



Project Information Document/ Identification/Concept Stage (PID)

Concept Stage | Date Prepared/Updated: 23-Jun-2020 | Report No: PIDC182419



BASIC INFORMATION

A. Basic Project Data

Project ID	Parent Project ID (if any)	Environmental and Social Risk Classification	Project Name
P170391		Substantial	Dedicated Grant Mechanism for Indigenous Peoples and Local Communities in Guatemala
Region	Country	Date PID Prepared	Estimated Date of Approval
LATIN AMERICA AND CARIBBEAN	Guatemala	23-Jun-2020	
Financing Instrument	Borrower(s)	Implementing Agency	
Investment Project Financing	Recipient to be determined	National DGM Committee	

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PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	4.50
Total Financing	4.50
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	4.50
Strategic Climate Fund Grant	4.50

B. Introduction and Context

Country Context

1. Guatemala is the fifth poorest economy in the Latin America and Caribbean (LAC) region, with the second-highest population density in Central America and a population of around 16 million inhabitants. Approximately half of the population lives in rural areas. The Gross Domestic Product (GDP) per capita has dropped five positions from its rank in 1960 and has failed to converge with those of LAC and the United States. The number of Guatemalans living below the poverty line increased from 6.8 million in 2000 to 9.6



million in 2014. The poor are more likely to be informally employed and belong to an Indigenous group. Of all people living in poverty in the country, 52 percent are Indigenous and belong to three main Indigenous communities, the Mayan, the Xinca, and the Garifuna.[1]

2. Deep inequality persists across various dimensions. Income inequality, as measured by the Gini coefficient, was 0.49 in 2014 – higher than most LAC countries – with the richest 1 percent controlling 13 percent of total income. Guatemala also faces considerable inequality in access to land and land distribution, and the high levels of inequality was a key contributor to the 36-year civil war that ended in 1996. Land concentration in Guatemala is among the highest in LAC, with less than 2 percent of farmers owning 57 percent of the land[2]. Women make up a disproportionate amount of informal sector workers and are also particularly vulnerable to unemployment and underemployment. Employment rates for women in Guatemala are half those for men (41.9 and 86.1 percent respectively). In rural areas, the gender gap is even higher with 32.7 percent of women ages 15-64 employed, compared to 89.8 percent of men.

3. Guatemala hosts high levels of biological diversity due to its complex topography, which ranges from sea level to 4,220 meters along with its great climatic variety across six natural regions. Forests and biodiversity represent both an important development opportunity and a growing challenge for the country. On the one hand, Guatemala still hosts a regionally important extension of natural forests and has been recognized as a "megadiverse" country where an exceptional number of species coexist. On the other hand, pressures continue to grow in natural forests, threatening the conservation of local biodiversity and the well-being of the people who depend on these species and ecosystems for their livelihoods.

[1] World Bank, 2016. Country Partnership Framework for the Republic of Guatemala (FY17-FY20).

[2] 2003 Agricultural Census.

Sectoral and Institutional Context

4. Forests represent around 35 percent (3.7 million hectares) of Guatemala's territory and host substantial cultural and biological diversity. The country has at least seven major distinct biomes[3] and has the highest percentage of endemic species in Central America.[4] There is also diversity in the types of forests, including broad-leaved tropical forests, mixed upland forests, dry forests, and mangroves[5]. Thirty-four percent of forests are owned by the national government and 38 percent of forests are under private ownership. Fifteen percent of forests are owned by communities, and another 8 percent are owned by municipalities (which include many historically communal lands)[6]. Around 52 percent of forests (32 percent of the country) is inside protected areas[7]. Forests host many Indigenous peoples (of Maya or Xinca descent) and local communities, whose 22 Mayan languages are a distinctive feature of the country's cultural diversity.

5. Forests landscapes furnish Guatemala with many critical ecosystem goods and services, yet the forestry sector's direct and indirect contributions remain modest at best. In 2017, forestry contributed an estimated 0.6 percent of Guatemala's GDP[8], with total export and import value estimated at US\$ 86.6 million[9]. In



2010, the forest products with the most economic value included furniture (30 percent), timber (24 percent), fuelwood (18 percent), rubber/latex (11 percent), and seeds/oil fruits (7 percent)[10]. Forests also contribute many goods and services to rural livelihoods that are not reflected in GDP, such as land for subsistence agriculture, fuelwood, seeds, game, and clean water[11],[12],[13]. Fuelwood provides 47 percent of Guatemala's energy[14] and is the primary energy source for 72 percent of Guatemalan households[15]. In addition, there is significant potential to increase benefits from Guatemala's forests due to high overlaps among forests, watersheds, and small farm livelihoods; there are major opportunities to protect forests and water supply through compensation mechanisms for ecosystem services[16],[17],[18].

6. Forests provide Guatemala with climate change adaptation and mitigation co-benefits and have greater potential in this area if managed well. Guatemala is considered a "hot spot" for climate change in the tropics, as extreme values of temperature and precipitation have changed several times over the last 40 years, disproportionately affecting the rural poor and particularly Indigenous communities. Climate change will exacerbate this trend, possibly resulting in a greater frequency or intensity of both floods and droughts. Forests provide opportunities for communities to adapt to climate change by providing environmental services such as increased water quality and quantity in watersheds, reduced soil erosion, and the creation of micro-climatic conditions that maintain/improve agriculture productivity. Better managed forests also strengthen social resilience, by building the capacity of local and national institutions and offering a diversification of revenue sources for forest-dependent people. The National Climate Change Adaptation Action Plan prioritizes win-win adaptation and mitigation measures in the forest sector.

7. The Government of Guatemala (GoG) actively promotes the forest sector, recognizing its importance to the rural economy. The 1996 Forest Law created the National Forest Institute (INAB) and the 20-year Forest Incentive Program (PINFOR) for private landowners, with an annual budget equivalent to one percent of the central government's ordinary budgetary revenues. To complement this effort, in 2010, the country created the Forest Incentive Program for Possessors of Small Extensions of Forestry and Agroforestry Land (PINPEP), which budget is up to one percent, and no less than 0.5 percent, of the central government's ordinary budget revenues. Notably, PINPEP recognizes the existence of communal land tenure regimes and property rights that are not formalized in the National Property Registry. To replace PINFOR, in 2015, the GoG approved the PROBOSQUE Forest Law[19], which contributes one percent of the central government's annual revenues to forest incentives. PINPEP and PINFOR together have distributed around US\$230 million.

8. Despite these efforts, forests are under severe threats of deforestation and forest degradation. From 2001 to 2016, forests in Guatemala were lost at an average rate of 32,000 hectares (1 percent) per year, with over two-thirds occurring in the northern lowlands of Petén and northern Quiché and Alta Verapaz. Forests are mainly converted for livestock pasture (35 percent); cultivation of staple crops (31 percent); coffee, cardamom, and rubber plantations (24 percent); oil palm (4 percent); and infrastructure or urban expansion (4 percent). An additional 12,500 hectares of forests are degraded per year, mainly from unsustainable fuelwood harvest, illegal logging, land grabbing in protected areas, and fires to prepare areas for agriculture and livestock. The variety of drivers of deforestation denotes the need for a shift from the current project-based model towards an integrated forest landscape model, supported by the ICG.



9. In 2019, the government launched the National Strategy to Address Deforestation and forest Degradation (ENDDBG). This strategy focusses on an enhanced articulation of forest sector public policy instruments to revert the drivers of deforestation and forest degradation as well as enhance forest restoration. The ENDDBG aims to promote integrated land-use planning (Line Action 5.4.4), building on existing forest incentive programs and the vast experience on local forest governance, while leveraging new finance, including through the PROBOSQUE Law Mechanism for the Compensation of Ecosystem and Environmental Services (MCEESs). The ENDDBG also integrates pre-existing REDD+ Projects implemented by IPLCs in collaboration with the government or Civil Society Organizations. The GoG is currently developing an Emission Reductions Program under the World Bank Forest Carbon Partnership Facility (FCPF).

10. Cross-sectoral coordination and inclusive forest governance are strengths of the Guatemalan forest sector. Forests and trees in landscapes are under the jurisdiction of several government institutions. Forests inside the 1989-created Guatemalan Protected Area System (SIGAP), which covers around 32 percent of the national territory, are subject to the National Protected Area Commission (CONAP) jurisdiction. Otherwise, forests are subject to INAB, while trees outside forest lands come under the Ministry of Agriculture, Livestock, and Food (MAGA). In 2011, these three institutions together with the Ministry of Environment and Natural Resources (MARN) formed the Interinstitutional Coordination Group (ICG) aiming at enhancing cross-sectoral policy coordination to facilitate sustainable forest landscape management.

11. Non-governmental stakeholders have formal spaces to participate in forest sector governance. For example, INAB manages a stakeholder's participation platform consisting of nine regional participation platforms and thematic roundtables to discuss relevant issues that overlap with forests. The PINPEP Law also created the National Network of Organized Communities Beneficiaries of PINPEP (RNCOBP for its Spanish acronym) who represent Indigenous Peoples and Local Communities (IPLCs) in the PINPEP Steering Committee. CONAP, on the other hand, maintains a continuous dialogue with stakeholders, including IPLCs involved in protected area co-management and nature-based tourism. Outside protected areas, the municipalities grant possession rights to local communities to facilitate their participation in PINPEP.

12. Indigenous Peoples and Local Communities (IPLC) contribute significantly to sustainable forest management. As beneficiaries of PINPEP, IPLCs implement forest protection projects and receive incentives against verified results. Approximately 0.28 million beneficiaries benefited from PINPEP during the 2007-2019 period. Also, IPLCs participate in protected areas co-management arrangements with CONAP, with outstanding performance on forest protection. For example, under the community forestry concessions, IPLCs manage the Multiple Use Zone, which represents 40 percent (approximately 600,000 hectares) of the Maya Biosphere Reserve (MBR). A study of the forest condition in the MBR in the 2000-2013 period, found that the Multiple Use Zone had the lower annual deforestation rate (0.1%), compared with the Nucleus Zone (1%), areas with inactive concessions (1.8%), areas without forestry concessions (2.2%), and the Buffer Zone (5.5%). In Guatemala, there are also several examples of culturally-based forest landscape management (i.e., 48 Cantones, Xinca group) with excellent results on the forest, water, and biodiversity conservation.

13. IPLCs also contribute to improving the local economy from forests goods and services. In Guatemala, there are outstanding examples of community entrepreneurship involving forest, Non-Timber Forestry



Products (NTFP), and environmental services. The Forest Service Community Enterprise (FORESCOM for its Spanish acronym) that manages the community forestry concessions mentioned above have provided substantial incomes to communities from timber (US\$25 million from 2012-2016), NTFP (US\$ 3 million), and tourism[20]. The active concessions have also provided net revenue of US\$2.1 million to CONAP from 1994-2018 through concession fees and timber levies. Regarding environmental services, the Association of Forestry Cooperatives of Petén (ACOFOP) and CONAP jointly developed the GuateCarbon project to sell carbon conserved or sequestered by the community forestry concessions. Another example is the Federation of Cooperatives of the Verapaces region (FEDECOVERA for its Spanish acronym), which groups 36 first-degree cooperatives and 33 small-size agriculture groups, covering around 140,000 households. FEDECOVERA exports timber and agroforestry products such as cardamom, coffee, tea, allspice, cocoa, and essential oils.

14. IPLCs participate in the forest sector organized in three third-level networks. The IPLC formed the Climate Change Indigenous Peoples Roundtable (MICCG for its the Spanish acronym) to participate in the Reduction of Emissions from Deforestation and Forest Degradation (REDD+) mechanism. The RNCBP consists of 42,300 direct beneficiaries of PINPEP and manages around 0.12 million hectares of forests. Also, the 2008-created National Alliance of Community Forestry Organizations of Guatemala (ANOFCEG for its Spanish acronym) groups nine second-level organizations, integrates more than 250 local organizations and represents more than 50,000 IPLC families who manage around 0.42 million hectares of forests and communal land. These networks have common strategies, including strengthening institutional and governance capacity; improving access to finance; as well as strengthening and scaling up their enterprises.

15. The GoG is currently developing the Forest Invest Program (FIP) to strengthen the forest sector. The FIP program consists of four projects. The US\$9.2 million Sustainable Management Project, channeled by the Inter-American Development Bank, seeks to reduce Greenhouse Gases emissions in 47 municipalities through improving the public forest service, the effectiveness, profitability, and inclusion of the forest incentive programs and promoting sustainable forest management. The US\$11.8 million Forest Governance and Livelihoods Diversification Project, channeled by the World Bank, seeks to enhance forest sector governance and increase the value of standing forests, by removing barriers limiting NTFPs value chains, nature-based tourism, and environmental services (through MCEES). The US\$2.5 million Green Guarantees for Competitive Landscapes, channeled by BID-LAB, seeks to remove financial inclusion barriers preventing Forestry and Agroforestry Small Enterprises to integrate timber and NTFPs value chains. The fourth project is the proposed US\$4.5 million Dedicated Grant Mechanism for IPLCs.

16. IPLCs have a central role to play in the country's transition towards the integrated forest landscapes management. Climate change, competing use of land, growing demands for forest products, land rights, and forest governance issues are weakening the forests sector capacity to be a pathway out of poverty for rural Guatemalan. The transition towards integrated forest landscape management represents an opportunity for the IPLCs to strengthen their capacity to bring-in to the table of dialogue their culturally-based models for land and forest management; to achieve greater financial inclusion that enables them to have better levels of well-being; to build their capacity to participate in economic activities that increase the value of standing



forest, including timber, NTFPs, nature-based tourism, and environmental services; and to strengthen local governance, knowledge management, and decision-making.

[3] CONAP. Guatemala's Seven Biomes. Retrieved 22 March 2019 from <http://paisismegadiversos.org/en/english-guatemalas-seven-biomes/>.

[4] Convention on Biological Diversity. Guatemala – Country Profile. Retrieved 22 March 2019 from <https://www.cbd.int/countries/profile/default.shtml?country=gt>.

[5] FCPF. 28 February 2019. Emission Reductions Program Document: Guatemala; and INAB-CONAP. 2015. Mapa Forestal por Tipo y Subtipo de Bosque, 2012. GUATEMALA. Technical Report. 26 pp.

[6] FCPF. 28 May 2019. Emission Reductions Program Document: Guatemala.

[7] CONAP. 2018. Listado oficial de Áreas Protegidas. <http://www.conap.gob.gt/AreasProtegidas.aspx>

[8] Banco de Guatemala. 2018. Producto Interno Bruto Trimestral. <https://www.banguat.gob.gt/inc/main.asp?id=84369&aud=1&lang=1>

[9] FAO STAT. 2018. Forestry Production and Trade. Guatemala. Forest Products (export/import) aggregated. <http://www.fao.org/faostat/en/#data/FO>.

[10] MARN. 2017. Informe Ambiental del Estado 2016- Guatemala. Guatemala. 274pp.

[11] Prado Córdova, J.P., Wunder, S., Smith-Hall, C. et al. (2013). Rural Income and Forest Reliance in Highland Guatemala. *Environmental Management (2013)* 51: 1034. <https://doi.org/10.1007/s00267-013-0028-6>

[12] Elías, S., Larson, A. M., & Mendoza, J. (2009, January 1). Tenencia de la tierra, bosques y medios de vida en el altiplano Occidental de Guatemala. <https://www.cifor.org/library/2920/>

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[15] Wang, Xiaoping; Franco, Janina; Masera, Omar R.; Troncoso, Karin; Rivera, Marta X. 2013. *What have we learned about household biomass cooking in Central America?* (English). Washington D.C.: The World Bank.



[16] Máñez Costa M.A., Zeller M. (2005) Calculating Incentives for Watershed Protection. A Case Study in Guatemala. In: Valuation and Conservation of Biodiversity. Springer, Berlin, Heidelberg

[17] Pagiola S, Zhang W, and Colom A. (2010) Can Payments for Watershed Services Help Finance Biodiversity Conservation? A Spatial Analysis of Highland Guatemala, *Journal of Natural Resources Policy Research*, 2:1, 7-24.

[18] Southgate, D., Haab, T., Lundine, J., & Rodríguez, F. (2010). Payments for environmental services and rural livelihood strategies in Ecuador and Guatemala. *Environment and Development Economics*, 15(1), 21-37. doi:10.1017/S1355770X09005361.

[19] Decree No.2-2015

[20] Stoian et al., 2018. Las concesiones forestales en Petén, Guatemala. http://www.cifor.org/publications/pdf_files/brief/7160-brief.pdf

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Relationship to CPF

16. Consistency with Guatemala's Country Partnership Strategy. The proposed project is consistent with the FY2017-2020 Country Partnership Strategy (Report No. 103738-GT), discussed by the Executive Directors of the World Bank on October 16, 2016. Pillar No.2 of Country Partnership Strategy seeks to address bottlenecks to sustainable growth through, among others, building institutional capacity to manage and adapt to climate change. The project would contribute to close the development gap between the urban and rural Guatemala, by increasing the opportunities for IPLCs to directly participate in productive activities from forest and agroforestry while increasing their capacity to generate GHG emission reductions from integrated forest landscape management, which has potential to be recognized in the future carbon market.

17. Contribution to implementing the World Bank Forest Action Plan FY16-20. The proposed project will contribute to reducing poverty in rural Guatemala by diversifying the livelihoods of forest-dependent people who otherwise would have to clear forest to subsist, given the increasing threats from competing use of land. The project would also help create jobs and wealth through the integration of local communities in forest protection while preserving ecosystem services delivered by forests.

18. Complement with other World Bank operations. The proposed project is part of the GoG's programmatic approach to the forest sector, under which the Bank would channel two projects, currently under design. These projects are the US\$ 52.5 million Emission Reductions Program (P167132) to be financed by FCPF and the US\$11.8 Forest Governance and Livelihoods Diversification Project. Guatemala is also included in the ongoing regional project Supporting Central American Countries in Implementing the COP21 Commitments (P160329), which provides technical assistance to prioritize Nationally Determined Contributions (NDC) policy actions and investments aligned with development priorities. In Guatemala, the ENDDBG is a central part of the NDC.



19. Contribution to implementing national development priorities. The project aligns with the following priorities of the K'atun 2032 National Development Plan: (i) the conservation and sustainable use of forests and biodiversity; and (ii) land-use planning for sustainable use of natural resources, agriculture and livestock production. Both priorities should contribute to climate change adaptation and mitigation. Specifically for the first priority, the project would contribute to consolidating efforts between the government and communities to achieve forest conservation, protection, sustainable use, and ecological land restoration; replicate and strengthen existing experiences applying local governance practices for land and forest management, and involve local communities in reducing deforestation efforts.

C. Project Development Objective(s)

Proposed Development Objective(s)

The Project Development Objective is to strengthen Indigenous Peoples and Local Communities' capacity to participate in sustainable forest and land management.

Key Results

The following are key preliminary expected results of the project

1. % of sub-projects successfully completed and achieved their objectives (which are consistent with FIP objectives)
2. People in the targeted forest and adjacent communities with increased monetary or non monetary benefits from forests, disaggregated by gender (number)
3. % of participants in the capacity development activities with an increased role in the FIP and other REDD+ processes at local, national or global levels.
4. % of grievances registered related to the delivery of project benefits that are addressed (Participation and Civic Engagement CIs)
5. % of DGM stakeholders perceive DGM governance and processes as transparent and inclusive.

D. Preliminary Description

Activities/Components

Component 1: Strengthen capacity and enabling conditions for the application of traditional, indigenous, and local knowledge systems and practices of forest management (around US\$ 1.6 million). This component consists of three sub-components. The first one would work to document, systematize, and apply the traditional knowledge, practices, and systems of IPLCs on forest and territorial management that are at risk of being lost or are undervalued. This subcomponent would emphasize the participation of local stakeholders, elders, women, and youth in the assessments. The second sub-component would strengthen enabling conditions for improved governance and participation in sustainable land and natural resource management, focused on land and forest tenure security, governance, and knowledge management. The third sub-component would support IPLCs engagement and dialogue with public and private stakeholders to



enhance their capacity to build alliances and influence issues important to them and relevant to sustainable land-and-forest use and management.

Sub-component 1.1: Document, systematize, assist technically, and apply traditional systems and practices for sustainable forest management in at least 6-9 selected areas (around US\$ 700,000). Each IPLC third-level network would select, following agreed criteria, three second-level organizations to participate in this subcomponent. Key results of this sub-component would be the creation of cultural land use and forest management plans as well as pilot MCEEs, which could improve the IPLC's opportunities to access in the future forest and climate funding opportunities from public or private sources. This sub-component would also work to inform and improve the implementation of existing government strategies for community and indigenous conservation and forest management. The sub-component, which would be carried out in selected communities, would consist of the following activities:

- i. Document and systematize the historical memory and knowledge of traditional, indigenous, and customary systems and practices for sustainable forest and territorial management in selected areas (~US\$ 150,000). Where appropriate, the project would implement the Cultural Land Use Analysis Methodology (CLAN)[1] to produce spatially-explicit, cultural land use management plans to use for consultation, validation, and dissemination among relevant community leaders and stakeholders.
- ii. Support the design and consultation of culturally-oriented pilot MCEES to promote sustainable territorial and forest management (~US\$ 550,000). The mechanisms would be designed in alignment with existing legal frameworks and pilot MCEES led by INAB.

Sub-component 1.2: Strengthen enabling conditions for land and forest tenure security (around US\$ 550,000). This sub-component will provide direct support to communities in legal or technical issues to strengthen their land and forest tenure and territorial management and increase the access and exchange of knowledge among different communities. The activities under this component would be the following:

- i. Provide legal, technical (i.e. topography and cadastral activities), and mediation.
- ii. Promote learning exchanges among different associations and communities, and other relevant groups
- iii. Knowledge management of ancestral land possession, including: identification, recuperation, microfilming, transcription, classification, and archival of historical documents

Sub-component 1.3: Strengthen IPLC dialogues and engagement with external public and private institutions and actors (around US\$ 350,000). This sub-component would aim to enhance the capacity of IPLCs to engage with and influence external stakeholders on issues important to strengthening their ability to carry out sustainable forest and territorial management. The subcomponent would include the following activities:

- i. Develop and implement an IPLC communication and participation strategy to promote an effective engagement in international, national and local dialogue on sustainable land-use-and-forest use and management and forest protection; this includes strengthening IPLCs dialogue platforms to promote



their full and effective participation in international conventions, programs, policy, laws and regulation, and projects related with forest landscapes and climate change.

- ii. The subcomponent would facilitate IPLCs informed participation in key events and activities at different levels. At the international level, IPLCs would participate in the CoPs of the United Nations Framework on Climate Change (UNFCCC), as well as relevant events of the International Tropical Timber Organization (ITTO) and the United Nations Forum on Forests (UNFF), among others. At the national level, the subcomponent would enhance IPLC's capacity to participate in the implementation of the *National Strategy for the Management and Conservation of Natural Resources in Communal Lands* and *INAB's Institutional Strategy for Attention to Indigenous Peoples in the Forestry Sector*, among others. At the local level, the subcomponent would support IPLC's capacity development and strength to engage in dialogue and create partnerships among IPLC organizations and with other stakeholders, including from outside the forest sector, to strengthen the territorial management.

Component 2: Strengthen economic opportunities and livelihoods as incentives for sustainable forest landscape management (around US\$ 2.3 million). This component will address poverty and promote sustainable livelihoods by designing and piloting financial mechanisms that improve the economic incentives for sustainable forest management and related activities that reduce pressure on forests. The component would support three subcomponents through implementation and technical assistance to different types of sub-projects. The first sub-component would focus on subprojects to strengthening productive economic activities and financial inclusion to promote forest conservation, protection, and sustainable use and management. The second sub-component would support priority subprojects focusing on priority investments and innovation through small grants. And the third sub-component would provide technical assistance to ensure proper implementation of the sub-projects in Component 2.

Sub-component 2.1: Strengthening productive economic activities and promoting financial inclusion (around US\$ 1.5 million). The first sub-component would provide a grant to establish a revolving fund (i.e., reimbursable seed capital) to support community investments into productive activities with economic returns that have been identified through the cultural land use management plans created under **Component 1**, pre-identified sub-projects, or other community proposals. The revolving fund would provide up-front financing to selected IPLC associations or groups through low-interest loans to ensure the fund's sustainability. Beneficiaries of the forestry incentive programs received through INAB's programs (PINPEP and PROBOSQUE) could use this income to repay the loans, as well as revenue obtained from other productive activities. The component would provide technical assistance and linkages with Component 1 to align supported activities with the sustainable application of traditional and customary knowledge. Preidentified subprojects suitable for loans include ecotourism, productive investments in forest nurseries, fuel-wood production, timber, NTFPs, as well as agroforestry and silvopastoral systems. The sub-component would also support the establishment and medium-term support of community banks in forest-dependent IPLCs as a local mechanism for microfinance and savings based on a methodology successfully implemented in several other Central American countries. Pre-identified sub-projects deemed suitable for loans include ecotourism projects and productive investments in tree nurseries, fuelwood production, timber, non-timber



forest products, agroforestry, and agriculture. The National Executing Agency (NEA) of the project would provide the technical assistance for the subprojects, under sub-component 2.3.

Sub-component 2.2: Small-grants for priority projects, pre-investment, and innovation (around \$600,000).

The second sub-component would provide direct grants to support a variety of pre-identified community sub-projects to improve sustainable forest and territorial management, shift away from unsustainable land-use models, or develop new livelihood options. This sub-component would aim to create investable projects out of several new product ideas that require more development.

- i. Several community sub-projects have been pre-identified to improve sustainable forest and territorial management. These sub-projects would support a range of ideas, including exploratory economic and financial studies, small community works, technical assistance, and equipment for forest monitoring. Specific examples include a study on the use of economically-profitable trees (e.g., fruits, resins, or other products) in reforestation; promotion of sustainable intensification through agroforestry or silvopastoral systems; improvement of infrastructure to access culturally important ceremonial sites and hot springs; and promotion of organic production models to replace conventional production. The sub-component would also support key alliances with certification agencies, donors, or other partners.
- ii. Innovation grants would support research and development of non-timber forest products (NTFP) with high economic and sustainability potential to strengthen IPLC opportunities in NTFP value chains. Initial pre-identified sub-projects include genetic improvements and market study for the ramón nut; development of products derived from Kanak leaves; development of organic chicle (gum) production; and improved fuelwood production linked to reforestation. The project would also develop plans to ensure that patents or intellectual property rights that result from the innovation studies belong to the participating communities.

Sub-component 2.3: Technical Assistance (around US\$ 200,000). The component would dedicate resources for technical assistance to support the technical and financial design of sub-projects, support in implementation, and evaluation, given the high variation in capacity expected from potential beneficiaries. This technical assistance will be included within the terms of reference for the national executing agency

Component 2 will be implemented in dialogue and alignment with FIP Project Forest Governance and Livelihoods Diversification, channeled by the World Bank, implemented by the national government, specifically on Components 2.1 and 2.2 for improving sustainable livelihoods related to forests.

Component 3: Project Administration, Monitoring, and Evaluation (around US\$ 600,000). This component would finance operation costs of the NEA to (i) carry out coordination, supervision, and project management; (ii) provide technical assistance for implementation of Component 1 of the Project; (iii) manage the Environmental and Social Standards -ESS; (iv) project report, monitoring and evaluation; (v) provide support on procurement, financial management, coordination, ESS management at the level of subprojects. The NEA would be responsible for coordinating project implementation with the National Steering Committee (NSC) composed by representatives of the three IPCL third-level networks.



Environmental and Social Standards Relevance

E. Relevant Standards

ESS Standards

Relevance

ESS 1	Assessment and Management of Environmental and Social Risks and Impacts	Relevant
ESS 10	Stakeholder Engagement and Information Disclosure	Relevant
ESS 2	Labor and Working Conditions	Relevant
ESS 3	Resource Efficiency and Pollution Prevention and Management	Relevant
ESS 4	Community Health and Safety	Relevant
ESS 5	Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Relevant
ESS 6	Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
ESS 7	Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Relevant
ESS 8	Cultural Heritage	Relevant
ESS 9	Financial Intermediaries	Not Currently Relevant

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Legal Operational Policies

Safeguard Policies

Triggered

Explanation (Optional)

Projects on International Waterways OP 7.50

Yes

Projects in Disputed Areas OP 7.60

No

Summary of Screening of Environmental and Social Risks and Impacts

The project will mostly generate positive social and environmental impacts, since proposed activities will promote sustainable management of natural resources, including forests in areas where local and indigenous communities depend on these resources to sustain these livelihoods. However, as project activities will be carried out in the vicinity of forested areas or natural habitats certain adverse impacts may be induced, which will in turn require ESF attention. The associated impacts could pertain to biodiversity, forests, soil erosion and landslides/slope stability, health and safety, use of pesticides, indigenous peoples, and cultural heritage. The Environment and Social Management Framework (ESMF), to be prepared, will address all this aspects.



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Borrower/Client/Recipient

Borrower : Recipient to be determined

Implementing Agencies

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