standard is relevant.

The project aims to strengthen governance structures for the protection of Panama's natural capital. Investments under C1 aim to maintain ecosystem connectivity through the conservation and/or recovery of natural spaces between PAs (including private nature reserves) that will in turn contribute to the strengthening and recovery of biological corridors that protect local biodiversity. This component will also finance activities to improve biodiversity knowledge and facilitate massive access to information.

Under C2, project activities will potentially take place in and around 18 PAs across the country. At concept stage, the specific location and details of project activities are still to be determined, however, they are expected to take place in areas of natural habitat. Where infrastructure, agricultural support, or any other activities involving potential earthworks may be involved, these are expected to be within established footprints and on sites which are already intervened, aimed at improving the overall management of PAs and existing biodiversity. In line with the PDO, project activities are aimed at reducing pressures on natural habitats and improving their conservation. Project activities are therefore not expected to involve significant conversion or degradation of natural habitats.

The ESA will identify and assess potential risks posed by project activities to valuable biodiversity areas and landscapes across the target PAs. Activities or investments that would adversely affect these areas will be added to the exclusion list to be included in the ESMF, including activities which could lead to the loss, conversion or degradation of natural habitats. The ESMF will provide generic guidance on measures to identify, avoid, minimize or mitigate potential impacts on biodiversity and on the sustainability of living natural resources. Screening processes will be developed to ensure that project activities do not adversely impact natural habitats, and measures will be outlined to ensure consistency of the project with the requirements of this standard on sustainable forestry and other rural productive activities, as appropriate. In turn, identified residual impacts will be addressed through site-specific mitigation measures defined in sub-project ESMFs.

The application of ESS6 will be further assessed during project preparation.

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

This Standard is relevant.

Indigenous Peoples living in prioritized corregimientos in and near PAs will be among the main beneficiaries of the project. The protected areas of Bosque Protector Palo Seco, Santa Fé, Damani Guariviara, Fortuna, Isla Escudo De Veraguas, and La Amistad which will be supported by the project, overlap with the indigenous Comarca of Ngäbe-Bugle, while the Área Silvestre Narganá overlaps with the Comarcas Guna Yala and Guna de Madugandí. In addition, the protected area of La Amistad overlaps with Naso-Tjerdi and Bribri territories. Among the prioritized corregimientos, 11 are located in the Comarca Ngäbe-Bugle and 2 in the Comarca Guna Yala. In addition, there may



be other Indigenous communities living in and around PAs and in corregimientos supported by the project, including in recognized or unrecognized collective lands, but outside of Comarca territories. The Project's ESA will identify the presence of IPs and AD in the project area and establish the social baseline as it relates to the project's areas of focus. The ESA will also assess the specific risks of project activities for indigenous peoples, including the land tenure situation, and whether any project activities may involve risks to tangible or intangible cultural heritage of indigenous peoples, including potential commercial use of cultural heritage. The project will also assess the risks and opportunities of Afro-descendant communities, which are covered under ESS1.

The Borrower will be asked to prepare an Indigenous Peoples Framework (IPPF): i) outlining how traditional decision-making structures of Indigenous Peoples will be fully respected and consulted and given the opportunity to participate in the decision-making process, including in target biodiversity area governance and conservation activities where indigenous peoples may be present or have collective attachment to the territory or natural resources of the project area, and the identification and implementation of C2 subprojects in indigenous communities; ii) exploring mechanisms for promoting the use ancestral knowledge and traditional systems in income generating activities to be carried out in indigenous communities under C2, including through subproject selection criteria; iii) providing the principles for ensuring the full participation of indigenous communities and community base organizations, including women's organizations, in the identification, preparation, and implementation of subprojects and other activities that may affect them or where they may be beneficiaries, including arrangements for culturally appropriate meaningful consultation and, where relevant, free, prior and informed consent (FPIC) per ESS7 and national law, and the preparation of Indigenous Peoples Plans (IPPs) for subprojects where indigenous peoples are present but are not the sole or overwhelming majority of beneficiaries; iv) providing the principles to ensure equitable access to benefits of productive subprojects involving indigenous peoples, particularly those involving commercial private entities, and to ensure project activities do not affect land tenure or other collective rights to land or natural resources; v) developing specific measures to ensure the equitable participation of indigenous women, the elderly, those with greater levels of socioeconomic vulnerability, and other potentially vulnerable groups intra-community; vi) if the results of the ESA indicate the potential for any subprojects to involve the commercial use of cultural heritage describing how indigenous peoples will be informed of their rights under national law, the scope and nature of the proposed commercial development, and the consequences of such development, and describe how the free prior and informed consent of the concerned IP will be obtained and how they will be enabled to share equitable in the benefits of such cultural heritage; vii) describe how the project-level GRM will be made accessible to IPs.

The IPPF will describe the process by which subprojects will be screened for the presence of IPs per the criteria of ESS7 and the arrangements for the preparation site-specific Indigenous Peoples Plans (IPPs) for subprojects where IPs are present but not the sole or overwhelming majority of beneficiaries. Subprojects implemented entirely in Indigenous communities will be considered Indigenous Peoples projects and would not need separate Indigenous Peoples Plans. As described above, for such cases, the IPPF will outline how the Borrower will incorporate the elements of an Indigenous Peoples Plan in SP design and site specific ESMPs through the engagement of Indigenous communities to ensure their ownership and participation in project design, implementation, monitoring and evaluation, including, when relevant based on the requirements of ESS7, their free, prior, and informed consent (FPIC), and how, the Borrower will ensure the cultural appropriateness of SPs.



A draft IPPF will be developed, consulted, and disclosed by the Borrower before appraisal, the document will be finalized and disclosed before any disbursements under C1 or C2 take place. No subproject activities that may affect IPs will commence until the respective IPPs are finalized.

ESS8 Cultural Heritage

This Standard is relevant.

Through the ESA, and in consultation with relevant stakeholders, the Borrower will identify tangible and intangible cultural heritage that may be affected by the project. The ESMF will also include procedures to screen subproject locations for known archeological sites and will contain guidelines for the development of management measures consistent with national law and ESS8 in the ESMPs for such subprojects. In addition, chance finds could occur during earthworks as part of small-scale infrastructure activities that may take place under C1 or C2. For any interventions involving earth movements, the ESMF will include a chance finds procedure in accordance with national laws and regulations, to be incorporated into all such subproject ESMPs.

The ESMF will also describe how subprojects will be screened to determine whether they propose the commercial use of cultural heritage and, if so, to ensure such subprojects are prepared per the requirements of ESS8 including: (a) that meaningful consultations are carried out; (b) that provisions for fair and equitable sharing of benefits, consistent with customs and traditions of any affected parties are included in project design; and that (c) any negative impacts are properly assessed and mitigation measures developed according to the mitigation hierarchy. The IAPP will include special provisions, including for obtaining free, prior and informed consent, in case any subprojects involve the use of cultural heritage of IPs.

ESS9 Financial Intermediaries

This Standard is not relevant as the project will not support any Financial Intermediaries. The National Agricultural Bank (Banco Desarrollo Agropecuario – BDA) will act as a co-financer of the project but will not be a financial intermediary.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Public Disclosure



Financing Partners

None.

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

Actions to be completed prior to Bank Board Approval:

Instruments to be prepared and disclosed before appraisal:

- Draft ESMF including ESA and draft Social and Gender Action Plan
- Draft SEP including preliminary GRM
- Draft RPF including PF
- Draft IPPF
- Draft ESCP
- Draft LMP

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

Before disbursements for components 1 and 2, as applicable:

- Final ESMF including Social and Gender Action Plan
- Final SEP
- Final LMP
- Final RPF including PF
- Final IPPF

Preparation of subproject ESMPs, RAPs, IPPs, as relevant.

Number of E&S staff the Grant Recipient will appoint or hire to work on the project.

Identification of training and capacity building activities in relation to the ESF or other E&S management areas and specific timeframes.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

14-Jan-2021

IV. CONTACT POINTS

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Public Disclosure



Borrower/Client/Recipient

Implementing Agency(ies)

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

Task Team Leader(s):	Ramon Ernesto Arias Moncada
Practice Manager (ENR/Social)	Maria Gonzalez de Asis Recommended on 23-Nov-2020 at 11:00:48 GMT-05:00
Safeguards Advisor ESSA	Marco Antonio Zambrano Chavez (SAESSA) Cleared on 25-Nov-2020 at 13:28:36 GMT-05:00