



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 04/04/2023 | Report No: ESRSA02690



BASIC INFORMATION

A. Basic Operation Data

Operation ID	Product	Operation Acronym	Approval Fiscal Year
P175723	Investment Project Financing (IPF)	Mato Grosso Produtivo	2024
Operation Name	Mato Grosso Sustainable Development of Family Farming		
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
State of Mato Grosso	State Secretary for Family Agriculture (SEAF)	24-Jul-2023	12-Dec-2023

Public Disclosure

Proposed Development Objective

To improve the access to markets, climate resilience, and land and environmental management of selected family farmers in the State of Mato Grosso and in case of an Eligible Crisis or Emergency, respond promptly and effectively to it.

Financing (in USD Million)	Amount
Total Operation Cost	100.00

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 Operation [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]



The proposed operation is an Investment Project Financing (IPF) of US\$80.0 million to be implemented over a six-year period. The total project cost is estimated to be US\$100.0 million, including US\$20.0 million of counterpart funding from the State of Mato Grosso. The proposed project will contribute to increased market access and climate resilience of selected family farmers in Mato Grosso (component 1) and improve land and environmental management of selected family farmers in the State (component 2). This will be achieved through a mix of targeted technical assistance, tailored financial support to producer organizations (POs), and improved provision of public services. Project component 3 will support governance and project management, and project component 4 will be a Contingency Emergency Response Component (CERC).

D. Environmental and Social Overview

D.1. Detailed operation 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 106 Conservation Units Protected Areas (PAs) within the state: 23 federal PAs (16 of sustainable use and 7 under full protection); 47 state PAs (12 of sustainable use and 35 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 Government of Mato Grosso, through the Secretariat of State for Family Agriculture (SEAF), will be the Borrower for the proposed loan. SEAF will be the Project implementing agency and will ensure that counterpart resources are foreseen in the State's budget.

SEAF will enter into cooperation agreements with INTERMAT, SEMA, PCI, and others as needed to support the implementation of components in the areas of technical assistance, land and environmental management, and institutional strengthening. Thus, SEAF will collaborate with INTERMAT and SEMA on the component 2 activities to improve land and environmental management. SEAF may hire the services of EMPAER or other providers of technical assistance and rural extension under component 1 as well as collaborate with PCI on conservation and mitigation aspects of project implementation.

Inter-agency coordination and oversight will be facilitated by a project Steering Committee comprised of representatives of SEAF, INTERMAT, SEMA, EMPAER, PCI, the Governor's Office (Casa Civil), and SEFAZ. The Steering Committee will convene regularly to report on progress and identify key actions needed to support implementation. Additionally, the State Council for Sustainable Rural Development (CEDRS) – created by Decree 2061/2013 and Law 10.643/20 – would carry out the social oversight of the Project. CEDRS is a higher 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.

A Project Management Unit (PMU) will be established within SEAF at the central and at the regional level through its existing regional offices. This 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. SEAF and the PMU will also be responsible for implementing the environmental and social risk management instruments, as well as for disseminating project results through a proactive communication strategy. The PMU will be coordinated by a career civil-servant and composed by specific administrative and technical career staff as well as specialized consultants contracted with loan proceeds. To support procurement processes for PMU staffing and small-scale procurement services for the project, SEAF will recruit Fundação Uniselva as a procurement agent. Fundação Uniselva is the Support and Development Foundation of the Federal University of Mato Grosso (UFMT), the Federal Institute of Education, Science and Technology of Mato Grosso (IFMT) and the Federal University of Rondonópolis (UFR). Fundação Unisevla is a non-profit private law entity, created by UFMT professors in accordance with Law No. 8.958/94 and under the terms of Resolution CD 135/97. The contract with Fundação Uniselva will be financed with the counterpart funds of Mato Grosso State.

SEAF and the Government of Mato Grosso as a whole have only a limited experience with the ESSs. This experience has increased due to the preparation of the current operation, 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 assessed the capacity of SEAF and partnering agencies and found that:



- a) 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). PEAF 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;
- b) 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 citizens 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 citizens' concerns and grievances, highlighting the resolutions reached; and,
- c) To carry out E&S risks management in an adequate manner during project implementation, the implementation of communication and stakeholder engagement strategies, and the work with beneficiary Indigenous Peoples and Traditional Communities, the PMU hosted within SEAF will need to:
 - i. hire on a permanent basis the consultancy of one environmental specialist (with previous experience in assessing impacts of rural development projects), one social development specialist (with previous experience working with Indigenous Peoples, quilombolas and other traditional communities) and a social communication specialist (with previous experience working with family farmers and traditional communities), and
 - ii. carry out on a regular basis specific training on the Environmental and Social risk management tools and measures developed for the project targeted at direct and contracted workers.
 The project's Environmental and Social Commitment Plan (ESCP) has incorporated these requirements.

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II. SUMMARY OF 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 focus on family farmers and will support the adoption of climate-smart technologies and measures focusing on climate mitigation and adaptation, and will strengthen institutional and producers' capacity for good environmental management. Component 1 concentrates most of the on-the-ground activities to increase market access and climate resilience of family farmers engaged in the priority value chains (milk, fruits, horticulture, cassava, coffee, cacao, honey, and non-timber forest products). Risks connected to Component 1 (derive from small-scale and localized activities such as harvesting of Brazil nuts from natural stands, beekeeping, integration of cash crops such as cocoa and coffee in agroforestry restoration, provision of environmental services as part of payment (PES) schemes, soil and water conservation management practices, pasture management, silvo-pastoralism, and fodder production, improved livestock management, farmer-led irrigation and small-scale collective irrigation schemes, improved water harvesting and storage in small, excavated farm ponds, on-farm drip and sprinkler irrigation technologies, low-cost and energy-efficient water pumping systems, biodigesters (with livestock manure) for renewable energy and facilities for composting crop residues. While environmental impacts resulting from such investments are expected to be positive, the Project shall develop preventive and mitigatory measures to address moderate risks that are inherent to small-scale agriculture, rural



production, and livestock management – such as: habitat conversion, contamination from pest management, erosion, production of waste, excessive or inadequate water use in irrigation and processing schemes, unsustainable harvesting of non-timber forest products, as well as health and safety and waste from small civil works on off-farm infrastructure for storage, processing and packaging. Such risks may cause limited, temporary and reversible environmental impacts. These risks will be avoided, minimized or at least mitigated given that the Project is designed to explore the opportunities to improve the sustainability of agricultural and livestock raising practices that are currently in place. Furthermore, they will be mitigated through technical assistance and specific screening, preventive and mitigatory best practice measures defined in the ESMF, which will guide the preparation and implementation of subsequent site-specific ESMPs. The risk of cumulative impacts from potential pesticide runoff, waste management issues, water quantity and quality for the Project area of influence was assessed as low, as the 100 planned subprojects will be spread over a vast geographical area (61 municipalities) and will focus on disseminating climate-smart and environmentally-friendly production practices. The assessment concluded that land regularization activities (Component 2) are not expected to lead to changes in land use that would have adverse environmental consequences (such as deforestation). On the contrary, being associated with environmental regularization of the family farms within State Land Reform Settlements, land titling is expected to contribute to the protection of environmentally sensitive areas (watercourse edges and slopes). Component 2 will also improve systems and processes at the State level, as well as at the farm level, to improve environmental regularization and monitoring and increase compliance with the national Forest Code, and support the prevention and control of deforestation and forest fires, which should result in environmental benefits and reduced environmental risk of family farming. The staff providing agricultural extension and technical assistance will be trained on the Project’s environmental and social sustainability measures to avoid the risk of conveying inadequate guidance on these matters to Project beneficiaries.

Social Risk Rating

Substantial

The social risk rating of the project is Substantial. The social assessment has identified the following risks to be properly addressed through measures that shall follow the mitigation hierarchy:

- The exclusion of the most disadvantaged and vulnerable social groups and individuals among the eligible family farmers, which may not have equitable access to benefits because they face more constraints to have access to proper information, to organize themselves, to prepare business plans and to allocate counterpart resources than the better-off. They include female family farmers who have less access to agricultural extension and face more constraints to participate in training events due to their traditionally assigned domestic workload than men. Poor access to communication technologies and language barriers may be detrimental to remotely located quilombola, traditional communities and Indigenous Peoples. Exclusionary factors may generate or exacerbate existing or latent inter and intra-community divides and conflicts.
- The risk of cultural inadequacy: the supported business plans have to be framed in a manner that respects the cultural values, knowledge, and aspirations Indigenous Peoples and Traditional Communities hold with regards to their well-being and standards of living, which are often distinct from the mainstream society. Hence, there are some concerns that the implementation of business plans may lead to the abandonment of plants of cultural value as well as harvesting activities of non-timber products of cultural value (e.g. medicinal plants) due to greater dedication to activities of higher market value or demand, compromising traditional practices, food habits, values, and knowledge. Furthermore, the work of agricultural extensionists providing guidance to the preparation of these business plans has to respect the cultural distinctiveness of these groups.
- The risk of exposure of community beneficiaries and project workers to health issues: On the one hand, the implementation of business plans could lead to adoption of on-farm pest management measures that may increase the exposure of beneficiary family farmers to hazardous materials (pesticides) in a context where the use of personal protection equipment by rural workers tend to be limited. On the other, project workers (and particularly community workers) engaged in providing community labor in remotely

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located communities may be exposed to occupational health and safety issues due to the lack of information and knowledge on the proper use of personal protection equipment and the adoption of safety measures. The assessment of social risks has found out that the Project cannot be associated with relevant risks in matters related with data privacy and restrictions on land and natural resources use, as the activities of land and environmental regularization will be adhered to only on a voluntary basis. Land regularization activities are not expected to create physical and economic displacement, legitimize spurious property claims (possibly leading to a loss of property rights by vulnerable individuals) or encourage land grabs. They are not expected to be harmed by disadvantaged negotiation positions faced by potentially affected people, insufficient institutional capacity of the implementing agencies (to carry out social analysis, consultation, and stakeholder engagement or to manage conflict), unclear legal frameworks or the absence of conflict resolution and grievance mechanisms. The SEA/SH risk has been rated as moderate as some works may take place in remotely located and hard to supervise areas, whereas the risk of adverse impacts on cultural heritage as the Project will support interventions within Indigenous Lands, quilombola and traditional communities is rated low.

Sexual Exploitation and Abuse/Sexual Harassment (SEA/SH) Risk Rating

Moderate

SEA/SH risks (with regards to female project workers and members of beneficiary communities) are assessed as being moderate because some activities may occur in remotely located communities and hard to supervise. Sexual harassment (defined as embarrassing someone with the intention of obtaining sexual advantage or favor, the agent prevailing in his hierarchical superior condition or ancestry inherent to the exercise of a job, position or function) and sexual abuse (defined as practicing against someone and without their consent a libidinous act with the objective of satisfying their own lust or that of a third party) are defined as crimes in the Penal Code (Art. 216-A and Art. 215-A). The penalty for the crime of sexual harassment is of imprisonment from 1 (one) to 2 (two) years and is increased by up to a third if the victim is under 18 (eighteen) years of age; whereas the penalty for sexual abuse is of imprisonment from 1 (one) to 5 (five) years, if the act does not constitute a more serious crime. Brazil has also a robust legislation against gender-based violence and SEA/SH. Key legal instruments are: the Maria da Penha Law (11,340/2006) creating mechanisms to curb domestic and family violence against women and establishes assistance and protection measures; the Carolina Dieckmann Law (12,737/2012) defining as the breaking into electronic devices to obtain private data as a crime; the Next Minute Law (12,845/2013) offering guarantees to victims of sexual violence (such as immediate care by the SUS, medical, psychological and social support, preventive exams and information about their rights); the Joana Maranhão Law (12,650/2015) increasing the deadlines regarding the statute of limitations for crimes of sexual abuse of children and adolescents to 20 years; and the Femicide Law (13,104/2015), providing for femicide as a qualifying circumstance for the crime of homicide. Furthermore, several networks and services operate as referral to GBV and SEA/SH, including: Specialized Police Stations for Assistance to Women (DEAM), the Brazilian Women's House, the Reference Centers for Women Victims of Violence, the Court of Domestic and Family Violence against Women; the Assistance Service for Women Victims of Sexual Violence (SAMVVIS), the Service Centers for Women Victims of Violence (State Public Defenders) and the Centers for Assistance to Women Victims of Violence (State Public Prosecutors). They are staffed with prepared and trained professionals, offer social, psychological, pedagogical and legal care and guidance, pursue criminal action, provide urgent protective measures and oversee public and private establishments for assistance to victims. With the Covid-19 pandemic, all Brazilian states developed remote mechanisms to assist victims of domestic and family violence, complaints apps were launched, as well as What's app channels dedicated to the topic of violence against women. The ESCP establishes the commitment of the Borrower to disseminate information aimed at prevent SEA/SH in the workplaces and about these referral services to all project workers. And the LMP will include strict measures aimed at preventing and avoiding such risks.

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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 Operation:

This standard is relevant. The project will support on-the-ground interventions in family farms through subprojects spread over a large portion of Mato Grosso state, provide agricultural extension services, support value chains/market studies and diagnostics, increase efficiency of environmental and land tenure regularization, 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 uncontrolled use of fire, extensive farming and ranching practices, 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 landholdings, and improved fire and deforestation prevention action at the state level, generating positive environmental and social benefits.

As the Project consists on a series of subprojects, the Borrower is preparing – based on the assessment of secondary data, analytical studies and consultations with key stakeholders – an Environmental and Social Management Framework (ESMF).

As production subprojects may cause localized and reversible impacts, which could be prevented or mitigated through appropriate measures, the ESMF proposes sustainability criteria for screening proposed production subprojects and identifies the potential impacts and respective preventive and mitigation measures for all types of interventions, which are detailed in the ESMF. The ESMF also proposes the tools and methodology to monitor environmental and social compliance of all actions to be financed under the project.

As AF/PIPCT encompass an array of social groups and individuals who are more likely than others to be disadvantaged and vulnerable, more limited than others in their ability to have access to information on public policies and projects and as well as in their ability to take advantage of the Project benefits, the ESMF details the distributive impacts and benefits of Project interventions on the Indigenous Peoples, the Quilombola and traditional communities, and the family farmers who are run by women or located in Agrarian Reform Settlements still without secure land tenure. The ESMF (as well as Stakeholder Engagement Plan) proposes measures to foster the inclusion, fair treatment, effective participation and equitable access to Project's benefits of these disadvantaged and vulnerable social groups and their members. It is also considering social factors and customary norms that ordinarily hamper the participation of women family farmers and indigenous women in Project activities and will propose measures to foster their engagement in project activities.

The ESMF has assessed:

- potential impacts on critical biodiversity areas given the potential expansion of production areas over natural habitats.
- 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, traffic safety and management of hazardous materials;



- potential impacts that activities on environmental regularization and recovery of degraded lands may have on the livelihoods of family farmers and traditional peoples and communities and appropriate measures to minimize or mitigate them, if any;
- potential adverse economic and social impacts of land regularization activities (including an assessment of the institutional, legal and governance capacity of the responsible agency – INTERMAT) and appropriate measures to minimize or mitigate them (if any);
- potential risks of child labor, forced labor and occupational health and safety issues that may arise in relation to project workers;
- potential risks related with access to communication technologies and digital exclusion of remotely located beneficiary communities; and
- potential risks for proper environmental and social risk management due to limitations in the Borrower’s institutional capacity.

The ESMF also:

- Proposes a methodology to identify features with cultural heritage significance that might be located in the areas of intervention.
- Includes an Exclusion List, which may comprise – among others: i) dams in watercourses or underground dams; ii) investments in private properties overlapping with indigenous lands and territories of traditional and quilombola peoples and communities; iii) use of formulated products or pesticides that meet the “Danger” hazard classification (usually hazard categories 1 and 2, A, B or C) of the GHS and/or criteria for carcinogenicity, mutagenicity and reproductive toxicity as established by GHS (The Globally Harmonized System of Classification and Labelling of Chemicals – GHS, <https://unece.org/about-ghs>); iv) use of invasive exotic species (as per IUCN list of invasive species and national lists); v) productive investments that require the conversion of areas of native vegetation; vi) activities that negatively affect critical areas for biodiversity (as defined by the country’s legislation); vii) activities that result in unwanted contact with isolated or recently contacted Indigenous Peoples; viii) activities that result in adverse impacts on lands and natural resources under the control or traditional use of Indigenous Peoples, or cause the relocation of Indigenous Peoples, or have a significant impact on the cultural heritage of Indigenous Peoples; ix) activities that may result in land acquisition by the project, impose restrictions on land use or require involuntary resettlement; and x) community labor contributions for the implementation of Business Plans that involve child labor.
- Includes a screening form to assess E&S risks at subproject level and identify the need for the proposed subproject to develop specific plans such as ESMPs, waste management plans or other.
- Proposes capacity building measures for the implementing agencies for E&S risk management.
- Defines processes and procedures to ensure data privacy with regards to the treatment of farm-level data that will be collected for planning of activities and surveying purposes According to the principles ruling a) legitimate, fair and transparent processing, b) purpose limitation and data minimization, c) data accuracy, d) Storage Limitation, e) transfers of personal Data, and f) accountability that are set in the World Bank Group Directive Personal Data Privacy (January 1st, 2023).
- States that all technical assistance works (including studies, institutional capacity building, and agricultural extension services) will be hired according to terms of reference reviewed and found acceptable by the Bank and the training provided by the Project to field teams will incorporate the relevant requirements of the ESSs, the ESMF, the SEP, the IPPF and the Gender Action Plan. Finally, following the CERC Guidance Note (Oct. 2017), the final ESMF will include a specific section for the CERC that will address: a) the identification of potential activities that the CERC could finance (a positive list of goods, services and works); b) a brief 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.

While the draft ESF documents will be disclosed before Project Appraisal, the timeline for disclosing final ESF documents (including the ESMF) by 30 days after Effectiveness is proposed to allow sufficient time for consultations with multiple stakeholders.

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 small rural landholders 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, producers organizations 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 (CEDRS) and the State Committee of Traditional Peoples and Communities (CEPCT).

During Project preparation, the Borrower has identified the key stakeholders and already carried out face-to-face consultations on relevant aspects of Project design and its potential environmental and social risks with their most representative instances, including:

- The State Sustainable Rural Development Council (CEDRS), which 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 National Coordination for Articulation of Rural Black Quilombola Communities – CONAQ (State Representatives), which was created in 1996, is a nationwide organization that represents most of the quilombolas in Brazil and convenes representatives of quilombola communities from 23 states (including Mato Grosso). Its objectives are to fight for: the guarantee of the collective use of the quilombola territories; the preservation of natural resources and the implementation of sustainable development projects; the organization of the quilombola communities; the autonomy of the quilombola women; and the permanence of the youth in the quilombos.
- FEPOIMT (The Mato Grosso Federation of Indigenous Peoples and Organizations), which was created in June 2016 by IPs convened at the General Assembly of the Indigenous Peoples of the state of Mato Grosso, held in the Umutina Village in Barra do Bugres. It aims to: a) promote the socio-cultural, economic and political organization of the IPs; b) strengthen their organizations, contributing to the promotion of human rights and the autonomy of these



peoples; and c) protect and represent the collective interests of the indigenous peoples and communities in the implementation and evaluation of state public policies aimed at Indigenous Peoples. The key role of FEPOIMT in the IPPF's consultation process is justified because it is recognized as the representative organization of all Indigenous Peoples in Mato Grosso as well as its leading role in the participatory process of information and construction of the Indigenous Territories Subprogram of the REM/MT Program.

- The Takina Organization of Indigenous Women of Mato Grosso, which was created in 2009 with the goal of constituting a space to promote female protagonism and expand women's participation in the decision-making process of their communities. Its actions are associated with improving the quality of life in the communities, addressing issues and projects related to health, education, environment, and sustainability.

Further to holding the face-to-face meetings, the Borrower has provided an e-mail address to allow the participants to provide feedback. The consultations and feedback received have been incorporated in Project design and helped the preparation of the Project's draft versions of the ESMF, the Stakeholder Engagement Plan (SEP) and the Indigenous Peoples Policy Framework (IPPF). These draft documents have been publicly disclosed before Appraisal through SEAF's dedicated website and key stakeholders were invited to provide comments on them, which will be incorporated in their final versions, which will be publicly disclosed in a dedicated SEAF website within 30 days after the Project effectiveness date.

The draft SEP identifies key 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. It assesses the special needs of these stakeholders and sets strategies to promote their engagement in a culturally adequate manner.

Aiming to avoid the unsustainable duplication of structures, the Project will rely on the existing Ombudsman System as its grievance redressing mechanism (GM) to facilitate the resolution of concerns and grievances raised by stakeholders. Housed under the State General Comptroller Office, the General State Ombudsman Office (OGE) comprises sectoral ombudsman offices in all agencies and entities of the State of Mato Grosso, which are interconnected by the same electronic system (the "Fala Cidadão" System). This system is used to register, receive and treat concerns and grievances from citizens and society. These concerns and grievances are received through the various service channels – namely: the "Fala Cidadão" electronic form, the App MTCidadão, e-mail, WhatsApp (Ouv-Zap), a three digit toll free phone line (162) or in the offices of all Ombudsman Offices – and are entered into the "Fala Cidadão" system. OGE's team does a first screening of the received requests and distributes them to the pertinent Sectorial Ombudsman Offices, which are responsible for all the necessary arrangements to provide the complainant with a response. Sectorial Ombudsman Offices have a period of 20 days (extendable in a justified manner, once only, for the same period) to respond objectively to requests and their final responses are audited by the General State Ombudsman Office, and may be returned for necessary adjustments before being sent to the complainant. The personal data of all complainants are kept confidential, including the data of the eventual accused and the complainants can choose to identify themselves, or to use an anonymous profile, or a secret profile when registering their requests. The activities of the Sectorial Ombudsman Offices are monitored by the General Ombudsman Office according to indicators of response effectiveness, compliance with response deadlines, average response time. The Sectorial Ombudsman Offices and the General State Ombudsman Office issue and make available on the internet annual management reports (ORDINANCE CGE/MT No. 0076/2022/CGE/MT).

The Project's GM will comprise the General Ombudsman Office and the Sectorial Ombudsman Offices at SEAF, INTERMAT and SEMA. In addition to the regular reporting to OGE, these Sectorial Ombudsman Offices will provide monthly reports to the PMU on requests screened as associated with the implementation of the MT-Produtivo



Project. The PMU will report on the operation of the GM to the Bank as part of the bi-annual Project's Progress Reports.

B.2. Specific Risks and Impacts

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

ESS2 Labor and Working Conditions

This standard is relevant. Project implementation will rely on direct workers (including civil servants from the implementing agencies), contracted workers, primary supply workers and community workers (as the counterpart funding required from Producers Organizations benefitted under Component 1 may be provided in labor). Risks related with labor terms and working conditions (including occupational health and safety risks faced by different groups of workers) have been initially assessed as part of the preparation of the ESMF. The need for long road trips for the provision of technical assistance and rural extension activities, environmental and land regularization generates concerns related to road safety for direct and contracted project workers. The possible need to use pesticides during the implementation of the Business Plans raises concerns related to the occupational health and safety of contracted and community workers. The distance and isolation of some rural communities raise concerns associated with the difficulty of supervising working conditions and the relationships between project workers and between project workers and beneficiaries. As stated in the Project's ESCP, the Borrower will prepare, adopt and implement Labor Management Procedures (LMP) that will propose measures to ensure that all Project Workers enjoy of: a) fair, equitable and non-discriminatory treatment; b) proper terms and conditions of employment and freedom of organization; c) adequate measures and personal protection equipment (PPE) for minimizing, preventing and protecting from hazardous conditions in the working places including among community workers; and d) adequate guidance to prevent, respond and penalize moral and sexual harassment and other improper conducts, including the dissemination and operation of the Project's workers' grievance mechanism and other institutional referral services to raise workplace concerns and SEA/SH incidents.

Traditional patterns of labor distribution among family farmers and Traditional Peoples and Communities raise some concern about the possible engagement of children in daily chores and, in consequence, in the provision of community labor. Existing data (www.smartlabbr.org) on child labor in Mato Grosso shows that – between 2012 and 2019 – there were 819 reports of child labor (82 reports in the last year of the series). Domestic child labor represents 28% of these reports, drug trafficking 16% of them and other unspecified prohibited or illicit activities add up to 39%. Based on data from the Agricultural Census 2017, the data points to the presence of 24.4 thousand children and adolescents under 14 years of age occupied in agricultural establishments (that is, 5.8% of the total contingent of occupied people), being 13.6 thousand boys (4.4% of male workers) and 10.8 thousand girls (9.3% of female workers). The largest number of these child workers (about 17 thousand) were employed by family farming establishments, where they represented 7.9% of the employed personnel. To address this concern, the Project's ESCP requires the Borrower to abide to the Exclusion List set in the ESMF, which includes the prohibition of supporting activities that employ or engage children below 16 years of age in connection with the Project (including as part of the labor provided as counterpart financing by the beneficiary Producers Organizations).

With regards to forced labor, the available data suggests it would be a very low risk. The same source reports that – between 1995 and 2021 – 6,106 people were rescued from forced labor situations (with only 18 people rescued, in seven municipalities, in 2021). Cattle raising (28%), alcohol production (27%), sugar cane cultivation (11%), herbaceous cotton cultivation (10%), and soybean cultivation (8%) are the economic sectors where forced labor



situations were most frequent throughout the period. The rescue sites have recent but intense productive and economic dynamism, in which there is an intermittent supply of jobs in occupations in non-family farms that pay the lowest wages and require little or no professional qualification or formal education.

Additional key requirements to be included in the LMP comprise:

- The Borrower's commitment to 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 Borrower's commitment to establish, disseminate and operate a standalone grievance redressing mechanism to raise workplace concerns in line with the requirements of ESS 2.
- The Borrower's commitment to make all possible efforts to prevent SEA/SH in the workplaces and in the relationships between project workers and beneficiary community populations, setting a proper Code of Conduct to which all contractors, beneficiary Producers Organizations and Project Workers must abide.
- The Borrower's commitment to ensure that beneficiary Producers Organizations will implement the required measures (that will be defined in the LMP) to: a) ascertain whether labor provided by community members as a contribution to the subprojects is or will be provided on a voluntary basis as an outcome of individual or community agreement, b) identify the terms and conditions on which community labor will be engaged, c) guarantee the occupational health and safety of community workers through the provision of PPE and training on its adequate use, d) disseminate the channels through which community workers can raise grievances in relation to the Project, and e) avoid child and forced labor.

The LMP will be disclosed within 30 days after the Project Effectiveness date.

As mentioned, to support procurement processes for PMU staffing and small-scale procurement services for the project, SEAF will recruit the Fundação Uniselva as a procurement agent. When hiring the PMU staff (direct project workers), the Fundação Uniselva will be subject to the provisions of the Brazilian Labor Legislation and the requirements set out in the LMP. The Fundação Uniselva has an operating and well-disseminated Grievance Mechanism to receive and redress complaints and is supervised by the Federal Public Ministry, the Office of the Union Comptroller General, and the Audit Courts. The Bank team has expeditiously assessed the Fundação Uniselva and found no shortcomings in its track records on labor management procedures.

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 will 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 pest control products could be used during the first year in which forest species are being introduced or initial pasture recovery activities, or to protect existing production schemes. In these circumstances, the Borrower will not use any pesticides or pesticide products or formulations unless such use is in compliance with the WBG EHSs, nor that contain active ingredients that are restricted under the Rotterdam and Stockholm or other 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 the GHS (<https://unece.org/about-ghs>).



The Environmental and Social Management Framework (ESMF) assesses the potential risks related with the use of pesticides and includes 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. As needed, subprojects may include specific requirements for pest management in their respective ESMPs. The project is not expected to involve significant pest management issues and, consequently, the Borrower will not be required to prepare a standalone Pest Management Plan. The ESMF already defines the set of criteria that will apply to the selection and use of pesticides and provides guidance on good practices for the handling, storing, applying and disposing of pesticides in line with the requirements of paragraphs 22-24 of this standard.

In the event that small-scale irrigation becomes necessary for any supported production scheme, the ESMF defines 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 also incorporates 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 risk assessment found that the potential risk of generation and disposal of electronic waste (e-waste) is not relevant for the Project.

As GHG emission sources involved in this project are diverse and small, from community-driven rural production initiatives, GHG estimations are not required as per paragraph 14 of ESS3.

ESS4 Community Health and Safety

This standard is relevant.

The envisaged small-scale 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 will 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 will not require the retention of direct or contracted workers to provide security to safeguard its personnel or properties.

Furthermore, project activities are expected to have a positive impact on ecosystem services and beneficiary communities through the adoption of climate-smart agriculture techniques by promoting reforestation, recovery of degraded lands, conservation of natural habitats, reduced erosion, improvement of soil fertility, sustainable use of non-timber forest products, reduced use of pest management products resulting in positive effects for pollinators, among others.

However, activities to improve productive practices, increase productivity and enhance competitiveness of family farmers and PIPCT may require some use of chemical fertilizers and soil amendments. The ESMF will define preventive and mitigatory measures according to ESS3 to ensure the adequate selection and safe handling of such products to secure the health and safety of local communities.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

The standard is currently not relevant.

The ESMF includes an Exclusion List to ensure that the project will not directly require land acquisition or impose restrictions on land use that lead to adverse effects related with involuntary resettlement (physical or economic



displacement). This provision will also apply to any privately owned land that has occupants other than the owners. The screening form to assess environmental and social risks at subproject level proposed in the Project's ESMF also includes questions related with potential needs of land acquisition and restriction on land uses for achieving subprojects' objectives.

In line with the principles and objectives of ESS 5 (as set in footnotes 9 and 10), the ESMF also requires that:

- a) Whenever the Business Plans supported under Component 1 require that land is donated on a voluntary basis without payment of full compensation, the Project will provide prior and satisfactory evidence to the Bank demonstrating that: (i) the potential donor or donors have been appropriately informed and consulted about the project and the choices available to them; (ii) potential donors are aware that refusal is an option, and have confirmed in writing their willingness to proceed with the donation; (iii) the amount of land being donated is minor and will not reduce the donor's remaining land area below that required to maintain the donor's livelihood at current levels; (iv) no household relocation is involved; and (v) the donor is expected to benefit directly from the project.
- b) Whenever these Business Plans require donation of community or collective land or the Project provides support to community-based natural resources management that imply on potential restrictions of access to natural resources, these activities will only be supported as the Borrower provides prior and satisfactory evidence to the Bank demonstrating that (i) there was an adequate community decision-making process, which reflects voluntary and informed consensus and consent of individuals using or occupying these lands, (ii) there was agreement on appropriate measures to avoid, minimize or mitigate adverse impacts (if any) on the vulnerable members of the community, and (iii) these measures are feasible and have been put in place.

The provision of land titles foreseen under Component 2 will only benefit settlers of governmental land reform programs, are intended just to confirm and regularize their land rights and will not have adverse impacts related with involuntary resettlement. As previously mentioned, the potential risks of ordinarily associated with land regularization activities – such as: changes in land use that would have adverse environmental consequences (such as increasing deforestation), physical and economic displacement, legitimization of spurious property claims (possibly leading to a loss of property rights by vulnerable individuals), encouragement of land grabbing – have been assessed and considered low. Furthermore, contextual risk factors – such as: disadvantaged negotiation positions faced by potentially affected people, insufficient institutional capacity of the implementing agencies (to carry out social analysis, consultation, and stakeholder engagement or to manage conflict), unclear legal frameworks or the absence of conflict resolution and grievance mechanisms – have also been assessed and are not expect to hamper land regularization activities. Finally, Component 2 incorporates a few activities aimed at further strengthening the institutional capacity of INTERMAT to properly carry out land regularization.

Family farmers will enroll in environmental regularization activities on an exclusively “voluntary basis” and these activities are not expected to have adverse impacts related with land use restrictions as they follow the country's legislation (Law 4771/65 and Law 12,651/2012 – the Law for Protection of Native Vegetation, also known as the Forest Code), which rules the establishment of Permanent Protected Areas and Legal Reserves within private landholdings, 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), but does not restrict access to natural resources and allows small landholders/family farmers to develop sustainable agroforestry activities within these areas as long as they do not alter their ecosystem functions (whereas large landholders are required to compensate the productive use of these areas by establishing them in other areas).

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 will benefit biodiversity. To prevent the increase in habitat conversion, the financing of subprojects that may lead to deforestation was included in the Exclusion List of the Project's ESMF. The environmental regularization activities and the technical assistance teams, which will receive guidance on actions to discourage the opening of new areas for rural production, will further reduce this risk. The project will also support the improvement of efficiency in state-level systems to prevent and control deforestation and forest fires, contributing to reduce the ongoing loss of biodiversity and habitats. The Project is designed to disseminate climate- and environmentally-friendly livestock and agricultural production practices to replace the high-impact practices currently in place, which shall reduce impact on natural habitats and biodiversity.

The ESMF assesses the types of production subprojects in the priority value chains (milk, fruits, horticulture, cassava, coffee, cacao, honey, and non-timber forest products), market access and environmental regularization investments (e.g. small processing plants, vegetation recuperation) and defines 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 defines 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 includes an exclusion list to avoid any potential affectation of critical biodiversity areas and natural habitats.

The preparation of Business Plans associated within the milk value chain will assess potential risks and cumulative impacts on biodiversity deriving from supported livestock improvement activities. These risks are expected to be low given the Project objective of disseminating climate-smart and environmentally-friendly production practices and gradually improve producers' practices to operate in a sustainable manner.

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

This standard is relevant.

There are 43 Indigenous Peoples (IPs) in the State of Mato Grosso, including one Isolated or Recently Contacted Indigenous Peoples (the Tupi Kawahiv) already identified and seven under identification. The IPs 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 (Paite), Tapayuna, Tapirapé (Apyãwa), Terena, Trumai, Txicão (Ikpeng), Umutina (Balotiponê), Waurá, Xavante (A'uwe), Yawalapiti and Zoró (Pangyjêj) Peoples. They cumulatively possess the four characteristics set in ESS 7 (paragraph 8) in varying degrees.

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. In total 54 of these Indigenous Lands are found in 20 of the 61 municipalities that have been prioritized for investments of Component 1, comprising an Indigenous Peoples population estimated in more than 27 thousand people (nearly 64 percent of the IPs in Mato Grosso).

These 43 IPs 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. Additionally, Indigenous Women have organized themselves in the Takina (Mato Grosso Indigenous Women Organization).

To allow for Indigenous Peoples' effective participation in the design of Project activities that may benefit them, the Borrower has started consultations with FEPOIMT and Takina to gather inputs for the preparation of a draft Indigenous Peoples Planning Framework (IPPF), following the requirements of this Standard. The key role attributed to FEPOIMT and Takina in the IPPF's consultation process is justified because: a) FEPOIMT is recognized as the representative organization of all IPs in Mato Grosso and has played a leading role in the participatory process of information and construction of the Indigenous Territories Subprogram of the REM/MT Program and b) Takina is the main representation of the views and concerns of Indigenous Women in the state.

These early consultations aimed – particularly – to define clearly: a) the participation strategy (information disclosure, engagement and meaningful consultations with the Indigenous Peoples), b) the implementation strategy (including the eligibility and selection criteria), c) the governance structure including the participation of Indigenous Peoples, and d) an Exclusion List of activities. Special attention has also been given to collect their views on how to ensure that climate and sustainability adaptation practices supported by the Project for Indigenous Peoples Producer Organizations will take into consideration and respect traditional/customary farming practices and livelihoods of Indigenous Peoples.

The IPPF – to be disclosed before Appraisal and broadly consulted thereafter – includes a brief description of the Indigenous Peoples living in the territory of the state of Mato Grosso (and within the 61 municipalities prioritized), maps the Indigenous Lands, and identifies IPs' Producer Organizations. It also considers the types of CSA Family Business Plans that are likely to be proposed by IPs' Producer Organizations for financing under the Project and broadly analyzes their potential positive and adverse, direct and indirect economic, social, cultural, and environmental effects on the IPs. The main conclusions of this early assessment is that the Project is not expected to have any adverse impact on IPs. On the contrary, it can contribute to promote sustainable development interventions that will benefit IPs, improve their standard of living and livelihoods in a manner that respects their aspirations, unique cultural identities, traditional knowledge and natural resource-based livelihoods and is culturally appropriate and inclusive.

The IPPF also highlights the conditions that have to be fulfilled to achieve these positive outcomes. They are: a) all relevant project-related information shall be broadly disseminated in culturally appropriate manner and languages among the Indigenous Peoples that can benefit from the Project; b) the rules guiding the selection of beneficiaries and the application process must be easy to understand and abide to; c) technical assistance – able to identify and address any economic or social constraints that may limit IPs' opportunities to benefit from, or participate in, the Project – must be provided for the proper preparation of the Business Plans; d) the Project must be open to finance new and ongoing relevant activities from the IPs who propose Business Plans; e) the proposed Business Plans must: i) be the outcome of a broad, culturally appropriate and inclusive consultation process within the proponent communities/POs; ii) address the concerns, preferences and goals of the IPs and, consequently, contribute to improve their standard of living and livelihoods and promote the long-term sustainability of the natural resources on



which they depend and the needs and rights of the next generations (hedonic value) in a culturally appropriate manner; and iii) avoid the emergence and/or exacerbation of conflicts and schisms within the communities. Hence, the IPPF proposes general principles, rules and procedures for a) disclosing information about the Project among IPs, b) carrying out consultations with them and c) ensuring that the proposals Business Plans their Producer Organizations submit for financing follow the principles of: i) fostering respect for the human rights, dignity, aspirations, identity, culture, and natural resource-based livelihoods of IPs; ii) avoiding adverse impacts on Indigenous Peoples and the most vulnerable members of their communities; iii) promoting sustainable development benefits and opportunities in a manner that is accessible, culturally appropriate and inclusive; iv) supporting the acknowledgement, the respect and the preservation of the culture, knowledge, and practices of IPs; and v) avoidance of the emergence or exacerbation of internal conflicts and schisms among the beneficiary IPs.

Additionally, the IPPF sets a minimal Exclusion List, prohibiting Project-financing of Business Plans proposed by IPs' Producer Organizations that: a) have adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation by Indigenous Peoples; b) cause relocation of Indigenous Peoples from land and natural resources subject to traditional ownership or under customary use or occupation; c) have significant impacts on Indigenous Peoples' cultural heritage that is material to the identity and/or cultural, ceremonial, or spiritual aspects of the Indigenous Peoples; and/or d) lead to undesired contacts with Indigenous Peoples "in voluntary isolation," "isolated peoples" or "in initial contact". Further items may be added as part of the consultation of the draft IPPF.

Furthermore, the IPPF includes proposals on: the roles and responsibilities for its implementation (which will be led by SEAF with the support of the State Superintendence of Indigenous Affairs (SAI), located within the structure of the Civil House of the Governorship Office, which due to its attributions can play a relevant advisory role in Project implementation); commitment of funds: monitoring and evaluation; and on the Grievance Mechanism that will facilitate the resolution of concerns and grievances raised by IPs.

Finally, the IPPF recommends that the Business Plans submitted by IPs' Producer Organizations take the format and are accepted as the Indigenous Peoples Plans to be prepared under the IPPF as required by ESS 7.

The feedback from the consultation of the draft IPPF will be incorporated in its final version. To allow sufficient time for Indigenous Peoples' decision-making processes, the Project's ESCP foresees that this final version will be disclosed in the Project's dedicated website within 30 days after Project Effectiveness and may be revised throughout Project implementation to allow for the adoption of adaptive management measures.

ESS8 Cultural Heritage

The standard is relevant.

Project activities will not include significant excavations, demolition, flooding or other environmental changes, and are not located in, or in the vicinity of, known cultural heritage sites. The Project does not intend to use cultural heritage (including traditional knowledge and practices) for commercial purposes.

However, the Project is expected to support interventions within Indigenous Lands, quilombola and traditional communities and the Project's ESMF (the draft version of which will be disclosed prior to Appraisal) sets out principles, rules, guidelines and procedures to identify – through prior research and consultation with these project-beneficiary groups – natural features with cultural heritage significance that might be located within the areas of intervention, the people who value such features and the people with authority to represent and negotiate regarding the location, protection and use of the cultural heritage.



Furthermore, the ESMF also sets out principles, rules, guidelines and procedures to be followed by the implementing agencies, contractors and subcontractors if previously unknown cultural heritage is encountered during project activities considering the requirements of the national legislation and ESS 8.

ESS9 Financial Intermediaries

This standard currently is not relevant.

C. Legal Operational Policies that Apply

OP 7.50 Operations on International Waterways No

OP 7.60 Operations in Disputed Areas No

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Operation risks and impacts

Is this operation being prepared for use of Borrower Framework? No

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

The use of Borrower Framework is not being considered.

IV. CONTACT POINTS

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Public Disclosure



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VI. APPROVAL

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Practice Manager (ENR/Social) Genevieve Connors Cleared on 04-Apr-2023 at 10:22:35 EDT