

Forest Investment Program (FIP)
Preparation of the Investment Plan
Guatemala

Scoping Mission

Guatemala City, Guatemala, February 23-25, 2016

Aide-Mémoire

February 25, 2016

I. Introduction

1. A scoping mission for the Forest Investment Program (FIP) of the Climate Investment Funds (CIFs) took place in Guatemala City, Guatemala, between the 23 and 25 of February 2016. The mission team included representatives from the Multilateral Development Banks (MDB) of the World Bank Group (WB) and of the Inter-American Development Bank Group (IDB). From the IDB, the following specialists participated: Gloria Visconti, (Mission Leader, Lead Climate Change Specialist), Omar Samayoa (Climate Change Specialist), Luis Alejandro Mejía (MIF Specialist), Paloma Marcos (Gender and Climate Change Consultant) Gianleo Frisari (IIC Consultant), Aymé Sosa (Climate Change Consultant) and Mateo Salomon (Climate Finance Consultant). From the WB the following specialists participated: Christian Peter (Program Leader for Sustainable Development, Central America), Gabriela Encalada Romero (Environmental Specialist), Gerhard Dieterle (Global Coordinator of the FIP and the DGM for the WB), Zenia Salinas (Climate Finance Specialist, FCPF) and Javier Posas (Country Head, IFC).

2. The mission had the following objectives:
 - Presenting the objectives of the FIP and the role of the preparatory resources for the elaboration of the Investment Plan (IP).
 - Discussing how the IP will contribute to the implementation of the PROBOSQUE Law, the National REDD+ Strategy, the National Emissions Reduction Program, the National Action Plan for Adaptation and Mitigation of Climate Change, INDC, governmental/sectorial priorities, national strategies/plans related to mitigation and adaptation to climate change.
 - Reviewing synergies between recent, ongoing and planned investments related to FIP, MDBs, development partners and technical agencies.
 - Discussing enabling conditions including institutional leadership and coordination mechanisms and supporting needs for this.
 - Discussing broad financing options for the IP, including linkages to GCF, GEF, bilateral programs and Government resources.
 - Discussing and confirming broad arrangements for the preparation of the IP.
 - Discussing and confirming stakeholder and key actors engagement requirements, under careful expectations management.
 - Confirming procedures for accessing and using the preparatory grant resources.
 - Discussing the roadmap (key milestones and timetable for the elaboration of the IP).

3. The Government of Guatemala (GoG) has designated the National Forest Institute (INAB) as the technical focal point for the FIP, as such the organization of the mission has been coordinated jointly with the representative of this institution led by Josué Morales Dardón (INAB Manager) and José Díaz (Focal point for the FIP).

4. The mission held meeting with representatives of the following government institutions: the Ministry of Environment and Natural Resources (MARN), the Ministry of Agriculture, Livestock and Food (MAGA), the National Council for Protected Areas (CONAP), the National Forest Institute (INAB), the Ministry of Public Finance (MINFIN), the National Program of Competitiveness (PRONACOM) and the General Secretariat of Planning and Programming of the Presidency (SEGEPLAN); members of the Board of Directors of the INAB; and representatives of indigenous people, forest communities, private sector, Non-Governmental Organizations, and International Cooperation. The agenda and the list of participants are included in Annex.
5. Both teams from the IDB and the WB are grateful to the authorities of the Government of Guatemala and to INAB's team for its support in coordinating this mission, its participation in the meetings and care provided during the mission.
6. This aide-memoire summarize the results, recommendations and agreements reached during the mission and will be publicly published by the CIF Administrative Unit (CIF AU).

II. Context

7. In May 2015, Guatemala was selected by the FIP Sub-Committee to become a pilot country under the FIP Program following the recommendations of an independent panel of experts, who selected the proposal submitted by the GoG through an expression of interest (Eol). Guatemala can access up to USD24 Millions of FIP resources and additional resources from the Dedicated Grant Mechanism for Indigenous Peoples and Local Communities – DGM (USD 4.5M).
8. In December 2015, the FIP Sub Committee approved the allocation of USD 250,000 for the elaboration of the IP. These resources will support the consultation and participation processes for the design of the IP and its articulation with the National REDD+ Strategy and the National Emissions Reduction Program. The GoG has requested IDB to execute the preparatory resources for the design of the Investment Plan (PI).
9. The objective of the FIP is to support developing countries efforts to reduce emissions from deforestation and forest degradation and promote sustainable forest management and enhancement of forest carbon stocks (REDD+), including:
 - Promoting forest mitigation efforts, including protecting forest ecosystem services;
 - Providing support outside of the forest sector to reduce pressure on forests;
 - Helping countries strengthen institutional capacity, forest governance, and forest-related knowledge;

- Mainstreaming climate resilience considerations and contributing to biodiversity conservation, protecting the rights of indigenous peoples and local communities, and poverty reduction through rural livelihoods enhancement.

The FIP will finance activities to address the underlying drivers of deforestation and forest degradation, as well as to overcome identified barriers.

10. To coordinate the activities of the preparatory process for the REDD+ strategy, the GoG has established an Interinstitutional Coordination Group (GCI) formed by the MARN, MAGA, CONAP and INAB. The GCI will also serve as the platform of interinstitutional coordination for the preparation of the IP and has designated INAB as the focal point for the FIP.

11. In its EoI, the GoG presented the following five priority areas for the FIP:

- Strengthening forestry extension programs for the implementation of the national forest incentive programs (PINPEP, PROBOSQUE).
- Strengthening private sector participation in forest management through the Program Forest Industry-Market.
- Strengthening the participation of local communities and indigenous people in the sustainable forest management.
- Supporting the implementation of the National Strategy for Sustainable Use of firewood.
- Strengthening actions to ensure good governance in areas with high coverage of natural forests.

III. **Summary of the mission discussions and conclusions**

a. **Meeting with the Interinstitutional Coordination Group (GCI)**

The Vice Minister of Environment and Natural Resources, Mr. Fernando Coronado, opened the meeting in which participated the representatives of the GCI (the list of participants is included in annex).

Mr. Jacobo Cotto, Climate Change Director of the MARN presented the advances and achievements in relation to climate change in Guatemala. The country approved its Climate Change National Policy in 2009 with the objective of adopting practices for risk prevention, adaptation and mitigation to CC. In 2013, the CC framework law was adopted through the Decree 7-2013. This law seeks to be articulated with the national development strategy and its different components. In this context, in 2015 a vice ministry of natural resources and CC has been created. The presentation highlighted as well that Guatemala is developing its REDD+ Strategy under the FCPF (the presentation is included in annex).

Josué Morales, General Manager of the INAB, presented the context in which Guatemala requested its participation in the FIP and the content of the EoI. He made emphasis on the link between the FIP proposal, the CC law, the REDD+ strategy and the Probosque Law. The latter has recently been approved at the end of 2015.

The mission presented the objectives, criteria and modalities of the FIP, the context of Guatemala in the framework of the FIP, the role of the FIP in the REDD+ phases and the DGM (the presentation is included in annex). Moreover, the mission explained how the FIP relates to the broader REDD+ programs and the link with the FCPF. The representative of the Carbon Fund from the WB explained the status of the Carbon Fund in Guatemala and its synergy with the FIP process. Additionally, she highlighted that April 08 is the deadline for the signature of the Letter of Intent.

b. Meeting with the Minister of Public Finance (MINFIN)

The mission met with the Minister of Finance, Mr. Julio Héctor Estrada, the Legal Advisor, Mr. Juan Carlos Carrera and the Sub-director of Public Credit Ms. Mayra Ramírez. The following points were discussed in detail:

1. The financial terms and conditions of the FIP;
2. The requirement of no-objection for IDB to execute the Technical Cooperation grants resources for the preparation of the Investment Plan (US\$250,000). The MINFIN indicated its good disposal to expedite the no-objection process.
3. The option to sign the Letter of Intent for the design of an Emission Reduction Program in the framework of the Carbon Fund, which deadline is April 08, 2016. It has been agreed that the GoG will inform the WB of its decision on the signature of the letter in the current version or if some changes will be requested as a result of a pending revision. Minister Estrada delegated to his Legal Advisor the revision of the Letter of Intent, who will meet with the MARN and the CONAP to discuss it. The WB offered its collaboration for the discussions and will be waiting for a response in the next two weeks.
4. The MINFIN informed that it is currently assessing the options to operationalize the Climate Change Fund which has been established under the CC Law and expressed interest in receiving support to develop a strategy to determine the best way to use the existing climate finance mechanisms.

c. Meeting with the General Secretariat of Planning and Programming of the Presidency (SEGEPLAN)

SEGEPLAN presented its analysis on the incorporation of CC variables and the forest sector in Guatemala's national policies and strategies, and the process that it is currently undertaking to incorporate CC in the process of national planning, in particular in the National Development Plan - K'atún 2032. The preparation of the National CC Adaptation and Mitigation Plan was

highlighted. Ms. Edna Abigail Álvarez Och, Sub-Secretary of Public Policies of SEGEPLAN led the presentation.

d. Meeting with the National Program of Competitiveness (PRONACOM)

Fernando Suriano, Executive Director of PRONACOM, indicated that the institution he represents works on the basis of the twelve pillars of competitiveness of the World Economic Forum (WEF) and that additionally social and environment issues are two transversal axes of their work. PRONACOM is a public-private entity with an Executive Committee that is soon to be expanded to representative of the civil society, academia, indigenous people and SEGEPLAN. PRONACOM promotes five sectors: tourism, technology, agroindustry and exports, light industry and the forest sector. He underlined the importance of the forestry sector for the Guatemalan economy and manifested the interest of PRONACOM in participating in the preparation process of the IP.

e. Presentation and discussion on the structure and content of the Investment Plan (INAB)

The objective of this meeting was that INAB, MARN, MAGA, and CONAP present their strategies and suggested line of actions for the Investment Plan. Each institution presented its area of work, strategies, programs, results and potential line of actions for the FIP. The inputs of the presentations of the four institutions are key for the preparation of the IP (the presentations are included in annex).

After the presentations, the discussion focused on the following topics:

1. The functioning of the DGM and its operation in the different pilot countries of the FIP;
2. The drivers of deforestation in the country and their link to the action lines included in the EoI of Guatemala, in particular land use changes for monoculture, the impact of narcotraffic, illegal logging and the use of biomass for energy;
3. The diffusion of wood certification scheme for internal and external commercialization;
4. The results of the current forest concessions;
5. The access to financial instruments (credit, guarantee and insurance) for the forestry and agroforestry sector;
6. The gender strategy and the goals of women participation in the PROBOSQUE law and other initiatives of the GoG;
7. The need to consider a balance between investments and technical assistance in the IP, taking into account that more than 80% of the FIP are concessional loans.

f. Meeting with INAB's Board of Directors

The mission presented the principal objective of the FIP to the members of INAB's board of directors, including representative from: the MAGA, Central National School for Agriculture (ENCA), Association of Non-Governmental Organizations for the Natural Resources and the Environment (ASOREMA) and the Guatemalan Forestry Association. The members of the board

of directors highlighted the importance of the contribution of the FIP to the diverse institutional strategies and the programs of incentives for the forestry and agroforestry sector, as well as the interest to strengthen actions with the private sector. The discussion focused on the importance of being strategic in selecting activities to achieve the maximum catalyzing effect of the FIP resources.

g. Meeting with members of International Cooperation

After a brief presentation on the scope of the FIP from the mission, the representatives of the different institutions participating in the meeting (USAID, Rainforest Alliance, IUCN, UNDP, FAO, KFW and representatives of the MARN, CONAP and INAB) highlighted the following topics:

- The debt-for-nature swap of the USA executed by the Foundation for the Conservation of Natural Resources and the Environment in Guatemala (FCG) and its possible synergy with the DGM (USAID);
- The Development of the Low Emission Development Strategy (LEDS) supported by USAID;
- KFW indicated its support to CONAP in areas in which synergies could be established with the FIP;
- UNDP indicated that it will support the GoG in the preparation of its third National Climate Change Communication, which will be coordinated with the LEDS and other related initiatives;
- IUCN indicated that its experience in the region working with indigenous communities could be useful for the FIP process; in particular they have developed a map of the indigenous people of Central America. Moreover, reference was made to a recent study that has been prepared for the Forest Law Enforcement, Governance and Trade (FLEGT) initiative;
- USAID-CNCG informed that its experience with forestry value chain could be a useful inputs to the FIP considering the importance of generating a demand market;
- FAO indicated that they are working on the assessment of Guatemala's need for the preparation to REDD+ under the UN-REDD program. FAO is also in the process of preparing a technical cooperation to support the Green Climate Fund (GCF) National Designated Authority (NDA) in the administration of GCF Readiness resources;
- Rainforest Alliance indicated that it has acquired significant experience in Guatemala on certification of wood and made emphasis on the importance of promoting a sustainable value chain.

h. Meeting with the stakeholders (private sector, indigenous people, forest communities)

The mission met with more than 80 actors from the private sector, NGOs, indigenous communities, and forest communities. During the meeting, the mission presented the criteria and objectives of the FIP IP; the characteristics of the program for the private sector including

examples of projects in the forestry sector and experiences with the FIP in other countries; and the DGM designed and managed by a committee of indigenous population and local communities. INAB presented the link between the FIP and its areas of work.

After the presentations, meetings were held with the participants of the private sector, indigenous populations and local communities, where the following comments were received:

Indigenous population and local communities:

- Strong interest of the participants who expressed their interest in initiating the design of the DGM as soon as possible;
- Concerns that the DGM donation will not benefit directly the communities;
- The need to consider a more integral vision of the rural area of Guatemala, including indigenous and non-indigenous people;
- The importance to articulate FIP and REDD+ and to adequately explain this link;
- Strengthening the active participation of women in the communities;
- Ensure a transparent and inclusive process to reach consensus between the different communities;
- Recognition of the contribution of the indigenous people to the preservation of environmental services.
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Private sector:

- Interest of the private sector to work with the FIP and take an active role in the design of the IP;
- Existence of various private sector initiatives in the forestry sector that could include different perspectives in the FIP process, including: sustainable plantations, export of wood and forest products, as well as financial programs of microfinance, micro insurance and guarantee;
- Difficulties in managing existing businesses because of the lack of infrastructure, the high cost of loans and the lack of financial capital to expand activities.

IV. Next steps and agreements

- A. The mission took note of the GOG priorities and programs in climate change and REDD+ and discussed the means and opportunities to make the most efficient and catalyzing use of the FIP funds in this general framework.

In that sense, the mission recommends to articulate the FIP funds within the framework of the national programs and strategies related to climate change and forests, incorporating transformative and innovative aspects.

- B. The following indicative chronogram of activities has been agreed to comply with the deadline of May 2017 for the approval of the Investment Plan by the FIP Sub-Committee:

Action	Date (tentative)	Responsible
Process the No Objection of the TC for the preparation of the IP	March 12, 2016	INAB
Contracting the consultant that will coordinate the IP and the consultant that will facilitate the stakeholders consultations	April 11, 2016 (5 weeks)	IDB
Contracting the consultant for the private sector market study	April 11, 2016 (5 weeks)	IDB
First draft of the IP	End of June 2016	INAB
First joint mission – Prioritizing areas of investment	Beginning of July 2016	MDBs, INAB
Regional consultation workshops	Mid-July–September	INAB
Second draft of the IP	November 2016	INAB, MDBs
Second joint mission	December 2016	INAB, MDBs
National socialization workshop	Mid-January 2017	INAB
Final draft of the IP	Final of February 2017	INAB
Publication of the draft IP on INAB's webpage	March 01, 2017	INAB
Revision of the IP by an independent third party	March 20, 2017	CIF AU
Inclusion of the comments received	March 20-30, 2017	INAB - MDBs
Translation to English of the IP	March 30 – April 15, 2017	Translator
Submission of the IP to the FIP SC	Final of April 2017	INAB
Endorsement (deadline June 2017)	Final of May 2017	FIP SC

- C. The mission discussed the importance of the preparation and implementation of the DGM which will be led by an MDB with experience with this mechanism in other FIP pilot countries. Nonetheless, this depends of the confirmation from the representative of the groups that participate in the DGM; the mission recommends that the World Bank lead this process.

Guatemala City, February 25, 2015,

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Annex I. Mission Agenda
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