



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 12/18/2024 | Report No: ESRSC04678



I. BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P508202	Investment Project Financing (IPF)	BRAAC	2026
Operation Name	Amazon and Cerrado Bioeconomy, Forest Restoration, and Climate-Smart Agriculture Project		
Country/Region Code	Beneficiary country/countries (borrower, recipient)	Region	Practice Area (Lead)
Brazil	Brazil	LATIN AMERICA AND CARIBBEAN	Agriculture and Food
Borrower(s)	Implementing Agency(ies)	Estimated Appraisal Date	Estimated Board Date
Banco do Brasil	Banco do Brasil	16-Jun-2025	29-Aug-2025
Estimated Concept Review Date	Total Project Cost		
16-Dec-2024	1,484,000,000.00		

Public Disclosure

Proposed Development Objective

Expand access to finance for bioeconomy, forest restoration, and climate-smart agriculture, and enhance economic and climate resilience for targeted beneficiaries in the Amazon and Cerrado biomes.

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

No

C. Summary Description of Proposed Project Activities

The proposed Project is a financial intermediary project that seeks to enhance the availability of financial resources for sustainable agricultural and bioeconomy and the restoration of degraded forests and pasturelands, while simultaneously advancing the inclusion, economic stability, and climate resilience of the targeted beneficiaries.

D. Environmental and Social Overview

D.1 Overview of Environmental and Social Project Settings



The project will support Banco do Brasil (BB) in financing bioeconomy initiatives, sustainable agricultural practices, and the restoration of degraded forests/pasturelands in the Amazon and Cerrado biomes. It will provide funding to private family farms, small businesses, and cooperatives, including those led by forest dwellers, traditional and indigenous peoples.

The Amazon biome covers an area of 420 million hectares, accounting for over 40% of Brazil's territory. It is characterized by humid tropical forests, an extensive hydrographic network, and immense biodiversity. In 2021, its population was estimated at 28.6 million people (5.6 inhabitants per km²). According to the UNDP, in 2023, the Human Development Index (HDI) of the states in the Northern Region was below the Brazilian average (0.754), ranging between 0.687 in Maranhão and 0.740 in Amapá.

The Cerrado biome spans 203 million hectares in the central region, representing 24% of Brazil's territory. Approximately 25 million people live in the region, with low population density in rural areas. Its flat lands, regular rains, and tropical climate have made it a hub for agricultural growth.

These biomes are crucial for biodiversity conservation and agricultural significance. They play a pivotal role in Brazil's climate strategy as 62% of the country's greenhouse gas (GHG) emissions come from agriculture, land use, and forestry. In the Cerrado, high fertilizer consumption exacerbates environmental issues like water pollution and soil contamination.

In both biomes, family farmers, forest-dwellers, traditional communities, and indigenous peoples face increased risks from extreme weather events. They will benefit the most from the project's activities, as bioeconomy, forest restoration, low-carbon agriculture, and the recovery of degraded pastures offer sustainable options to promote resilient, sustainable growth in these regions.

D.2 Overview of Borrower's Institutional Capacity for Managing Environmental and Social Risks and Impacts

BB is a Financial Intermediary that operates commercially, with just over half of its total shares controlled by the Federal Government. BB's Environmental and Social Management System (ESMS) was recently assessed as part of the preparation for the Brazil Climate Finance Project (P178888) and deemed adequate to manage the substantial E&S risks posed by this early operation. Key highlights of BB's ESMS are:

- The ESMS complies with the increasingly stringent regulations set by the Central Bank and the National Monetary Council (CNM). In line with CNM Resolution 4,945/2021, BB updated its Social, Environmental, and Climate Responsibility Policy (endorsed by its Board of Directors in 2022) and its Specific Policy for Management of Risk and Capital to enhance the management of social, environmental, and climate (ESC) risks.
- BB incorporates ESC conditions into credit contracts, conducts periodic compliance monitoring, and non-compliance may lead to the early maturity of the operation.
- BB has also established Sustainability Guidelines for Credit in certain sectors (such as Agribusiness and Irrigated Agriculture). These guidelines require environmental compliance, proof of mitigation/compensation measures for socio-environmental impacts, maintenance of communication channels with surrounding communities, and prohibit granting



credit to clients financing activities on indigenous lands, engaging in forced labor, sexual exploitation of minors, child labor, intentional environmental damage, or crimes related to racial or gender discrimination.

- BB’s organizational structure includes the Risk Management Unit under the Vice-Presidency of Internal Controls and Management Risks, responsible for corporate management of social, environmental, and climate risk, and the ESG Unit under the Vice-Presidency of Business, Government, and Corporate Sustainability, responsible for the specific management of ESC risks.

BB’s ESMS will be reassessed during preparation.

II. SCREENING OF POTENTIAL ENVIRONMENTAL AND SOCIAL RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate

A.1 Environmental Risk Rating

Moderate

The environmental risk of the project is Moderate. Overall environmental positive impacts are expected as outcomes of the Project, such as boosting of sustainable human development, the reduction of deforestation, restoration of degraded pastures and reduction of GHG emissions. There are no civil works envisaged under the project, and key physical interventions are mostly linked to Climate Smart Agriculture (CSA) practices, land management, forest preservation and restoration. Although the Amazon and Cerrado biomes include a vast amount of environmental protected areas, conservation units, and internationally recognized as high biodiversity value area (KBA), interventions will target the generation of positive environmental outcomes and will most likely be located in already modified habitats, such as pastures and degraded lands. Their potential environmental risks and impacts are not likely to be significant and do not have a high potential for harming the environment, nor are envisaged to result in the conversion of natural habitats. The environmental risks and impacts are expected to be predictable, temporary and/or reversible; low in magnitude and site-specific; of low probability of serious adverse effects to the environment and able to be mitigated in a predictable manner, with well-known control and mitigation measures. The interventions could include waste and wastewater generation, handling of chemicals and pesticides, and disturbances to local fauna, although not significant. The use of integrated pest management (IPM) or integrated vector management (IVM) approaches will be further assessed during preparation, as well as the potential risk of accidental introduction of alien, or non-native, species of flora and fauna. The project incorporates in its design measures that minimize or mitigate any risks associated with the conversion of natural forests and encourage the protection and conservation of natural forests, biodiversity and ecosystem services.

A.2 Social Risk Rating

Moderate

The social risk rating of the project is Moderate. By financing locally-led initiatives and technical assistance and capacity building to develop the bioeconomy value chain, forest and land restoration and sustainable, low-carbon agriculture, Components 1 and 3 are expected to render huge benefits for the livelihood and well-being of family farmers, forest dwellers, traditional communities and indigenous peoples in the Amazon and Cerrado, increase their earnings, improve their food security, reduce threats to their territories and livelihoods that they face due to the expansion of the agricultural frontier, and lead to protection and conservation of the distinct habitats and ancestral territories they are collectively attached to. Component 2 is expected to provide the same beneficiary groups with

Public Disclosure



access to an additional revenue stream, facilitating the adoption of the new practices. The main social concerns associated with the project refer to: a) Occupational health and safety risks that project workers providing technical assistance may face in remotely located and hard to supervise areas ridden by endemic diseases. b) The risk that incidents of SEA/SH and cultural conflicts may eventually occur due to close/without supervision interactions between project workers and vulnerable and culturally distinct local communities (including Indigenous Peoples). c) Three context-related challenges: i) the lack of access of many intended beneficiaries to financing institutions and their risk aversion to make debts and invest in unknown practices and technologies; ii) the roles children traditionally play in bioeconomy value chains; and ii) local population’s lack of understanding about carbon markets and potential resistance due to recent harmful experiences with carbon cowboys. These risks will be further assessed during preparation. They can be mitigated through communication/awareness raising measures and enforcement of behavioral standards.

B. Relevance of Standards and Policies at Concept Stage

B.1 Relevance of Environmental and Social Standards

ESS1 - Assessment and Management of Environmental and Social Risks and Impacts Relevant

BB’s ESMS complies with the regulations of the Central Bank and the National Monetary Council. It has clear procedures to: a) screen, review and categorize subprojects per their potential E&S risks and impacts; b) screen subprojects against Exclusion/Restriction/Alert Lists that takes into consideration the type of financing instrument, the subproject type, the economic sector, the geographical area, and the borrower’s track record; c) monitor subproject implementation and E&S performance as per the nature and magnitude of its E&S risks; and d) ensure the subproject is implemented to meet national law and contractual requirements. BB assesses their subprojects’ E&S risks at the sector level, the company level and the activities specific characteristics, under the responsibility of the Risk Management Department. The screening and assessment of ESG risks are made by a specialized team which is independent and segregated from the commercial area, aiming to ensure an unbiased analysis.

ESS10 - Stakeholder Engagement and Information Disclosure Relevant

Following the country’s legislation, BB discloses in its website information on the elements of its ESMS, maintains external communication channels to respond to public enquiries and concerns in a timely manner and operates a grievance mechanism as part of its ESMS. Information disclosure and stakeholder engagement are pivotal for raising the interest of potential sub-borrowers on the financing line and reach the project development objectives. BB will develop a culturally appropriate communication/outreach strategy as part of the project implementation. During project preparation, the task team will further assess a) the elements of BB’s External Ombudsperson Office in terms of its accessibility for the target population and b) BB’s requirements to sub-borrowers in matters related with the maintenance of engagement channels with the neighboring communities.

ESS2 - Labor and Working Conditions Relevant

Following the robust Brazilian legislation on labor relationships, working conditions and OHS, BB provides for a safe an healthy working environment – including appropriate labor management procedures, non-discrimination and equal opportunity principles, and the maintenance of an internal grievance mechanism. However, some project

Public Disclosure



workers may be exposed to OHS risks as they will be working in areas remotely located and often ridden by endemic diseases. SEA/SH incidents are also a concern as some activities will be conducted in hard to supervise areas and among people who are at the lowest poverty quartile of the country. Given the contextual risk related to the participation of children in the harvesting of some bioeconomy products, it is worth emphasizing that BB vetoes the granting of financing to customers who exploit child labor or forced labor. The Project must support governmental efforts for the eradication of child labor.

ESS3 - Resource Efficiency and Pollution Prevention and Management Relevant

The Project proposes to facilitate access to credit and innovative financing instruments and leverage private finance to scale-up impact in support of Brazil’s net-zero target, including in agriculture and land-based sectors. Physical interventions will be associated with forest restoration, bioeconomy value chains, and restoration of degraded pastures through the implementation of CSA practices. The key environmental impacts of the eligible subprojects are expected to be small-scale, restricted to the projects’ footprint and include waste and effluent generation, soil carryover, chemicals and pesticides management. BB’s ESMS has specific provisions/restrictions for financing activities involving the use of agrochemicals and pesticides. GHG emissions are expected to be reduced as a direct outcome of the project. Water availability is not an issue in the region and, in light of the project’s design, water usage is indeed expected to be optimized in the benefited properties.

ESS4 - Community Health and Safety Relevant

The project is expected to benefit some vulnerable communities, reducing adverse impacts on ecosystem services that are present in the without project scenario and improving their living conditions. It is also expected to convert agricultural practices that are heavily reliant on pesticides into low-carbon and sustainable ones, which give preference to integrated pest or vector management (IPM and IVM) approaches. Its activities will neither expose communities to hazardous materials or emergency events, nor rely on new, under construction or existing dams. They are not expected to require the retention of security personnel and temporary induced influx of labor will not be significant, reducing the risk of increased community exposure to communicable diseases and SEA/SH incidents. During preparation, the capacity of BB’s ESMS to screen, identify and manage the impact of subprojects in local communities will be further assessed.

ESS5 - Land Acquisition, Restrictions on Land Use and Involuntary Resettlement Not Currently Relevant

This standard is not currently relevant because BB will make small size loans for on farm land restoration and sustainable agricultural practices to private borrowers who – following the country legislation – do not hold powers either to acquire land rights through expropriation or other compulsory procedures, or through negotiated settlements in which failure to reach settlement would result in expropriation or other compulsory procedures. Therefore, no adverse impacts related with involuntary resettlement or restrictions in land use and access to natural resources use are envisaged under the Project.

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

The eligible subprojects might pose risks to the biodiversity as the anticipated activities involve the implementation of agricultural practices, reforestation and restoration of degraded pastures. The financing of bioeconomy value chains

Public Disclosure



could entail the management of living natural resources and thus encompass risks associated with the introduction of invasive alien species, disturbances of local fauna, and affectation of ecosystem services. By design, the Project will not generate the conversion of natural forests and, indeed will encourage the protection and conservation of natural forests and biodiversity. BB’s ESMS has clear provisions that require that eligible subprojects are located on land that is already converted, modified habitats or legally allowed under Brazilian Forest Code. Among other directives, it does not finance agribusinesses in areas embargoed by IBAMA, and the proof of env. and landholding legality is a key condition to agribusiness financing in Legal Amazon.

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

Relevant

A large number of Indigenous Peoples and Indigenous Lands are located in the territory of the Brazilian Amazon and Cerrado biomes. BB vetoes the granting of credit to non-indigenous peoples that aim to carry out activities on indigenous lands. However, the project may grant financing to sustainable agricultural practices and bioeconomy productive chains demanded by collective organizations ruled by indigenous peoples themselves. No adverse risks and impacts on Indigenous Peoples are envisaged because BB will be required to undertake meaningful consultation, in a culturally appropriate and gender and inter-generationally inclusive manner before granting the loans. During project preparation, BB’s E&S screening procedures will be assessed to verify their capacity to screen out subprojects proposed by non-indigenous borrowers that overlap with Indigenous Lands.

ESS8 - Cultural Heritage

Relevant

Subprojects financed by BB with the loan proceeds are not expected to have adverse impacts on tangible cultural heritage. However, bioeconomy value chains may have a material impact on intangible cultural heritage and require measures to promote the fair and equitable sharing of benefits as a pre-condition for granting the financing for subprojects involving the commercial use of intangible cultural heritage (such as traditional knowledge). The Brazilian legislation is robust with regards to the commercial use of cultural heritage and traditional knowledge, which will be further assessed during preparation.

ESS9 - Financial Intermediaries

Relevant

This is a financial intermediary project with the second largest bank in Brazil. BB has in place and maintains an ESMS to identify, assess, manage, and monitor the environmental and social risks and impacts of its subprojects on an ongoing basis, which – in an initial assessment – is considered to be commensurate with the nature and magnitude of the E&S risks and impacts of the subprojects that will be financed under the project. BB also provides for a safe and healthy working environment – including appropriate labor management procedures – and maintains procedures for external communications on E&S matters and for responding to public enquires in a timely manner. This ESMS includes an E&S policy endorsed by BB’s senior management that is in line with the requirements of ESS9 and is managed by well-staffed organizational units. BB’s ESMS will be further assessed during preparation as part of the Bank due diligence.

B.2 Legal Operational Policies that Apply

Public Disclosure



OP 7.50 Operations on International Waterways

No

OP 7.60 Operations in Disputed Areas

No

B.3 Other Salient Features

Use of Borrower Framework

In Whole

This is a Financial Intermediary operation. As such, it must rely on the FI ESMS as far as it allows that achievement of outcomes that are materially consistent with the objectives and requirements of ESS 9. As part of the due diligence, the task team will re-assess BB’s ESMS – which has been recently considered as adequate to manage the E&S risks of a Substantial risk operation (P178888) – and propose additional material measures that may be needed to improve any of its elements. These material measures will be incorporated in the Project’s Environmental and Social Commitment Plan (ESCP).

Use of Common Approach

TBD

Component 2 will be financed by a grant from FFO/PROGREEN/German Government. The World Bank's ESF will apply to the whole operation.

C. Overview of Required Environmental and Social Risk Management Activities

C.1 What Borrower environmental and social analyses, instruments, plans and/or frameworks are planned or required by Appraisal?

During project operation, BB will allow the Bank team to have access to all relevant information on its existing Environmental and Social Management System (ESMS) – most of which is available at its website. As part of its due diligence, the task team will (re)assess BB’s ESMS taking into consideration the objectives and requirements of ESS9, ESS2 and any other relevant Environmental and Social Standard of the World Bank Environmental and Social Framework for Investment Project Financing. If deemed necessary, the Bank will request the borrower to prepare and disclose on its website the summary of each of the elements of its ESMS by Appraisal.

Upon completion of the assessment of BB’s ESMS, the task team will propose material measures aimed at enhancing BB’s ESMS (if any) and ensure proper reporting of relevant environmental and social aspects of subprojects, incidents and accidents associated with the Project, and concerns and complaints related with the environmental and social performance of the Project to the Bank. These material measures will be agreed upon with BB and included in the Project’s Environmental and Social Commitment Plan (ESCP), which will be publicly disclosed.

During project implementation:

- BB must immediately communicate to the Bank on any relevant change in its ESMS (and the country’s regulatory framework) that may adversely affect its capacity to manage the environmental and social risks of the subprojects as well as the measures taken to review and adjust its ESMS in a manner acceptable to the Bank. BB must also communicate to the Bank about all relevant environmental and social incidents and accidents related with the Project in a timely manner and provide information on the root causes of such incidents and accidents and on the measures taken to avoid their reoccurrence.

Public Disclosure



- The task team will carry out: a) a prior review of the E&S assessment of (i) the first five subprojects conducted by BB’s environmental and social team and (ii) all subprojects proposed by Indigenous Peoples; and b) carry out biannual implementation support missions (including field visits to a sample of subprojects).

III. CONTACT POINT

World Bank

Task Team Leader:	Werner L. Kornexl	Title:	Senior Natural Resources Management Specialist
-------------------	-------------------	--------	--

Email:	wkornexl@worldbank.org
--------	------------------------

TTL Contact:	Marie Caroline Paviot	Job Title:	Senior Agriculture Economist
--------------	-----------------------	------------	------------------------------

Email:	mpaviot@worldbank.org
--------	-----------------------

TTL Contact:	Gabriel J D Sensenbrenner	Job Title:	Senior Financial Sector Specialist
--------------	---------------------------	------------	------------------------------------

Email:	sensenbrennerg@worldbank.org
--------	------------------------------

IV. FOR MORE INFORMATION CONTACT

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

V. APPROVAL

Task Team Leader(s):	Werner L. Kornexl, Marie Caroline Paviot, Gabriel J D Sensenbrenner
----------------------	---

ADM Environmental Specialist:	Eric Shayer
-------------------------------	-------------

ADM Social Specialist:	Alberto Coelho Gomes Costa
------------------------	----------------------------