



Concept Environmental and Social Review Summary

Concept Stage

(ESRS Concept Stage)

Date Prepared/Updated: 01/15/2020 | Report No: ESRSC00843



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Paraguay	LATIN AMERICA AND CARIBBEAN	P171351	
Project Name	Paraguay Sustainable Production and Conservation Landscapes		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Environment, Natural Resources & the Blue Economy	Investment Project Financing	6/15/2020	9/30/2020
Borrower(s)	Implementing Agency(ies)		
Republic of Paraguay	Instituto Nacional Forestal (INFONA)		

Proposed Development Objective(s)

To improve the governance and management of Paraguay’s forestry sector.

Financing (in USD Million)	Amount
Total Project Cost	30.00

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 project seeks to enhance the governance and management of Paraguay’s forestry sector by simultaneously scaling up the existing sustainable forestry approaches in certain districts of Paraguay and strengthening the capacity of the central government to provide an appropriate enabling environment for sustainable forest management, promote “climate smart” forest interventions and address the root causes of illegal deforestation. The project is structured around the following three components:



- Component 1 “Strengthening Forest Sector Governance” will reinforce the capacity of the National Forest Institute (INFONA) to monitor and respond to illegal deforestation, forest fires, and provide basic forestry extension services, while supporting targeted regulatory reforms, sector planning, and incentives to attract greater private sector investment in the forestry sector.
- Component 2 “Pilot Programs and Investments” will support proof-of-concept municipality-level initiatives in reforestation/restoration, watershed protection and sustainable forest management in key productive landscapes in Eastern and Western Paraguay.
- Component 3 “Project Implementation Coordination, Monitoring, and Evaluation” will support the project management functions. The dedicated Project Implementation Unit will also include, among other expertise, key personnel trained to support implementation of the project according to the requirements of the World Bank Environmental and Social Framework.

D. Environmental and Social Overview

D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social] Project location will: (i) be nation-wide for the improvement of the management and governance of Paraguay’s forestry sector - component 1 and some private-sector activities that may be carried out anywhere in the country; and (ii) focus two geographic areas to develop three pilot projects: Chaco and Alto Parana Atlantic Forest. These forest ecosystems are highly threatened by deforestation that has proceeded at an average rate of 200,000 - 300,000 hectares per year over the last decade. While the country has a significant body of law and regulations on environmental impact assessment, forest management, and protected areas, there has been a laissez-faire approach to planning and authorizing of land-use and forest conversion. Land conversion does not follow specific land-use plans although these have been advanced by donors such as USAID and the European Union in the past and the World Bank as far back as the 1990’s. Both the Chaco and BAAPA are considered globally threatened ecosystems due to the high rates of conversion, especially in the case of the Chaco, and because of the low-levels of remaining forest in the Atlantic Forest ecosystem over its entire range. Flora and fauna endemism and diversity is high in both ecosystems with a significant number of threatened species present.

Main entry points to a tailored social assessment of the project’s benefits and social risks and impacts include: systematic exclusion of rural and urban, women, youth and indigenous (considered as the most excluded social group of Paraguay); deep differences between rural and urban people’s access to education, health and other basic service; 6 unemployed or underemployed per each 10 young people; gap in women’s labor force participation.

Related to the forestry sector land tenure and use are the major causes of social tensions in the rural area, and most of land is private-owned. Proportion of national forests that are in privately-owned land or IPs communal land (with legal tenancy or currently under claim) is between 61 - 90 percent. Social assessment of the Project’s ESA will collect specific information on proportion of land tenure per social groups and will assess problems such as land tenure insecurity, illegal logging, land invasions and unresolved land claims and their relevance for access to projects benefits.

According to the last IP census (2012), 145 communities reported problems related to land tenure such as invasion of peasants, misappropriation by public entities or producers, overlapping of titles or lease or lending of land to third parties. These problems focused on targeted areas for the pilot projects, initially in Chaco and BAAPA jointly with other barriers and opportunities for access to projects benefits will be assessed in the ESA.



In the final definition of geographic area and scope of activities, the project will have to consider the great diversity of 117,000 IPs in Paraguay (1,8% of the Paraguayan population) and their specific differences in culture, language, and access to development opportunities. There are a total of 19 IPs belonging to 5 linguistic families. Although the census mentioned the Ayoreo people living in voluntary isolation, did not record them. These IP are different from the forest-dwelling Ayoreo that live in the north of the Chaco. IP tend to have uneven social, economic and productive relations with other stakeholders, like cooperatives, private owners, intermediaries and government agencies. Particular attention will be given in the ESA to the Chaco region since the majority of Paraguay's native population lives in Boqueron, where pilot projects are envisioned. The ESA will also cover labor conditions in the rural area, including informal labor, forced labor and child labor, both in family farms and in private corporations. All these social risks will be duly assessed in the ESA so adequate measures are established.

D. 2. Borrower's Institutional Capacity

INFONA is the main agency of focus for the project. The institution has some 500 employees and is the main forestry agency of the country which is charged with ensuring implementation of the national forestry and watershed protection laws and regulations. It has historically been less well funded as compared to the agricultural and livestock sector agencies of government and also suffered from low budgets (US\$ 7.5 million 2018 budget), institutionalized corruption, little planning capacity, and limited enforcement capacity. These issues are some of the targets of the current project. Its strengths include a national presence in all Departments of the country and a significant number of specialized personnel including forestry technicians and engineers. While environmental management capacity is relatively mainstreamed in the institution, social management capacities, particularly on IP issues, are low, although it does have some outreach and stakeholder engagement capacity as it has carried out many donor executed projects in the past (including through its predecessor the Servicio Forestal Nacional), INFONA seemingly has no experience in working with IP. Capacity will be further assessed during project preparation and capacity building measures, including for working with IP groups, will be developed and implemented. This actions will be included in the Environmental and Social Commitment Plan (ESCP).

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

A. Environmental and Social Risk Classification (ESRC)

Substantial

Environmental Risk Rating

Moderate

The environmental risk is rated Moderate at the Concept stage, nature and scale of negative environmental risks and impacts of proposed project activities are expected to vary from moderate to even low, taken the project design is geared to improve the management, conservation and governance of Paraguay's forests through its main institution, the INFONA. Both the Chaco and Atlantic Forests will be focused as subject to improve sustainability and avoid the current trend of prevailing environmental risks and degradation.

The project is intended to increase both the capacity of the Paraguayan Government to monitor and respond to illegal deforestation and logging in the area under SFM through pilot sub-projects. Activities will vary from actions to strengthen INFONA in its capacity to provide legal, technical, planning and fiduciary support for forest conservation and sustainable use, promote SFM practices with the advantages of opportunities emerging in the country (credits, PES, etc.), to mainstream forest conservation and sustainable use in a landscape approach involving the local governmental units (districts/municipalities).



Focus will also be placed on reducing deforestation, modernizing the governance of forest use and implementing pilots which will show sustainable use of forests and forest resources, improving the conservation of native forests, creating and re-creating connectivity lost and inserting the tree component in productive plots. All these actions will favor a better management of remaining forests and improving the competitiveness of the forest sector benefiting local people and government with a strengthened national forest authority.

Despite these environmentally positive design objectives at this concept stage, moderate risks include (i) an overall limited consideration and capacity for focus environmental sustainability in general for planning and practice in the agriculture sector in Paraguay over the past decades as demonstrated by the reduction of forest cover; (ii) the need for longer-term work with forest policies especially in relation to land use changes and the stated government policies for promotion of increased livestock and crop production in the years to come; (iii) the weakness of INFONA to tackle challenges it faces for forest conservation and forests in general into the development plans of the country to achieve behavioral changes in terms of environmental management and the maintenance of the forest resources; and (iii) an overall low capacity in Paraguay, including pending capacity assessment on environmental management within INFONA and the governance related to the National Environmental System.

Social Risk Rating

Substantial

Social Risk is rated substantial at the Concept stage based on: (i) project activities under component 1 that aim to improve the management and governance of the complex Paraguay’s forestry sector (considering its image of institutionalized corruption, lack of political and budgetary support, and poor enforcement and prosecution of forest laws), if not adequately designed though engaging key stakeholders from the beginning, may not gain adherence and may amplify latent underlying tensions in the sector. A strong stakeholder engagement process will be necessary to harmonize the interests at stake; (ii) since the proposed pilot projects under component 2 are small scale to medium-scale productive forestry-based activities aimed at enhancing benefits for IPs and other groups as small holders, there might be barriers to IP access to project’s opportunities of benefits because of their status of poverty and vulnerability in the country and the poor way of working with cultural appropriate processes by the Government sectors of Paraguay; (iii) possibility of elite capture of planned pilot projects, although foreseen as small-scale, benefits by a few individuals of particular social groups with more influence and management capacity in detriment to the larger population, i.e Mennonites versus non - Mennonites and IPs in Boquerón, Chaco region. Specific mechanisms/criteria of social inclusion will need to be established; (iv) INFONA has low institutional capacity to work on social issues (they don’t have a specialized team with resources to work), including no experience in working with IPs. The Project will support INFONA to develop a specialized team with territorial presence, strong technical skills and the ability to work with different ethnic groups and their social contexts in Chaco and the Eastern Region.

All these social risks will be duly assessed in the ESA of the project so adequate mitigation measures and measures to avoid, mitigate or compensate them are established.

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:

Public Disclosure



The project will support small, medium and commercial scale activities in the forestry sector including plantation forestry (potentially with exotic as well as native species) through its pilot activities. Small and medium-scale forestry supported will focus primarily on restoration of watersheds, fuelwood production, and sustainable use of forest resources focused primarily on native species, including non-timber forest products. Commercial-scale forestry will be supported indirectly through support to the credit enhancement in the existing financial intermediary sector potentially in partnership with IFC. Potential environmental risks and impacts are considered to be moderate to low given the activities will tend to be relatively smaller-scale given the limited project resources to engage in large-scale forestry and broad geographic coverage of the pilots interspersed in the landscape. Issues to be considered include health and safety of project workers and community, appropriate pest management in plantations and nurseries, protection of watersheds and water sources through adequate planning and use of appropriate species, attention to potential invasiveness of any exotic species supported. Social risks to be considered and managed for pilot projects include ensuring accrual of positive impacts products (generation of new income streams for small producers and indigenous communities; enhanced sustainability of agricultural value chains, opening access to higher-value markets and resulting in income gains; reducing illegality and informality in forest use, contributing to tax collection; and generating income for local communities) and eliminating/minimizing potential negative impacts (indirect and direct) to small-holders, communities, IPs, and other stakeholders from investments with appropriate incentive and mitigation measures. Risks to be considered in the ESA and ESMF include potential for exacerbating land-tenure conflicts, conflict from increased enforcement, elite-capture or inequitable distribution of project benefits, prejudice or discrimination towards individuals or groups in providing access to development resources and project benefits, particularly in the case of those who may be disadvantaged or vulnerable, potential project impacts on local land use patterns and tenurial arrangements, land access and availability, food security and land values, and any corresponding risks related to conflict or contestation over land and natural resources, among other issues. Also, as project preparation advances, it will incorporate proper considerations on adaptation, mitigation and carbon emission aspects, as well evaluation of gender perspective within the proposed activities and goals.

The institution support (Component 1) will have few direct impacts primarily from small-scale repairs to existing or limited new infrastructure for INFONA. Firefighting support will include appropriate training and equipment based on best practices and WBG EH&S guidelines. Technical assistance (TA) activities will be consistent with World Bank guidance ensuring attention to the ESF provisions in development of different TA activities such as forestry extension and training support, legal and regulatory reform activities, and planning.

INFONA will prepare an Environmental and Social Management Framework (ESMF) that will include an overall ESA based on the types of interventions expected and general environmental and social context of the pilot project areas and an issues-scoping analysis of potential risks associated with the TA activities such as forestry regulatory reform and sector planning. The ESMF will build on the E&S aspects and procedures developed for recent projects such as Proders and Paraguay Biodiversity both of which left lessons learned and improvements in that will be updated in light of the Bank's ESSs. E&S risks and impacts will be assessed at framework level to identify measures to manage them in line with the mitigation hierarchy. Given the nature of pilots/demonstration sub-projects, the ESMF will establish the entry points of E&S considerations throughout the pilots or subprojects cycle, where these aspects will be analyzed in an integrated way as required. The site-specific instruments to be developed during preparation and appropriate ESMP's or other necessary plans will be an integral part of any activities funded including grants to third parties. Consultative processes will also be ensured in the ESMF as documented also in ESS10 requirements and other standards including ESS7 for any FPIC considerations with IPs.



The potential involvement of FI's in the pilot focused on advancing commercial forestry would require a stand-alone set of procedures consistent with the requirements of ESS9 as part of an ESMS. All commercial forestry activities would be expected to follow the provisions of the ESF based on the nature, scale, and risk of the activities to be supported including any provisions of ESS6 regarding commercial plantation forestry such as certification if required.

The scale and type of the subprojects under sub-component 1.4 and component 2 will be subject to consideration as the project preparation proceeds, paying special attention to risks and impacts (ESS1) on the menu of activities proposed, working and health-safety conditions of beneficiaries and their workers at the farm level (ESS2 &4), resource efficiency and pollution prevention and management in production (ESS3), biodiversity and natural resources (ESS6), land and resettlement as well as IP (ESS5 & 7), cultural heritage (ESS8) with special considerations with general aspects of financial intermediaries if they exist (ESS9) and the pertinent stakeholder involvement, participation and information disclosure (ESS10). Also, it will be incorporated a clause on the ineligibility of sub-projects that trigger the International Waterways Policy (OP 7.50); the potential use of new water sources will be determined during preparation.

The ESA will also develop a stakeholder analysis to be considered in the Stakeholder Engagement Plan (SEP) this involving not only the central/local governments and direct beneficiaries which are known to be crucial for project implementation but also those which could be providing additional support such as IPTA (the national agricultural technology investigation agency), CONACYT, and NGOs and productive sector cooperatives among others. Academia also may play an important role in supporting INFONA in this implementation through applied research.

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

The use of the Borrower's E&S Framework is not considered for this project. As compared to the ESSs, the Borrower Framework presents clear gaps in enforcement capacity and scope of coverage and procedures. These gaps will be addressed in the ESMF, the Labor Management Procedures (LMP – described in ESS2 paragraph), a Resettlement Framework and/or Process Framework (RF/PF – described in the ESS5 paragraph) and an Indigenous Peoples Plan or Indigenous Peoples Planning Framework (IPP/IPPF – described in ESS7 paragraph).

ESS10 Stakeholder Engagement and Information Disclosure

The project design with a detailed Stakeholder Engagement Plan (SEP) and GRM will be disclosed and consulted with key stakeholders from the project preparation throughout implementation. These instruments will have tailored components for IPs that will aim to design culturally appropriate processes that are respectful to their traditional mechanisms. Consultation activities during preparation will be held with project affected and interested parties at least in the three locations chosen for pilot projects and at the national level. Stakeholders will include, among others, the Ministry of Agriculture; commercial and industrial timber chambers, representatives from departments and municipalities); Rural Association of Paraguay; MADES (Ministry of Environment and Sustainable Development), SENAVE (National Service of Quality and Plant and Seed Health); DEAG (Directorate of Agrarian Extension); SENACSA (National Service for Animal Health and Quality); INDERT (National Institute for Rural and Land Development); IPTA (Paraguayan Institute of Agricultural Technology); INDI (Indigenous National Institute), indigenous and small-producers organizations, cooperatives, universities, environmental and social NGOs, Hydroelectric Binational Entities (which invest in protected areas and landscape restoration in the Eastern Region of Paraguay), and media. The Projects GRM will include clear procedures for managing claims and its design will be guided by principles such as: (a)



availability for beneficiaries and stakeholders respecting their sociocultural characteristics and needs; (b) known procedures and timeline for analyzing and resolving claims; and (c) affordability for the GRM users. The GRM will be supported by ICT as appropriate. Related to IPs, the GRM will be tailored and include measures respectful to their culture, such as the use of indigenous languages and adoption of their own conflict resolution mechanisms, among others.

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

INFONA will develop Labor Management Procedures (LMP) applicable to the project based on ToRs in accordance with the requirements of ESS2 especially for activities to be held in sub-component 1.4 and component 2. Procedures will consider according to circumstances, five different groups: i) direct workers; ii) contracted workers; iii) primary supply workers; iv) community workers under pilot projects in general; and v) community IP workers under financed pilot projects in particular. Within the project and specifically with some pilots/demonstration, there are risks related to informal labor, forced labor and child labor, particularly in family farms and brick factories. A study of UNICEF from 2016 reveals that a large percentage of children in Paraguay need to work daily to survive and help their families – and many of them are even exposed to dangerous working conditions. The study highlights that the most affected areas are rural, where 39.6 percent of children are involved in child labor. Underage males are those who work most (32.8 percent), while only 19.7 percent of girls and adolescents need to work. Regarding financing subprojects with IP participation in Chaco, there is a concern related to forced labor. Since 2010, the Ministry of Justice and Labor, trade unions and indigenous organizations have been working with the objective of combating forced labor among IPs in the Paraguayan Chaco. However, fear of retaliation and lack of knowledge about their labor rights continue preventing most indigenous workers from asserting their rights. Therefore, the ESA will pay attention to risks of child and forced labor to include preparation of the necessary mechanisms in the LPM and the ESCP to prevent, monitor and remedy them under financed subprojects, while building capacity in INFONA to address this issue including appropriate strengthening with personnel specialized in social and labor issues. Also, apart from mechanisms in the LMP to prevent child labor, clear criteria to avoid child labor may be built into the eligibility criteria of subprojects/pilots. The ESA will also analyze whether children’s involvement in family farms and other forms of activities to support a family livelihood constitute child labor under Paraguayan legislation. The LMP will include measures to: i) provide workers information of their rights, ii) avoid discrimination and grant equal opportunities, iii) prevent and address harassment, intimidation and/or exploitation, iv) ensure occupational health and safety (including those for fire response teams). A GRM will be provided for direct workers and contracted workers to raise their concerns, while community workers and community IP workers will submit claims to the general project GRM and its adapted version for IPs.

ESS3 Resource Efficiency and Pollution Prevention and Management

Project investment activities are not expected to be significant sources of pollution, emissions (including GHG’s) or users of resources. The types of activities expected are likely to increase carbon storage, protect watersheds and retention of surface and groundwater, and increase biomass for energy use. The project will require close attention to sustainable and efficient use of resources and preservation of ecosystem services required for sustainable forest



production. Access to water and the relation of water either superficial or underground vs plantations will need careful assessment in both regions. Yet no subproject is expected to imply high water demand, development of detailed water balances might result useful and screened in advance. In every case, opportunities for improvement in water use efficiency will be identified and implemented, and specific water use, measured by volume of water used per unit production, will be assessed.

Regarding pollution, the project design is geared to reduce discharge to surface water through runoff of pesticides, fertilizers and manure, or leaching of nitrogen into groundwater. The project is not expected to imply major potential for air pollution, disturbance by noise or other forms of pollution. Organic waste from forest activities will be managed as a productive asset and other waste management implemented based on the 4Rs principle on reduction, reuse, recycling and recovery. Regarding hazardous materials and minimization of adverse impacts on human health and environment, focus is expected to be in integrated pest management (IPM) as the project may allow procurement and use of low toxicity pesticides. The ESMF will define institutional responsibilities and guide IPM and preparation of management plans at subproject level as needed, including sufficient budget for equipment and capacity-building. As part of a climate-smart agriculture/forestry approach, minimizing GHG emissions will be considered at value chain/subproject level.

ESS4 Community Health and Safety

Project actions will be designed and are expected to decrease community exposure to risks and impacts given their climate-smart nature, including measures to increase adaptive capacity to increasing climate variability and change. The ESA will include identification of necessary measures to improve community health and safety in financed subprojects and define mechanisms to monitor their implementation when applicable. Due consideration will be given to promotion of and training on IPM to secure prevention of negative health impacts amongst producers, their families and the adjacent communities. Regarding food security, implementation of subcomponent 1.4, and particularly actions to support commercial-scale productive activities in component 2 pilots will take into account experiences and mandated by the Standard in terms of infrastructure and equipment, safety in services, traffic and road safety, ecosystem services and community exposure. No hazardous materials are expected to be released by the project.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

As infrastructure works foreseen under subcomponent 1.2 will be limited and within INFONAs properties the project is not expected to involve land-acquisition or resettlement. Actions under component 2 to Provide small proof-of-concept sustainable forest management and forest ecosystem restoration may result in small scale land use restrictions and economic displacement at a localized level. If ESA confirms this potential impact and during project preparation the eligibility of this activities is confirmed, a Resettlement Framework (RF) will be prepared to minimize and compensate negative impacts based on ToRs acceptable to the Bank and disclosed prior to project appraisal. Activities in land with tenure in conflict, activities resulting in adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation by IPs, or that require relocation of IPs, will be excluded from financing. If confirmed, these exclusion criteria will be included in the ESMF. The ESA, developed under ESS1, will include an analysis of above land situations and relevance for project activities, including risks and impacts of communal land use for both non-indigenous as well indigenous lands. If ESA and project preparation



defines eligibility for financing of activities resulting in restriction of access to legally established parks or protected areas a Process Framework (PF) will be prepared based on ToRs acceptable to the Bank and disclosed prior to project appraisal. Specific sub-project activities would be identified and prepared during Project implementation; should any of them present any impact covered by ESS5, Resettlement Action Plans (RAPs) and/or Action Plans will be prepared in accordance with the RF and/or PF.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

Main concerns under ESS6 are sustainable management of living natural resources especially arboreal elements, species and populations, forest communities and ecosystems as well as non-timber forest products and the services provided by forests, the role of forests and their core ecological functions and services of modified habitats, i.e. areas managed for agriculture and sustainable management of primary production. The ESA will determine the need to apply ESS6 in project areas that include significant biodiversity value, being protected areas and their buffer zones, or areas of biodiversity importance (declared or not, such as IBAs/IPAs/AZE/KBAs) or any natural habitat to be considered in the Chaco and Atlantic Forests and their ecosystems (e.g. natural grasslands and wetlands). Potential cumulative impacts of investments in conjunction with other projects will be considered to ensure that the landscape impacts will not exacerbate fragmentation of critical corridors, nor encroach on buffer-zones and core areas of protected habitats, private reserves, and undeclared areas of importance for biodiversity. The ESMF will include a robust screening system to gain a clear understanding of the geographic location of the activities and potential areas of concern related to critical habitats, and considering the existing or planned biological corridors. Subprojects with significant risks and/or adverse impacts on biodiversity and those that would need clearing of any type of forested land will be excluded of financing. At the same time, this project is expected to advance towards the consolidation of existing corridors and maintain and/or recreate connectivity lost, for example in the Atlantic Forest's Naranjal or Central Chaco Pilotos.

It is possible that some of the subprojects particularly related with IPs could be located near natural habitats or legally protected and/or internationally recognized areas of high biodiversity value, even critical habitats. Such cases will need to be identified and assessed by qualified experts prior to any decision on project investments. Any subproject that might impact those areas will need to be managed in compliance with the respective management plan. No isolated IPs are known in the Pilot Projects areas (the Ayoreo Totobiegosode community, for example, is in a different department of Chaco region). The ESA will include risk analysis on existing drought-tolerant and disease-resistant plant varieties that subcomponent 2b would most probably promote and existing information will be applied. A further aspect to be consulted with relevant stakeholders and considered in the ESA is potential use of alien species, attending respective ESS6 requirements and excluding use of any invasive alien species. Projects supported will follow all provisions on invasive species (potentially from plantation activities) and Sustainable Management of Living Natural Resources including any requirements for certification of forestry activities or appropriate measures for small-scale/community forestry.

Governance activities and investments related to component 1 seek to improve the protection, maintenance, and sustainable use of living natural resources including biodiversity and critical natural habitats. Terms of Reference for all TA or institutional strengthening activities will be reviewed by the World Bank to ensure that there are no implications or support for conversion of natural, critical, or modified habitats that are inconsistent with ESS6 provisions. These criteria will be included in the ESMF.



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

The Project will have a national coverage in its sub-components 1.1 and 1.3. Following this, the ESA under the ESS1 will assess impacts in all Indigenous Peoples (IP) at the national level. There are 115,944 IPs (1,8% of total population) belonging to 19 IP from five linguistic families, 91% of them living in rural areas of 14 out of 18 national departments. Also, IP are present in two of the three pilot projects areas chosen under sub-components 2.1 (Colonia Neuland) and 2.2 (Naranjal) and the Project intends to include them in the SFM schemes. INFONA will prepare Indigenous Peoples Plans (IPP) for these pilot projects in case they are well developed before appraisal otherwise it will prepare an Indigenous Peoples Planning Framework (IPPF), both based on ToRs satisfactory to the Bank. A draft IPP/IPPF will be disclosed and its consultation process will begin before Project appraisal. INFONA, as part of the project's SEP and IPP/IPPF elaboration, will foresee the adequate and opportune means by which IPs organizations jointly with the INDI can participate of the Project's design and benefits. The IPP/IPPF will also consider lessons learned from the PRODERS Indigenous Strategy. This includes institutional strengthening of INFONA, incorporating specialized staff to work with different cultures, respecting different development and decision processes of IP. No isolated IPs are known in the Pilot Projects areas (the Ayoreo Totobiegosode community, for example, is in a different department of Chaco region). It is not expected that the Project would pose circumstances for adversely impacting indigenous cultural heritage, lands or natural resources use, but it is probable that INFONA would need to obtain Free, Prior and Informed Consent (FPIC) for activities to be developed in IPs lands according to the new national protocol on FPIC. ESA will confirm this premise, and if so, the FPIC implementation will be implemented considering the new national protocol and ESS7. Furthermore, there will be a tailored GRM for IPs including measures respectful to their culture, such as the use of indigenous languages and adoption of their own conflict resolution mechanisms, among others.

ESS8 Cultural Heritage

No direct, indirect or cumulative impact on cultural heritage under the project has been identified so far, since the projected activities are not expected to imply material impacts or cause commercial use of tangible or intangible cultural heritage although some pilot projects could imply considering sacred forests or groves as well as non-timber forest products that may imply community knowledge or cultural heritage (including traditional designs, uses, or technology). Related consultation on project activities will be carried out during the ESA to listen to specialists and communities in the matter. Management of cultural heritage at the national level is responsibility of the National Secretariat of Culture that was created as an area specialized in planning, administration and evaluation of plans, programs and projects aimed at further developing national arts and culture. Subprojects will be evaluated in terms of their potential impact on cultural heritage and managed accordingly, with specific measures and in consultation with the National Secretariat of Culture when necessary. The ESA will assess whether the sub-projects or pilots in SFM pursued under sub-component 1.4 and component 2 may impact intangible cultural heritage of IPs considering their traditional agricultural practices. If ESA results indicate that there are potential impacts on this matter, a proper consultation will be designed and performed to reach FPIC following a process detailed in the IPPF.

ESS9 Financial Intermediaries

The relevance of this ESS is to be determined by appraisal. Sub-component 1.4. "Smart Incentives for Sustainable Forest Management and Timber Production" may use risk guarantees to enhance credits lines of local financial



intermediaries (FI). If this action is defined, also establishing the type of Bank support (i.e. whether Bank support would be provided to the FI to fund clearly defined FI subprojects), the ESA will assess the FIs ES policies and its capacities. FIs will be required to enhance or develop an Environmental and Social Management System (ESMS) according to this ESS and maintain it through the Project. The scope of application of the ESMS will be appropriate to the type of Bank support.

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways No

The project will not carry out any investment linked to international waterways as defined in the Policy.

OP 7.60 Projects in Disputed Areas No

The project will not be implemented in areas known to involve disputed areas.

III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

A. Is a common approach being considered? No

Financing Partners

None so far.

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

Actions to be completed prior to Bank Board Approval:

Preparation and consultation of the following ESF instruments are expected prior to project Appraisal:

Stakeholder Engagement Plan (SEP)

Environmental and Social Assessment and Environmental and Social Management Framework (ESA and ESMF)

Indigenous Peoples Plan / Indigenous Peoples Planning Framework (IPP/IPPF)

Process Framework and/or Resettlement Framework (PF/RF)

Labor Management Procedures (LMP)

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

Based on the ESA, the Environmental and Social Commitment Plan (ESCP) will include measures to address all the identified risks and impacts not covered during project preparation and capacity building activities in environmental and social management in INFONA. As this is a Substantial Risk project and the Borrower has limited capacity, the Borrower will retain independent specialists to carry out ESAs.

Preparation and consultation of at least the following ESF instruments will be included in the ESCP:

Subproject-specific ESAs and Environmental and Social Management Plans (ESMP) proportionate to the level of ES risks and impacts.

RAPs and/or Action Plans (for access restrictions) if any sub-projects / site-specific investments, which will be identified and prepared during implementation, have any impacts covered by ESS5, according to, respectively, the RF and/or PF of the Project.

Public Disclosure



Indigenous Peoples Plans (IPP)

Requirements related to review of participating FI ESMS and consequent environmental and social due-diligence requirements for their clients involved in project-supported activities.

C. Timing

Tentative target date for preparing the Appraisal Stage ESRS

31-Oct-2019

IV. CONTACT POINTS

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Borrower/Client/Recipient

Borrower: Republic of Paraguay

Implementing Agency(ies)

Implementing Agency: Instituto Nacional Forestal (INFONA)

V. FOR MORE INFORMATION CONTACT

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VI. APPROVAL

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Public Disclosure



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