



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

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BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Brazil	LATIN AMERICA AND CARIBBEAN	P170850	
Project Name	Energy and Mineral Sectors Strengthening Project II		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Governance	Investment Project Financing	4/13/2020	3/30/2020
Borrower(s)	Implementing Agency(ies)		

Proposed Development Objective(s)

To strengthen the capacity of public energy and mineral sector institutions to modernize and improve sectoral management and inform energy and mining strategies.

The principal outcome expected from the project is to improve capacity of key institutions in both the energy and the mineral sectors to ensure that they deliver the regulatory adjustments, the improved planning and the modernization of infrastructure - in particular related to information systems and technology development - that are needed in order to support accelerated economic growth that is sustainable from both environmental and social perspectives.

Financing (in USD Million)	Amount
Total Project Cost	50.00

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

No

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

The proposed Project would support sector-wide efficiency through two components.

Component 1 (US\$ 25 million): Support for the energy transition towards modern energy and mining sectors



- 1.1. Sub-component 1.1: Mining. Provision of support for, inter-alia: (i) the proposal of a preliminary Mining Sector Strategy/Artisanal and Small-Scale Mining Strategy /Critical minerals strategy; (ii) the review of key mining regulations; (iii) the review of methodology for the tendering of mining areas; and (iv) performing a Supply Chain analysis for critical minerals.
- 1.2. Sub-component 1.2: Climate resilience. Provision of support for inter-alia: (i) Planning studies, model upgrades (hydrological risk, integrated planning with water and agriculture/irrigation sector, including an analysis of the impact of water use restrictions in the power sector); (ii) analysis of electricity matrix diversification and variable renewable energy (VRE) integration (including dispatching, role of gas and storage, power flow analysis, etc.); and (iii) analysis of governance under climate stress.
- 1.3. Sub-component 1.3: Gas sectoral reform. Including inter-alia: (i) proposing a framework for fostering private investments in downstream gas sector; (ii) proposing improved regulation for gas transport; and (iii) proposing alternatives for market development and fostering investments for LNG and GLP.
- 1.4. Sub-component 1.4: Energy transition: Decentralization, decarbonization and digitalization of the energy and mining sector. Including inter alia: (i) analyzing Electricity Costs and Tariffs [including inter-alia (a) a methodology update, (b) a review of sectoral charges and (c) taxes, and (d) Nodal pricing]; (ii) performing a revision of Energy markets (including energy, ancillary services and capacity payments); (iii) analyzing feasibility, business models and financial mechanisms (Including PPPs) for new technologies [including inter-alia smart-grids, Distributed Energy Resources (DER), storage, e-mobility, off-shore wind, etc.]; (iv) performing analysis on end-user issues (inter alia: demand side management, Energy efficiency, and linkages to tariff review); and (v) proposals for decarbonizing the mining sector (inter alia: innovation, Renewable Energy (RE), Energy Efficiency (EE) for the processing of minerals/metals).

Component 2 (US\$ 24 million, of which US\$ 25 million IBRD): Institutional strengthening and capacity building of relevant stakeholders

- 2.1. Sub-component 2.1: Strengthening of Mining institutions including: MME (Ministério de Minas e Energia), ANM (Agência Nacional de Mineração), CPRM (Companhia de Pesquisa e Recursos Minerais), SGM (Secretaria de Geologia, Mineração e Transformação Mineral), to support: (i) the operationalization of the ANM (management and functional review; tailings dam safety capacity; modernization of the mining cadaster); (ii) Training; (iii) provision of specialized hardware and software, and digitalization of processes; and (iv) proposals for harmonization of processes and policies.
- 2.2. Sub-component 2.2: Strengthening of Electricity Sector institutions: MME, ONS (Operador Nacional do Sistema Elétrico), EPE (Empresa de Pesquisa de Energética), ANEEL (Agência Nacional de Energia Elétrica), Eletrobras. To support: (i) Training; and (ii) provision of specialized hardware and software
- 2.3. Sub-component 2.3: Strengthening of Gas Sector institutions: MME, ANP (Agência Nacional do Petróleo, Gás Natural e Biocombustíveis), Petrobras. To support: (i) Training; (ii) provision of specialized hardware and software, and digitalization of processes; and (iii) proposals for harmonization of processes and policies.
- 2.4. Sub-component 2.4: Knowledge Sharing and Dissemination, to support, inter-alia: (i) Stakeholder Engagement; and (ii) Workshops, translations, publications.

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]
The proposed Project is a Technical Assistance operation, which encompasses: (i) analytical works and conceptual studies that would provide inputs to regulatory adjustments and policy reforms; (ii) institutional strengthening



activities that would improve planning and oversight of the energy and mining sectors by key agencies and institutions; (iii) promote knowledge-sharing; and (iv) enhance stakeholder engagement strategies. The Project would have nationwide relevance. While energy and mining face numerous environmental and social challenges, arising from the demand for their contribution to accelerated national economic growth, Project activities are likely to have minimal or no adverse direct environmental and social impacts in the short-run. They do not entail any potential large scale, significant and/or irreversible negative impacts. They also are not expected to lead to significant indirect, or long-term, or cumulative impacts. The Project is expected to have positive environmental and social impacts contributing to construction of a sustainable energy matrix and the improvement of ecosystem services. The improvement of the regulatory framework and institutional capacity of key governmental agencies (to oversee energy and mining projects and facilities and to enforce compliance with regulations) has important positive environmental and social implications. Proposed project activities can be separated, according to their potential social and environmental impacts, into two different sets: (i) Institutional strengthening measures, with no direct or indirect environmental implications; and (ii) analytical works and conceptual studies that will provide inputs to regulatory and policy changes that may lead to downstream impacts. The first set of activities usually do not have potential adverse environmental and social implications or risks, but may bring reputational risks if the Bank is perceived as assisting indirectly in the implementation of a national policy framework that is not attuned with Bank safeguard principles. The second set of activities may lead to downstream environmental and social implications. ESS 1 (footnote 5) states that: (i) “the requirements set out in paragraphs 14-18 of ESS1 will be applied to technical assistance activities as relevant and appropriate to the nature of the risks and impacts”; (ii) “the terms of reference, work plans or other documents defining the scope and outputs of technical assistance activities will be drafted so that the advice and other support provided is consistent with ESSs 1-10”; but (iii) “activities implemented by the Borrower following the completion of the project that are not financed by the Bank, or activities that are not directly related to the technical assistance, are not subject to the World Bank Environmental and Social Policy for Investment Project Financing”. In accordance with these requirements, the Terms of Reference for financing TA activities supported by the Project will be subjected to a rigorous prior review by the Bank and key stakeholders (as part of the Project’s Stakeholder Engagement Plan) to ensure that they pay attention and take measures to avoid or minimize any unintended negative environmental and social downstream impacts. It is worth mentioning that the project would be the second phase of the Energy and Mineral Sectors Strengthening Project (P126537), which was closed in December 2018 with an overall satisfactory safeguard performance rating. In addition, the team and client will consider some type of analytical E&S tool, such as a Strategic Environmental and Social Assessment (SESA), for the TA activities related to strategies and regulatory reform.

D. 2. Borrower’s Institutional Capacity

The proposed Project is the second phase of the Energy and Mineral Sectors Strengthening Project (P126537), which was approved with two phases, in December 20, 2011. The first phase closed December 31, 2018, with overall satisfactory performance rating. The main federal agency involved with the operation – the Ministry of Mining and Energy – has previous experience working with the World Bank’s social and environmental safeguard policies in Technical Assistance operations, such as the Energy and Mineral Sectors Strengthening Project (P126537). This Project encompassed primarily conceptual studies, institutional development and related activities, information systems improvement and investments in research centers, aiming to strengthening the capacity of the Government to drive the sustainable development of the energy and mineral sectors. The investments in research centers were made in the expansion and modernization of the CEPEL’s Laboratory in Adrianopolis, Rio de Janeiro. During the preparation of P126537, the Borrower’s institutional capacity for safeguard issues management was considered adequate, an Environmental and Social Management Framework (ESMF) was prepared, an ESMP was also prepared for the expansion and modernization works of the CEPEL’s Laboratory for which a specific unit (PIU) was created for the



project management under the Executive Secretary of MME and adequately staffed. The ESMF set the guidelines, procedures and criteria for screening activities and for ensuring that they did not cause any negative environmental and social impacts. This ESMF also included a clear mechanism for integration of the social and environmental dimensions into the conceptual studies and analytical works that will provide inputs to policy and regulatory reviews with potential environmental and social implications, requiring both (i) the inclusion of social and environmental assessment sections (with appropriate impact assessment methodologies) and (ii) broad participatory processes with stakeholders. MME’s Environmental Sustainability Study Center (NESA) – which was responsible for articulating and promoting socioenvironmental sustainability in all activities developed by the MME and its subordinated agencies – was chosen for ensuring, monitoring and assessing compliance of project’s activities with social and environmental safeguard policies. In 2016, NESA was replaced in the MME’s organizational structure by AESA – a social and environmental advisory unit directly subordinated to the Ministry’s Executive Secretariat. During implementation, there were no issues of compliance with the triggered policies and safeguards compliance performance was continuously rated satisfactory. As part of preparation of the proposed project, the Bank team will assess the capacity of the Ministry of Mining and Energy for managing social and environmental risks and impacts during preparation of this new TA operation. Pending on the findings of this assessment, AESA may be again assigned to provide all the support and expertise needed to the PIU to ensure that Project activities will be implemented in a way that will allow the achievement of environmental and social outcomes consistent with the World Bank’s Environmental and Social Standards. It shall be highlighted that the TA itself would include as an activity, strengthening the stakeholder engagement strategy of the client and beneficiary agencies, which would ultimately implement any plans arising from this TA.

Public Disclosure

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

A. Environmental and Social Risk Classification (ESRC) Substantial

Environmental Risk Rating Substantial

The proposed Technical Assistance Project will not finance activities such as the preparation of feasibility studies, technical, engineering design studies and bid documents that may result in the construction of physical infrastructure (which may or may not be financed by the Bank). This Technical Assistance will focus on strengthening the capacities of the main institutions, on analytical works and conceptual studies that may provide inputs for regulatory and political improvements of both energy and the mineral sectors.

So, the project is expected to have net positive environmental impacts.

While the energy and mining sectors face significant environmental challenges stemming from the very nature of their actions, the supported activities would take into consideration the potential environmental implications and would adopt the appropriate impact minimization and mitigation strategies.

The institutional capacity strengthening of key government agencies (to oversee energy and mining projects and facilities and to enforce compliance with regulations) have important positive environmental implications as the improvement of planning helping as a tool to avoid and reduce risks and have more effective mitigation actions for direct impacts.

Nevertheless, as some conceptual studies and analytical works can provide inputs for eventual future reviews of policies and regulations in the highly-sensitive energy, gas, oil and mining sectors as well as in the methodology for the tendering of mining areas in the country, they may have adverse downstream implications and be influenced by context-related risks.



Social Risk Rating

Substantial

Given the fact that the proposed Project focuses on technical assistance activities related with institutional strengthening and analytical works that will provide inputs to regulatory and policy adjustments, no direct effects on working and labor conditions, community health and safety, land acquisition, indigenous peoples and cultural heritage are envisaged. Energy tariff reviews could have impacts on low-income family budgets, which so far benefit from subsidized tariffs.

Providing inputs for regulatory and policy adjustments, some advisory works and conceptual studies may lead to downstream implications on areas such as community health and safety, on land and natural resource use, and on indigenous peoples. Overall inputs for improvement in the regulatory and policy frameworks and enhancement of institutional capacity of regulatory agencies shall reduce the adverse risks related with unruly artisanal mining, the safety of tailing dams and other aspects of the energy and mining sectors. The Project would also encompass activities aimed to increase and improve stakeholder engagement in the energy, gas and mining sector, which is of fundamental importance to improve the regulation and development of these sectors. Hence, it could be expected that downstream implications should mostly have a net positive impact for working and labor conditions, community health and safety, and indigenous peoples.

Nevertheless, as some conceptual studies and analytical works can provide inputs for eventual future reviews of policies and regulations in the highly-sensitive energy, gas, oil and mining sectors as well as in the methodology for the tendering of mining areas in the country, they may have adverse downstream implications and be influenced by context-related risks.

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

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

This proposed technical assistance (TA) project would contribute to enhance the planning capacity of federal agencies, improve regulations and technologies, expand institutional competencies, and increase their efficiency in overseeing activities in the energy, mining, oil and gas sectors.

The project would not have adverse direct impacts on society and the environment.

There are some contextual risks that need to be considered as well as adverse downstream implications of some of the TA activities supported by the project in the highly-sensitive energy, gas, oil and mining sectors, which include pressures towards more flexible licensing processes as well as the downgrading, downsizing, and degazettement of protected areas, indigenous lands and traditional community territories. Some adverse downstream implications may also be associated to the eventual review of the main regulations of the mining and energy sectors that may use the inputs from the conceptual works and analytical studies supported by the project and from the review of the methodology for the tendering of mining areas in the country.

Environmental and social concerns must be taken into account to ensure that (i) potentially adverse downstream implications of the inputs provided by the analytical works and conceptual studies supported by this TA operation to future reviews regulatory and policy frameworks are addressed, (ii) measures to avoid, reduce or mitigate adverse impacts are devised and fully embedded in the products of the Technical Assistance activities, and (iii) adverse



downstream impacts do not fall mostly upon the most vulnerable social groups. Triggering divergent views on what is the best way to regulate and develop the sectors involved, stakeholder engagement is of fundamental importance and will be promoted by Component 3 and by the Stakeholder Engagement Plan. In addition, (i) the client's Environment and Social Unit will be engaged in the preparation and review of the Terms of Reference (ToR) and products of these Technical Assistance activities, (ii) these ToR and products will be, as relevant, reviewed by the Bank, and (iii) the team and client will consider some type of analytical E&S tool, such as a strategic environmental and social assessment, for the TA activities related to strategies and regulatory reform.

Taking into account these environmental and social concerns, the overall downstream environmental and social impacts of TA products tend to contribute positively to reduce the adverse impacts of power generation, mining activities (especially those of artisanal and small-scale/artisanal mining) and oil and gas exploration, improving the quality of life and promoting energy efficiency. Given the low enforcement capacity of norms and regulations by regulatory agencies, institutional strengthening activities supported by the Project are expected to expand the positive influence of the Project supported activities on the regulation of the sectors.

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

The use of the Borrower Framework is not been considered in replacement of the mandatory environmental and social requirements of the Bank through investment project financing (IPF)..

ESS10 Stakeholder Engagement and Information Disclosure

Institutional strengthening and capacity building activities will focus on relevant stakeholders, including institutions of the mining sector, electricity sector and gas sector. In addition, one of the activities supported by this Technical Assistance project refers to the mapping, identification and engagement of key stakeholders in the energy and mining sectors (including populations affected by the investments made in these sectors). Therefore, stakeholder engagement is fully embedded as part of the analytical works and conceptual studies to be carried out with the support of this TA operation. A draft Stakeholder Engagement Plan – encompassing a Grievance Redress Mechanism that may use the existing systems within the Ministry of Mining and Energy – will be prepared during project preparation and would guide the activities designed to improve stakeholder engagement in the energy, gas and mining sectors. During Project preparation, the borrower will map and identify the key stakeholders and discuss a draft Stakeholder Engagement Plan with a representative set of them, comprising the relevant federal government institutions (including the regulatory agencies, the environmental agencies and the National Indigenous Foundation – FUNAI), a set of the major representative organizations of workers and private sector entrepreneurs relevant for the energy and mining sectors and nationwide organizations of Indigenous Peoples and potentially affected populations (such as the national Movement of People Affected by Dams). The Stakeholder Engagement Plan will promote open and transparent processes of dialogue with key stakeholders (including representatives of populations affected by energy and mining activities) throughout the project life-cycle in a manner appropriate and proportionate to ensure effective representation of the most disadvantaged and vulnerable affected parties. The Stakeholder Engagement Plan will complement activities envisaged under Component 3, focusing on the engagement of stakeholders in issues related with the management of environmental and social risks. The Stakeholder Engagement Plan will be developed and disclosed prior to appraisal.

Public Disclosure



B.2. Specific Risks and Impacts

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

ESS2 Labor and Working Conditions

ESS 2 is relevant. Project activities will require the hiring of full-time, part-time and temporary consultants, trainers and others (direct workers). The client will develop written Labor Management Procedures in accordance with the National Legislation and the requirements of ESS 2. Some core functions of the project will be executed by government civil servants. Government civil servants will remain subject to the tiers and conditions of their existing public sector employment agreement and ESS 2 will not apply to them, with the exception for the provisions related with the Protection of the Work Force (paragraphs 17 to 20) and Occupational Health and Safety (paragraphs 24 to 30).

ESS3 Resource Efficiency and Pollution Prevention and Management

The adoption of ESS3 concepts and objectives are quite important for the proposed project as part of its overall PDO. The mineral and the energy sectors are large users of natural resources, produce a significant amount of GHG, besides other emissions. The improvement of resources' use efficiency in the referred sectors is key for avoiding and minimizing emissions of short and long-lived climate pollutants, hazardous and non-hazardous waste generation, and impacts on human health. The energy sector operational rules have major implications on the way that water resources are being allocated, efficiency and sustainability of water use. Changing hydrological conditions, increasing demands from an expanding agricultural sector, and institutional constraints resulted in numerous water crisis in Brazil in the last years, demanding a re-evaluation of the existing water allocation models. As demands grow and hydrological conditions become more uncertain, there is a need to reconsider the way in which water allocation decisions are made to meet competing hydropower generation targets; water demands, including domestic, irrigation, and ecological flows; and water quality targets. The proposed studies on climate resilience, including planning studies with water and agriculture/irrigation sector, and the analysis of the impact of water use restrictions in the power sector are key for reviewing the country's energy planning and regulations. The mining sector produces large amounts of hazardous and non-hazardous waste and use significant quantities of water. The adoption of better mineral processing technologies could avoid or minimize the generation of wastes and pollutants, as well as mitigate impacts on human health. Downstream impacts, as a result of the products of this technical assistance project, are expected to contribute to improving efficient consumption of energy and reduce the associate impacts related to mining activities. Institutional strengthening and capacity building activities will focus on relevant stakeholders, specially the regulatory agencies responsible for overseeing the mining sector, electricity sector and gas sector. Overall the project will look at how to mainstream attention to these issues in both sectors; however, the project itself will have no adverse impacts relevant under ESS3. The client's Environment and Social Unit will be engaged in the preparation and review of these Technical Assistance activities to ensure appropriate input of ESS requirements in addition to the prior-review of the Bank specialists assigned to the project implementation support.

ESS4 Community Health and Safety

The Technical Assistance would support analytical works and conceptual studies in two sectors with major implications on community exposure to risks and impacts. Among the themes listed by the Client, safety of dams deserves special attention, because there are 24 thousand dams and 839 tailing dams registered in Brazil. Most of



them (66%) are small dams (volume of reservation smaller than 0.5 hm³) and considered of low risk (77%), but about one fourth of these dams are classified as having a high level of potential harm [National Agency of Water, 2017: Dam Safety Report, available in Portuguese at http://www3.ana.gov.br/portal/ANA/acesso-a-informacao/institucional/publicacoes#seguranca_de_barragens].

It is worth mentioning that there are no specific studies and technical assistance activities to be supported regarding mine tailing dams and that Brazil has a sound dam safety policy. The National Dam Safety Policy – NDSP (Law N° 12.334 of September 20, 2010) determines that the regulating entity, (government authority responsible for the oversight of the safety of the dam within its area of competence), has among its statutory duties, the authority to require the owner of the dam to present studies, plans, drawings, construction, supervision and reports mentioned in the NDSP, to require the owner to comply with the recommendations made in the inspection reports and periodic safety reviews. Additionally, the regulating entity must immediately inform the National Water Agency (ANA) and the National Civil Defense System in the event of any non-compliance which involves an immediate risk to safety, or any accident occurring in dams under its jurisdiction. The regulating entity in charge of tailing dams in the ANM, that has specific provisions for intervening in a dam, aiming to minimize potential risks in the case of omission or lack of action by the dam owner. There is a series of regulations on dam risk classification, (e.g. Resolution 143/2012 setting a system of classification of risks related with dam safety, taking in consideration technical aspects, conservation status, and safety plans), and specific regulations for tailing dams, such as the DNPM (replaced by ANM) Ordinance N° 416/2012, requiring mining dam's cadaster, classification, and safety plans, as well as the DNPM ORDINANCE 526/2013, setting the requirements for the emergency action plans, among other issues. In 2017, the DNPM Ordinance 70,389/17 set more strict requirements for operation and management of tailing dams, including the minimum content, level of detail and the periodical review of the Dam Safety and Emergence Response Plans.

The Technical Assistance will neither support the construction or rehabilitation of dams, nor fund technical studies and works on existing dams. Its activities will include conceptual studies and analytical works that may provide inputs for future review of regulations on safety of tailing dams and mine waste disposal, with significant downstream implication for community health and safety. These activities will also include the institutional strengthening of regulatory agencies. ANM mostly needs institutional strengthening, (staffing, training, equipping), to enhance the existing regulations and enforcement effectively the dam safety requirements and the institutional strengthening activities to be supported by the project are expected to generate important gains to the health and safety of numerous communities surrounding mining operations. Per se, the Project will not have any direct adverse impact on community health and safety and attention to downstream implications are mainstreamed within the Project components themselves.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

None of the activities supported by the proposed Project will require land acquisition or cause the involuntary taking of land, the involuntary physical and/or the economic displacement of people or the restriction of access to natural resources traditionally used by local communities.

Conceptual studies and analytical works are not expected to lead to changes in the regulatory framework ruling over the application of the state's power of eminent domain with regards to land taking.

These studies and analytical works can provide inputs for the eventual revision of key mining regulations and in the methodology for the tendering of mining areas in the country. A potentially minor implication of this downstream



revision of policies and regulations in the mining sector may be establishment of more flexible rules with regards to the licensing and concession of mining fields within Indigenous Lands and traditional communities, which may impose restriction of access to land and natural resources they have traditional or customary tenure or recognizable usage rights.

Fully embedding the principles of ESS 5 within the conceptual studies and analytical works related with these issues would avoid, minimize and/or mitigate this downstream impacts and will be addressed through the requirement that Terms of Reference for such studies be reviewed by the Bank. The client's Environment and Social Unit will be engaged in the preparation and review of these Technical Assistance activities to ensure appropriate input of ESS requirements in addition to the prior-review of the Bank specialists assigned to the project implementation support.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Brazil has threatened, rare and endemic species. More than 103,870 animal species and 43,020 vegetal species are identified in the country. The Brazilian biomes house 20% of the species of the planet and 20% of the flora. Up to 60% of the threatened species are found within protected areas. The Brazilian coast receives several migratory species that could be threatened and at risk of extinction. The Brazilian legislation guarantees the execution of environmental impact studies for all projects with significant impacts on natural and critical habitats, including protected areas and indigenous lands.

Overall, investments in the energy, mining, oil and gas sectors may represent potential risks for these critical and natural habitats and the threatened and rare species. The abovementioned disasters with tailing dams in Mariana and Brumadinho are good examples of this potential risk and its adverse impacts. For six months in the aftermath of the Mariana disaster in consequence of the dissolution of part of the iron ore tailings, the waters of the Doce River lost its levels of transparency to sunlight. Its photic zone was dramatically reduced resulting in massive losses of water biota. In addition, the recent Brumadinho tragedy caused 225 deaths, 133.27 hectares of native Atlantic Forest vegetation and 70.65 hectares of Permanent Preservation Areas (APP) along water courses were devastated according to an analysis carried out by Ibama's National Center for Monitoring and Environmental Information (Cenima). In the energy sector, there is evidence that some projects are associated with some invasive species that threaten biodiversity - such as in the cases of the coral sun (*Tubastraea* spp.) and the golden mussel (*Limnoperna fortunei*).

Overall, Technical Assistance activities supported by the Project would have no concrete footprint and direct adverse impacts on biodiversity conservation and sustainable management of living natural resources. They may have significant downstream implication for biodiversity conservation and sustainable management of living natural resources.

Environmental and social aspects will be fully embedded within TA studies and analytical works and the Bank will review the Terms of Reference for such studies and analytical works to ensure that the risk hierarchy (avoidance, reduction, mitigation and off-setting) will be taken into consideration. In addition, during project preparation, the team and the client will explore opportunities to provide support regulatory, policy, and technical studies/guidance that seek to protect biodiversity and natural habitats in the context of improving and modernizing of the mining and energy sectors. A SESA related to the artisanal and critical minerals strategies could be particularly significant.



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

The proposed Project will not make any investments that directly affect Indigenous Peoples and lands and no direct negative social impacts for IPs are anticipated from its activities. Positive impacts are expected from the institutional strengthening activities supported by the Project, because poor data and weak institutional capacity of the incumbent agencies (ANM, FUNAI and the environmental licensing agencies) to oversee and rule activities in the mining sector (and, particularly, artisanal mining) as well as faulty coordination among them are often pointed out as critical challenges to overcome the risks represented by legal and illegal mining activities within Indigenous Lands. Some context-related aspects suggest the products of this TA may eventually lead to adverse downstream effects on IPs. Analytical works and conceptual studies may provide inputs to future regulatory and policy reviews.

In Brazil, mining cannot occur within Indigenous Lands without (i) previous Congressional approval, (ii) prior, free and informed consent of the affected indigenous communities, and (iii) Indigenous Peoples' participation in benefit sharing (Federal Constitution, Art 231, §3 and §7). The interest of the mining sector in exploring areas within Indigenous Lands in the Brazilian Amazon region is high. A recent report by WWF (based on official data from ANM, ICMBio and FUNAI) shows that in the Brazilian Amazon, there are 4,073 mining claims of rights of mining research and exploitation that partially or completely overlap with 177 Indigenous Lands. There are 89 claims made by enterprises and 49 claims made by individuals over a total area nearly to 2.4 million hectares; in addition, 15 rights of mining research (over an area nearly to 18 thousand hectares and 4 rights of mining exploitation (over an area of 10.3 thousand hectares) have been granted within Indigenous Lands. By law, all requests of mining rights within Indigenous Lands shall be automatically suspended by the registering system of the ANM. Nevertheless, only 76% of them have been actually deferred. This report concludes that, so far, the risk represented by this situation is minor because the requests are still in their early stage and the mining rights have not been granted yet (WWF 2018, *Mineração na Amazônia Legal e Áreas Protegidas: Situação dos direitos minerários e sobreposições*).

The unregulated, uncontrolled and growing illegal artisanal mining activities within Indigenous Lands in the Brazilian Amazon also represent a significant contextual risk. Adverse impacts related with such activities are largely known: pollution of water resources, influx of laborers and followers, spreading of diseases, exacerbation of conflicts, sexual violence, among others. Although there is no reliable official information on these activities, recent data disclosed by RAISG (the Amazon Geo-Referenced Socio-Environmental Information Network at <https://www.amazoniasocioambiental.org/en/>) identify 132 extraction areas exploited by illegal artisanal mining in the Brazilian Amazon (mainly in the Tapajós River region). Governmental control over illegal small-scale artisanal mining is weak. Finally, the Brazilian Congress is reviewing proposals that threaten to revert the Indigenous Peoples rights with regards to mining within Indigenous lands such as PL 1610/1996.

The principles and guidelines of ESS7 will be fully embedded within all TA activities that are relevant for Indigenous Peoples and, in consequence, the client's Environment and Social Unit and FUNAI will be fully involved in the preparation of ToRs of relevant analytical works and conceptual studies and review of their products. ToRs and products will also be prior reviewed by the Bank. Hence, the institutional capacity building activities supported by the Project may contribute to reduce and mitigate contextual risks and ensure that the respect to Indigenous Peoples constitutional rights as well as transparent, inclusive and appropriate processes of free, prior and informed consent continue to be taken into consideration.

During preparation, the team and the client will explore opportunities to include specific activities that would improve coordination on IP issues and FUNAI will be involved on processes of consultation whenever these issues are involved as part of its institutional mission.



ESS8 Cultural Heritage

The requirements of ESS 8 would be considered in all conceptual studies and analytical works that may contribute to eventual future policy and regulatory reviews, potentially leading to downstream implications on cultural heritage. Brazil has a well-developed legislative framework for protection of its cultural, historical and archeological heritage and the Institute of National Historical and Artistic Heritage (IPHAN), directly responsible for this matter, has adequate normative tools to deal with these aspects, under the environmental licensing process. Law 3,924/1961 rules over the property of pre-historical and archeological heritage, its use and exploitation as well as chance find procedures. IPHAN procedures are fully in line with the requirements of ESS 8. IPHAN Instruction 001/2015 establishes administrative procedures to be observed in the licensing processes of which this agency participates. In high risk projects, IPHAN nominates an Archeological Coordinator as responsible for the management of archeological sites and materials throughout project implementation. The implementation of project activities can be suspended if periodical Archeological Supervision Reports are not timely presented. The entrepreneur and archeological coordinator are responsible for the execution of the activities approved by IPHAN also analyzes the plans, programs, projects and measures for environmental control envisaged on the project’s PBA before the issuance of the Installation License, which may include a Program of Management of Cultural Heritage, including measures to ensure the preservation and safeguard of cultural heritage and monitoring and report guidelines among other aspects.

A capacity assessment of the Environment and Social Unit of the Ministry of Mining and Energy will be carried out by the Bank team and a capacity building plan will agreed between the Bank and the client. These activities will include Cultural Heritage issues.

ESS9 Financial Intermediaries

The project does not involve Financial Intermediaries.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

OP 7.60 Projects in Disputed Areas No

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

No financing partners are envisaged for this operation.

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



Actions to be completed prior to Bank Board Approval:

Considering: (i) the Technical Assistance nature of the project and the fact it would not have direct adverse impacts on society and environment; (ii) the sensitivities related with environmental and social risks and impacts associated with the energy and mining sectors; (iii) the robustness of the regulatory framework in Brazil; and (iv) the experience of the project’s implementing agency (Ministry of Mining and Energy) with World Bank loans and World Bank policies. The team recommends the following actions to be completed prior to Bank Board Approval:

- a. A Stakeholder Engagement Plan (including a Grievance Redress Mechanism), which will set the procedures and guidelines for activities aimed at improving stakeholder participation in the energy and mining sectors;
- b. A Stakeholder Consultation with representatives of governmental and regulatory agencies incumbent of the energy and mining sectors as well as environmental and Indigenous Peoples policies (at the federal level), key representatives of the private sector and workers of the relevant sectors, and some of the main civil society organizations active on the environmental and social issues related with these sectors;
- c. An assessment of the institutional capacity of AESA/MME for the screening, classification and management of environmental and social risks;
- d. An assessment of the opportunities to carry out specific studies on environmental and social challenges faced in the energy and mining sectors;
- e. An Environmental and Social Commitment Plan proportionate to the project’s scope and nature.

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

The ESCP should focus on the processes of:

- a. A Scoping Paper or SESA to assess the potential social and environmental downstream impacts of specific TA activities (especially those related with regulations of tailing dams’ safety, artisanal and/or small-scale scraping mining activities) and ensure that adequate considerations will be included in the TORs of all supported activities;
- b. Implementation of activities envisaged under the capacity building activities for strengthening the client’s Environment and Social Unit
- c. Implementation of the Stakeholder Engagement Plan and engagement of key stakeholders in the implementation of TA activities that may bring significant downstream impacts;
- d. Prior review of the Terms of Reference for each TA activity by the client’s Environment and Social Unit and the Bank specialists; and
- e. Prior review of the final products of the TA by the Bank.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

30-Sep-2019

IV. CONTACT POINTS

World Bank

Contact:	Daniele La Porta Arrobas	Title:	Sr Mining Spec.
Telephone No:	5220+31170 /	Email:	dlaporta@worldbank.org



Contact:	Silvia Martinez Romero	Title:	Senior Energy Specialist
Telephone No:	473-0065	Email:	smartinezromero@worldbank.org

Contact:	James Victor Pannett	Title:	Energy Specialist
Telephone No:	473-8775	Email:	jpannett@worldbank.org

Borrower/Client/Recipient

Implementing Agency(ies)

V. 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>

VI. APPROVAL

Task Team Leader(s):	Daniele La Porta Arrobas, Silvia Martinez Romero, James Victor Pannett
Practice Manager (ENR/Social)	Valerie Hickey Recommended on 15-Jul-2019 at 19:21:49 EDT
Safeguards Advisor ESSA	Noreen Beg (SAESSA) Cleared on 22-Jul-2019 at 15:15:17 EDT

Public Disclosure