EXECUTIVE SUMMARY
ENVIRONMENTAL ASSESSMENT REPORT

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[Pick the date]
INTRODUCTION and PROJECT SUMMARY

1. This is a summary of the revised version of the Environmental Assessment (EA) and the stand-alone frameworks to deal with Indigenous Peoples and Involuntary Resettlement issues of the Acre Social and Economic Inclusion Project (PROACRE), which was adjusted to reflect lessons learned from implementation of the parent project and to address new activities under the Additional Financing operation. This report identifies the Project potential impacts and respective mitigation measures, in compliance with the World Bank Safeguard Policy OP/BP 4.01.

2. The revised EA is based on (1) an updated analysis of the regulatory and institutional framework for natural resource management and sanitation infrastructure in the State of Acre; (2) the revised scope of the Additional Financing operation; (3) inputs from government representatives and local technicians; and (4) public consultations on the revised report held in the four isolated municipalities (Marechal Thaumaturgo, Jordão, Porto Walter, and Santa Rosa do Purus) which are the focus areas for the new project activities in environmental sanitation. Public consultations had the participation of local stakeholders including NGOs, community associations, indigenous groups, environmental specialists, and governmental organizations. The draft EA report was made available to participants prior to the consultation events. The final version of the revised report is available on the internet at www.ac.gov.br and is composed of 8 sections and 7 annexes: (1) Project description; (2) World Bank safeguards triggered by the Project; (3) Consultation process; (4) Legal framework; (5) State’s institutional capacity and structure for environmental management; (6) Environmental Management Plan; (7) Conditions for EMP implementation; (8) Costs of EMP implementation; and the annexes (i) Forest Management in the State of Acre; (ii) Integrated Pest Management Plan; (iii) Main Social Issues; (iv) Indigenous Peoples Framework; (v) Involuntary Resettlement Framework; (vi) Environmental and Social Manual for Civil Works; and (vii) Social Intervention Plan.

3. The parent project is a 6-year operation with closing date of March 31, 2015 and the objective of promoting the state’s sustainable development with social inclusion. The Additional Financing will extend this operation until March 31, 2018. The specific objectives of the PROACRE Project were selected based on the studies and recommendations of the Acre Ecological-Economic Zoning (2006), aiming at improving the quality of life and the ecological and economic sustainability of the Acre population. Priority is given to communities located in areas where basic services are needed with greater urgency and where adjustments are needed to ensure

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1 This is an executive summary of the Environmental Assessment (EA) Report, the Indigenous Peoples Policy Framework and the Resettlement Policy Framework, which have been prepared in Portuguese.

2 Consultations were also carried out in Cruzeiro do Sul, which was originally considered as part of the target area for the Additional Financing operation. As additional funding was obtained by the government from other sources for achieving the same objectives in Cruzeiro do Sul, this municipality was removed from the project.
the sustainability of development, particularly in sustainable use protected areas, indigenous lands and settlement projects of the Agrarian Reform.

4. The Acre state still maintains 88% of its original forest cover and 45.6% of its territory is under some type of protection – environmental protection areas (extractive reserves and strict protection protected areas) and indigenous lands. Urban areas cover only 1% of the state, while the rural population is dispersed alongside the state’s rivers. Coherent with the state’s option to adopt a participatory development model that seeks to harmonize the economic use of forest resources with the valuation of the state’s environmental, social and cultural heritage, the parent Project activities, to be continued under the Additional Financing, focus mainly in health, education, and sustainable production investments. The development objective (PDO) of the project’s Additional Financing was slightly revised from its parent operation (PROACRE) to explicitly include additional objectives related to water and sanitation as follows: to assist GoAc in its efforts to improve outcomes in economic inclusion, in primary health care, basic education, and in water and sanitation for target populations in urban and rural areas.

5. The Additional Financing loan is expected to be implemented within a 3-year period, with a closing date of March 30, 2018. This Additional Financing maintains the five components from the original operation, with the following it adjustments:

6. **Component 1: Basic Services for Isolated Rural Communities** (US$85.2 million IBRD): This component will continue to support the provision of basic services in primary health care, basic education and agricultural extension services, including technical and financial assistance, to Acre’s dispersed and most isolated rural communities, as defined in the original three subcomponents. A fourth subcomponent has been added for development of integrated environmental sanitation systems and basic infrastructure in four of the isolated municipalities (Marechal Thaumaturgo, Jordão, Porto Walter, and Santa Rosa do Purus), particularly through water treatment and distribution, waste water collection and treatment, paving and drainage of all season urban roads, garbage collection and adequate disposal, and improving landing sites for better access to river transport in order to ensure public health and improved quality of life for isolated populations.

7. **Component 2: Social and Economic Inclusion in Rural Communities** (US$33.1 million IBRD). The structure of this component will remain the same, and will continue: (i) improving the quality and governance of education and health services in 100 COPs (Pole Communities); and (ii) improving income levels of the population living in these communities by supporting selected production chains.

8. **Component 3: “Social and Economic Inclusion in Marginal Urban Communities”**. (US$13.4 million IBRD). The objective of this component is to promote social and economic inclusion of urban communities in areas of high socioeconomic and environmental vulnerability. This component will include activities to foster entrepreneurship and promote economic empowerment through the promotion of small businesses, and the expansion of vocational training for professionals and community members in all 22 municipalities. The following subcomponents are proposed: (i) Education activities for social inclusion of the most disadvantaged groups living in urban ZAPs; (ii) Health Activities for Social Inclusion; and (iii) Development of entrepreneurship and small business enterprises in Urban ZAP Communities.
9. **Component 4: Public Policy and Institutional Strengthening** (US$12.3 million IBRD). This component will continue to modernize Acre’s State agencies and to support the decentralization of primary services in health and education, which is a constitutional responsibility of the municipalities. The component will maintain the same subcomponents: (i) Public Sector Management Interventions in education, health, WSS and public administration; and (ii) Institutional Strengthening of Indigenous Organizations.

10. **Component 5: Project Management and Information Dissemination** (US$6.0 million IBRD). This component will continue to support overall project coordination and supervision and the strengthening of the effectiveness and quality of all project operations.

**OVERALL ENVIRONMENTAL AND SOCIAL IMPACTS**

11. Project results to-date include the distribution of 6,599 water filters to isolated communities; 654 producers benefitted with support to the commercialization of products from sustainable production; preparation and initial implementation of 16 Management Plans for Indigenous Lands; preparation of 100 Community Development Plans (86 of which under implementation); training completed for 42 Community Development Agents and under way for other 58 agents; among other results in improved access to education and health services. No significant negative impact was yet detected as a result from project actions.

12. As in the parent project, the area for the proposed Additional Financing will encompass the entire state of Acre (Amazon Region) for the education, health and sustainable development activities. The new environmental sanitation activities under Component 1 will focus on four isolated municipalities (Marechal Thaumaturgo, Jordão, Porto Walter, and Santa Rosa do Purus).

13. The EA analyzed the potential environmental and social impacts (both positive and adverse) of the continued (from the parent operation) and new interventions to be supported by the Additional Financing. In general, supported activities are expected to continue to present an overall positive environmental and social outcome through the improvement of community capacity for forest NRM and the adoption of preventive planning and monitoring of NRM investments (small-scale timber and non-timber community-led economic activities in existing extractive reserves), carried out jointly by state agencies (SEAPROF, SEDENS, SEMA)³ and communities. Furthermore, the AF should reduce impacts from human waste through the construction of wastewater systems and solid waste treatment facilities, and reduce erosion impacts with the paving and drainage of urban streets and the upgrading or construction of adequate access to river transport. Possible negative impacts from these investments are expected to be small, localized and reversible through close monitoring and on-time adjustments.

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14. The environmental sanitation activities will encompass water treatment and distribution systems, sewage collection and treatment systems, urban paving (with clay bricks) and drainage, solid waste management (which includes the construction of sanitary landfills), and improving access to river transportation through the construction of adequate docking and access ramps. Such actions should be urban in scope and will improve human health and quality of life and reduce pollution and contamination of soils and water, as well as reduce erosion of unpaved roads and unprotected river margins with positive effects on the siltation of water bodies surrounding or bordering target communities. Sanitary landfills will be constructed according to the national environmental and recent (2012) solid waste legislation to serve small communities in the four isolated municipalities (less than 4,000 people), applying existing technology to prevent or reduce impacts from waste decomposition.

15. Section 6 of the EA presents a complete Environmental Management Plan for the project, which is summarized below with the combined types of possible adverse impacts and the mitigation measures foreseen by the project (please see section below on implementation arrangements):

<table>
<thead>
<tr>
<th>Type of activity</th>
<th>Main possible adverse impacts</th>
<th>Main mitigation measures</th>
<th>Institution responsible for implementing mitigation measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical care provided at hospitals and health care centers</td>
<td>Medical waste</td>
<td>Training of health agents; acquisition of equipment; definition of procedures; periodic monitoring.</td>
<td>SESACRE</td>
</tr>
<tr>
<td>Agricultural production</td>
<td>Deforestation; water and soil contamination by chemicals; GMOs; erosion.</td>
<td>Technical assistance; training for communities; periodic monitoring.</td>
<td>SEAPROF SEMA (coordinator)</td>
</tr>
<tr>
<td>Forest management – timber products</td>
<td>Deforestation; forest fires with biodiversity loss and human health impacts; forest fragmentation; erosion; adverse effects on fauna and flora; poor environmental monitoring.</td>
<td>Technical assistance; adequate monitoring of approved management plans.</td>
<td>SEDENS SEMA (coordinator)</td>
</tr>
<tr>
<td>Forest management – non-timber products</td>
<td>Predatory exploitation; forest fires with biodiversity loss and human health impacts; waste from product processing; poor environmental control and monitoring.</td>
<td>Technical assistance; training; adequate monitoring of management plans.</td>
<td>SEDENS SEAPROF SEMA (coordinator) IDM</td>
</tr>
<tr>
<td>Support to the development of productive activities under Community Development Plans and access to micro-credit</td>
<td>Unsustainable activities; inadequate management plan; deforestation; poor environmental control and monitoring.</td>
<td>Technical assistance; training for communities; adequate monitoring of management plans.</td>
<td>SEAPROF SEMA (coordinator) SEDENS IDM</td>
</tr>
<tr>
<td>Integrated environmental sanitation</td>
<td>Vegetation removal; deforestation and tree removal; dust, noise and waste generation; traffic disruption/alteration; involuntary resettlement; alteration of local landscape; interference with nearby surface waters; underground water contamination.</td>
<td>Development of projects that aim at protecting the physical integrity of intervention areas and the environmental quality of areas of direct influence, such as: landscape restoration; compensation of vegetation cover; fauna protection; environmental and water monitoring and control in water intake areas. Development of information and outreach campaigns for target communities before, during and after the intervention. A social and environmental assessment will also be carried out for each infrastructure intervention in parallel to the development of the technical engineering design for timely identification of specific possible impacts and the prevention and mitigation measures, and to adjust the technical design as necessary. A Resettlement Policy Framework was developed preventively, although no resettlement impact is expected.</td>
<td>DEPASA (coordinator) SEOP SEMA</td>
</tr>
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</table>

16. The EA includes various tools to assist in the adequate environmental and social management of project implementation, such as: (i) ex ante Environmental and Social Checklists for each type of intervention; (ii) subproject eligibility criteria; (iii) exclusion list; and (iv) specific environmental licensing guidelines for each type of intervention.

17. To strengthen and ensure the beneficial effects of interventions, the EA also includes stand-alone frameworks to guide the project in dealing with specific issues as necessary: (i) Forest Management in the State of Acre; (ii) Integrated Pest Management Plan; (iii) Main Social Issues; (iv) Indigenous Peoples Policy Framework; (v) Resettlement Policy Framework; (vi) Environmental and Social Manual for Civil Works; and (vii) Social Intervention Plan. The Additional Financing also foresees the continuation of successful actions under the parent operation dealing with social communication, community participation, environmental and health education, training of community and indigenous agents, and recuperation of degraded
areas. These activities are planned under education, social inclusion and technical assistance interventions.

**BANK SAFEGUARDS TRIGGERED**

18. The parent project was classified as Category A and thus the inclusion of the new environmental sanitation activities under the Additional Financing do not require a change in the project environmental categorization. While the parent project triggered OP 4.01 Environmental Assessment, OP 4.36 Forests, OP 4.04 Natural Habitats, OP 4.09 Pest Management, and OP 4.10 Indigenous Peoples, as a precautionary measure due to land movements related to infrastructure works the Additional Financing triggered two additional safeguards (OP 4.12 – Involuntary Resettlement and OP 4.11 – Physical Cultural Resources), although no resettlement is expected and chance findings are unlikely in already altered urban settings. Additionally, as in two of the four isolated municipalities (Marechal Thaumaturgo and Santa Rosa do Purus), the water and sanitation investments will collect water from and discharge treated effluents into international waterways, the Purus and Amônia rivers, which flow from Peru (upstream) to Brazil (downstream), OP 7.50 – Projects in International Waterways is also triggered, although the exception to the riparian notification requirements under paragraph 7 (a) of the policy is applicable.

19. OP 4.01 – Environmental Assessment: Although this is a category A project located in a sensitive forest area, activities supported to-date under the parent project, as initially foreseen, has generated mostly positive environmental impacts, as most activities are directed at the sustainable development of the state. The EA presents an updated environmental and social assessment of project activities (including new Additional Financing activities) and an updated Environmental Management Plan, which include the measures identified to mitigate any potentially adverse impact.

20. OP 4.36 – Forests: The management, conservation and sustainable use of forest ecosystems and their associated natural resources are essential for effectively reducing poverty and achieving sustainable development. This safeguard is triggered due to project location in the Amazon forest, and its supported activities involving timber and non-timber products. All forest management activities supported under the project will only be carried out in lands with proof of legal tenure status, with warranties for the conservation of biodiversity, and with the purpose of reducing poverty.

21. Acre still maintains 88% of its original forest cover, of which most of the state population depends. The state has developed its Ecological-Economic Zoning (EEZ) in such a way as to best use its 12% of deforested area (of which only 1% correspond to urban areas), as well as to maintain the standing forest ensuring its sustainable use in the long term, and to recover currently degraded areas which should not have been deforested. Acre monitors deforestation within its territory using high resolution technology (down to 2 meters), which allowed to identify that most of the current deforestation activities occur in small properties. Information generated through this monitoring system allows the efficient monitoring of EEZ activities and the timely application of corrective or directive measures. Forest management activities supported under the parent project and which will continue under the Additional Financing
involve the sustainable community-based economic use of small-scale timber and non-timber products, and the reforestation of degraded areas.

22. OP. 4.04 – Natural Habitats: The project supports community-based activities of sustainable use and processing of forest products in small isolated rural communities, and in medium-sized urban communities to ensure food safety and to initiate or improve their insertion into regional markets. The project also includes capacity-building and technical support for other alternative economic activities, always respecting the guidance provided by the state’s EEZ and principles of environmental sustainability. As in most of the Amazon Region, critical natural habitats should be present within the areas of influence of project interventions. The procedures defined in the EA for project implementation will ensure that these areas will be preserved. Additionally, the institutional strengthening of state agencies such as SEMA, SEAPROF and SEDENS should contribute to improve the monitoring and protection of natural habitats.

23. OP 4.09 – Pest Management: This safeguard was preventively triggered under the parent project given the foreseen activities to reforest degraded areas and to support family agriculture production. To-date and according to the project’s Pest Management Plan, pest management activities have been carried out through the use of the most environmentally adequate and least damaging methods such as integrated pest management, biological control, use of plant-extract products, or the minimum necessary use of approved chemical products (subject to a previous assessment of potential adverse impacts and procedures for proper handling of chemicals and containers). The same measures will be applied under the Additional Financing.

24. OP 4.10 – Indigenous Peoples: Acre is home to 14 ethnic groups, which correspond to 2.2% of the state’s rural population. The indigenous population lives generally in small groups and mostly in indigenous lands. The parent project benefitted 16 out of 34 indigenous lands, financing the improvement of rural production, cultural and management strengthening. As all activities were carried out according to the project’s IPPF and in depth prior, free and informed consultation processes, no adverse impact resulted on indigenous peoples or their lands from supported activities. As a result from consultations held under the parent operation, specific subcomponents directed at the indigenous peoples were included in the project, particularly regarding actions in the productive sector and for community development. Additionally, a social analysis of the area of influence of supported activities was carried out including indigenous peoples (see Annex 3 of the EA), and the project’s IPPF was updated (see Annex 4 of the EA), ensuring culturally adequate methodology will continue to be applied. The same guidance will be followed under the Additional Financing. The updated IPPF was further consulted with indigenous peoples and set the proper principles and guidelines for the process of preparation of specific Indigenous People’s Plans during project implementation. Although the project aims to benefit all indigenous lands in the state of Acre with the preparation of ethno-zoning studies, Indigenous Lands Management Plans and community interventions prioritized by the Indigenous Peoples themselves, activities will start in each land just after broad support from Indigenous Peoples have been expressed. Participatory methodologies and consultative processes are expected to ensure positive results as well as to prevent adverse impacts. The institutional capacity of the implementing agencies has been assessed and will be strengthened.

25. OP 4.11 – Physical Cultural Resources: No impacts on physical cultural or archaeological resources are expected to result from project activities. Although land movements are foreseen
as a result of infrastructure works for the environmental sanitation activities, interventions will be small and of low impact, located in the urban areas (small towns) of four isolated municipalities. Notwithstanding, the EA specifies the adequate measures to be taken to protect eventual chance findings, according to the procedures mandated by the National Historical and Cultural Heritage Institute – IPHAN, INEPAC and the Elias Mansour Culture and Communications Foundation – FEM.

26. **OP 4.12 – Involuntary Resettlement:** Although no resettlement, displacement or land acquisition is foreseen under the project, as exact location of all infrastructure interventions is not yet known this safeguard is preventively triggered and a Resettlement Policy Framework was prepared (see Annex 5 of the EA) according to OP 4.12. RPF guidance will be followed in the unlikely event that technical engineering projects require relocation of families or interfere with economic activities. Interventions will occur only in areas with legal land tenure and the project will apply all efforts to avoid resettlement, adjusting technical designs when necessary. The RPF set principles and procedures in compliance with OP 4.12 to guide process implementation in these unlikely events. Eligibility criteria and an entitlement matrix are clearly set in the RPF. Methodologies for evaluation of physical and economic assets are also defined. Procedures for providing additional social works and support to affected people as well as to establish grievance redress mechanisms are agreed upon. Clear institutional arrangements and responsibilities are established for promoting more social accountability.

27. **OP 7.50 – Projects in International Waterways:** The proposed water and sanitation activities will upgrade existing schemes by improving existing water collection, treatment and distribution systems, and collecting and treating sewage that is currently being discharged with no treatment into the Purus and Amônia rivers, of which the main course or tributaries cross the border between Peru and Brazil. The proposed activities will not adversely change the quality or quantity of the water flows to the upstream country (Peru) since they will all be undertaken downstream from the border and Brazil is the lowest downstream country. As a consequence, no other riparian countries will be adversely affected. The Peruvian territory upstream from the border with Brazil for both rivers is also remote and covered with dense forest, with sparse small settlements of traditional communities and indigenous groups. There is a national park on the Peruvian side along the Purus river, known as the Alto Purús National Park, spanning 2,510,694 hectares, and there is no known current or planned activity on the Peruvian side that might negatively impact the Amônia or the Purus rivers. Therefore, the exception to the riparian notification requirements under paragraph 7 (a) of the policy is applicable.

**CONSULTATIONS**

28. The EA details the consultation process carried out during the preparation and implementation of the parent project, and preparation of the Additional Financing. In summary, during the original project preparation consultations on safeguard documents (with indigenous and civil society organizations and beneficiary stakeholders) were carried out through seminars and focus groups organized both at the regional and state levels. All safeguard documents (EA/EMF and IPP reports) were made available on the home page of the State Government. During project implementation, consultations have been focused on local stakeholders - mainly indigenous and
rural community organizations eligible for project support – during project dissemination and planning events.

29. Indigenous and civil society organizations consulted endorsed the conclusions of the project IPP and EA and seemed to clearly understand the EMF and IPP procedures. The Indigenous Peoples organizations stressed the need to respect their traditional knowledge, in particular regarding the use and management of forest resources, and biodiversity conservation.

INSTITUTIONAL ARRANGEMENTS

30. Institutional arrangements for project impacts monitoring and implementation of the project’s safeguards instruments should remain mostly the same with the State Secretariat for the Environment – SEMA as the main agency in charge of safeguards monitoring. SEMA will coordinate with all other agencies involved in the monitoring and implementation activities (SESACRE, SEAPROF, SEDENS, IDM)\(^4\), including the two additional agencies that are new to the project and in charge of the environmental sanitation activities: the *Departamento Estadual de Pavimentação e Saneamento* – State Department of Paving and Sanitation (DEPASA), and *Secretaria de Estado de Habitação e de Infraestrutura e Obras* – State Secretariat for Housing, Infrastructure and Public Works (SEOP).

31. A complementary monitoring system is being developed and tested by the project management team to improve the monitoring and implementation evaluation of the project’s safeguards instruments, project impacts (positive and adverse), and eventual mitigation measures applied by the project. This system should be operational by the beginning of implementation of the Additional Financing and includes upgraded assessment forms to be used by field teams, systematized procedures, and an electronic database capable of generating reports and integrated to the project’s monitoring system.

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