



Appraisal Environmental and Social Review Summary  
Appraisal Stage  
**(ESRS Appraisal Stage)**

Date Prepared/Updated: 10/07/2020 | Report No: XXXXXXXXXX

**BASIC INFORMATION****A. Basic Project Data**

Country	Region	Project ID	Parent Project ID (if any)
Guatemala	LATIN AMERICA AND CARIBBEAN	P167132	
Project Name	Emission Reduction Program (ERP) Guatemala		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
ENB	Investment Project Financing	November 2020	NA
Borrower(s)	Implementing Agency(ies)		
Financial Ministry (MINFIN)	Environmental Ministry (MARN)		

## Proposed Development Objective(s)

**The objective of the proposed carbon finance transaction is** to reduce environmental degradation and carbon emissions through incentive payments for actions that result in reduced deforestation and land degradation in 92% of the Guatemalan territory, through verified emission reductions (ER) transparently distributed among relevant stakeholders according to a benefit sharing plan.

Financing (in USD Million)	Amount
Total Project Cost	52.5

**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]**

1. **This Appraisal ESRS is for a proposed Carbon Finance Transaction** for the delivery of and payment for ERs between the Republic of Guatemala, represented by the Ministry of Public Finances (MINFIN) as the Program Entity, and the World Bank as Trustee of the Forest Carbon Partnership Facility's (FCPF's) Carbon Fund (CF). The Carbon Finance Transaction focuses on verifying ERs that would be produced through an underlying ER Program and distributing the associated results-base finance, in accordance with a Benefit-Sharing Plan (BSP).



2. **The Guatemala's ER Program leverages and combines multiple sources of financial support from internationally funded projects and public budget to Reduce Deforestation and forest Degradation -REDD+** (e.g., improved forest governance, and forest conservation). The CF Transaction does not involve the direct financing of these underlying activities included in Guatemala's ER Program. The results-based payments provided for ERs, however, will provide complementary financing that will be reinvested to support implementation of Guatemala's ER Program activities. The monitoring and verification of ERs follows a clear framework and methodological requirements stipulated by the Carbon Fund and forms the basis for the components of this CF transaction as described below.
3. **Guatemala is richly endowed with forests and natural resources and biological and cultural diversity.** Guatemala has a diverse topography and tropical climate that allow for remarkable biodiversity. Forests cover 34 percent (3.7 million ha) of the country, and include coniferous, broad-leaved tropical forests, mixed upland forests, dry forests, and mangroves<sup>iii</sup>. Guatemala is recognized as a megadiverse country with at least seven distinct biomes<sup>iv</sup>, and within Central America has the highest percentage of endemic species (13 percent) found nowhere else on earth.<sup>iv</sup> Around 52 percent of forests (and 32 percent of the country) are found within protected areas<sup>v</sup>, which include national parks, biosphere reserves, multiple-use areas, watershed protection zones, as well as municipal and private reserves<sup>vi</sup>.
4. **Despite their tremendous socio-economic and environmental value, forests in Guatemala are experiencing rapid loss and degradation.** From 2001 to 2016, forests in Guatemala were lost at an average rate of 32,000 hectares (1 percent) per year; over two-thirds (68 percent) of deforestation has occurred in the northern lowlands region—including Petén, Quiché, and Alta Verapaz—but with significant deforestation also seen in humid eastern watersheds of the Sarstún and Motagua rivers (11 percent) and in the western highlands (12 percent)<sup>vii</sup>. Direct drivers of deforestation include conversion to extensive livestock pasture (35 percent); cultivation of staple crops (31 percent); the expansion of coffee, cardamom, and rubber cultivation (24 percent); oil palm (4 percent); and expansion of urban areas and infrastructure (4 percent)<sup>viii</sup>. Drivers of forest degradation include unsustainable fuelwood harvesting (half of fuelwood is harvested from natural forests<sup>ix</sup>), illegal logging, land grabbing within protected areas, and fires used to prepare areas for agriculture and livestock<sup>x</sup>.
5. **The administration of forests in Guatemala is shared between two national institutions, focused on forests located within and outside of protected areas.** The Forest Act in 1989 established the Guatemalan System of Protected Areas (SIGAP) and the National Council of Protected Areas (CONAP). SIGAP comprises 340 protected areas covering 4.1 million hectares (38 percent of the country) and includes 52 percent of Guatemala's forests. For forests outside of protected areas, the 1996 Forest Law established the National Forest Institute (INAB), which administers several programs to support forestry production and conservation activities. These include: PINFOR for landowners (from 1996-2016); PINPEP for small possessors of public forest lands; and since 2015, PROBOSQUE, the successor to PINFOR, which is directed to municipalities, Indigenous communities, associations, the private sector, and landowners. The Ministry of Environment and Natural Resources (MARN) has the role of overseeing, regulating, and implementing the nation's environmental policies on conservation, protection, sustainability, climate change, watersheds, and the relationship to human health. The Ministry of Agriculture, Livestock, and Food (MAGA) oversees and implements national policies and support programs for agricultural production, fishing, and forestry. Given the overlapping footprints and jurisdiction of these national institutions, inter-institutional coordination is critical to supporting improved forest governance.
6. **Outside of protected areas, Guatemala has significant experience and lessons on improving forest governance and management while supporting rural livelihoods.** Guatemala has recognized models of customary forest management in the western highlands, and small cooperative forestry enterprises in Alta Verapaz carried out on private and municipal lands. As an institution, INAB has driven significant public and private forestry investment: from 1996-2016, PINFOR provided US\$260 million (76 percent of its budget) for plantation forestry and US\$82 million to support conservation and management of natural forests. PINFOR benefited 880,839 people (30



percent women), contributed to the restoration and management of 383,568 hectares, and generated 5,500 jobs per year. PINPEP to-date has supported restoration and forest management on 124,192 hectares to the benefit of 215,000 people (30 percent women and 57 percent Indigenous) and has generated more than 3.1 million workdays. In 2017 and 2018, PROBOSQUE supported restoration and forest management on 158,628 hectares and benefited 193,364 people directly and indirectly.

7. **Forests and rural livelihoods form a central part of Guatemala's national strategy to address climate change.** Guatemala has developed a comprehensive strategy to reduce emissions from deforestation and forest degradation, which contribute 57 percent of the country's greenhouse gas emissions. The strategy includes several complementary lines of action, including: strengthening forest governance; protection and conservation of natural forests; supporting forest restoration, reforestation, agroforestry systems, and other improved agricultural practices; supporting sustainable use of fuelwood; and improving competitiveness of value chains to increase income from forest-related products that support forest conservation. Complementary to this strategy, the four major land use institutions—MARN, INAB, CONAP, and MAGA—have each developed a strategy to help reduce greenhouse gas emissions from land use while improving rural livelihoods, incomes, and adaptation to the impacts of climate change<sup>xi</sup>.
8. **The national REDD+ strategy embraces existing REDD+ projects, recognizing their significant contribution to knowledge, especially on proving the successful integration of local communities in these types of projects.** Currently, three REDD+ projects have been certified under the Voluntary Carbon Standard (VCS)<sup>xii</sup> and the Community, Climate, and Biodiversity Standard<sup>xiii</sup>. In 2011, the GoG created the Interinstitutional Coordination Group (ICG) to harmonize policy actions of MARN, MAGA, INAB, and CONAP. The GCI coordinates with the Group of REDD+ Projects Implementers (GIREDD).
9. The ER Program's Carbon Finance Transaction has two components: (1) ER Verification – verification of and payment for measured and reported ERs generated by the Government's ER Program; and (2) Benefit Sharing – distribution of the ERPA payments according to a BSP.
10. **Component (1): ER Verification.** The objective of this component is to verify the ER Program's performance in reducing emissions. The component provides results-based payments for reduced emissions from land use change. ERs are expected to result from implementation of the underlying activities of the ER Program (the activities described in the Emission Reductions Program Document -ERPD) that are expected to ultimately generate ERs), which will support a combination of enabling conditions and forest sector activities. These activities are organized along five inter-related, strategic lines of action that respond in an integrated fashion to different conditions and drivers of deforestation and include: 1) forest governance strengthening; 2) Forest conservation, protection and sustainable forest management; 3) Forest landscape restoration and forest regeneration; and 4) Reduction of unsustainable use of firewood; and 5) Promote competitiveness and legal development of the value chain of forest products and by-products.
11. **Component (2): Benefit Sharing.** The revenue from ER payments would be shared according to an agreed BSP, that is being designed in accordance with the criteria in the Carbon Fund Methodological Framework and in a manner that is acceptable to the World Bank. The draft BSP foresees benefit distribution proportional to the contribution of each beneficiary or group of beneficiaries to the generation of emissions reductions and carbon sequestration for which the GoG would receive results-based payments. In the development of benefit sharing arrangements, the Government would consider the most effective way to reach the diverse group of stakeholders that are likely to contribute most directly to reducing emissions, ways to incentivize these stakeholders, and recognition of historical and continued sustainable land use. Given these considerations and recent consultations on the BSP, priority beneficiaries would be landholders or land possessors, communities, associations, cooperatives, enterprises, REDD+ Projects, Municipalities, and government institutions. The decisions on the distribution of such resources would be taken with the participation of representatives of key



stakeholders in equal conditions. Benefits would take the form of monetary and non-monetary, depending on the type of beneficiaries.

### D. Environmental and Social Overview

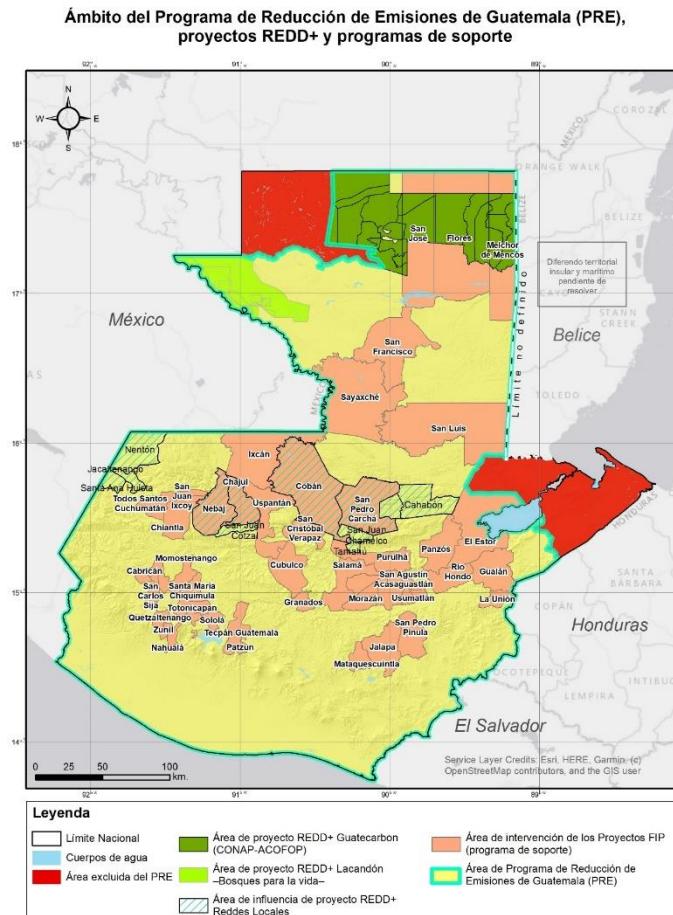
#### D.1. Project location(s) and salient characteristics relevant to the ES assessment [geographic, environmental, social]

**Location:** Guatemala's ERP has a subnational approach, nearly covering the whole country. According to the 2016 vegetation cover and land use map (GIMBUT, 2018) the Guatemalan territory has 31% of forests and natural environments (forests, shrublands and areas with little to no vegetation). The most recent forest cover survey in the country (2016) points out to 3,389,692.91 ha of forest, with a total deforestation of 325,065.32 ha between 2006 and 2016, i.e. an annual loss of 32,506.53 ha. The increase of forest land through plantation forestry was 28,766.84 ha, or 2,876.68 ha per year. Forest cover is divided into different types of forests, of which 25.52% is broadleaved, 4.84% is mixed, 2.76% coniferous and the rest is either dry forests, mangrove forests, wetlands, planted forests and scattered-trees forests (INAB-CONAP, 2015). Most broadleaved forests are primary or old-growth. As for coniferous and mixed forests, most are secondary forests. Primary or old-growth coniferous forests are very scarce. (FAO/INAB, 2003).

The map shows three early REDD+ Projects (Guatecarbon, Lacandón y Reddes Locales) and the Rest of the Area. Inside the "Rest of the Area" there will be three types of REDD+ Initiatives, as follows:

1. INAB-certified Mechanisms for the Compensation of Ecosystem and Environmental Services (MCEEs). The exact location of these MCEEs is yet to be defined. INAB has identified priority municipalities to develop these mechanisms. INAB is planning to make a call to develop MCEEs within the identified priority areas. The map highlights the beneficiary municipalities of the Forest Investment Program (FIP), which would likely be selected to implement the MCEEs, given that they would have the financial support required to generate ERs.
2. New REDD+ Projects to be certified by the VERRA-Voluntary Carbon Standard (VCS). At the moment one project has been identified, but it is still in early stages of preparation.
3. Program 31 activities to reduce GHG emissions within the Guatemalan Protected Area System (SIGAP). The National Protected Area Commission is still identifying the State Lands within the SIGAP where these Program 31 Concessions would be implemented.

**Environmental context:** Isolation due to mountain chains and some dry intermountain valleys, which serve as a physical barrier to species in Guatemala, gives a high level of biodiversity (CONAP, 2008). In terms of ecosystem services, Guatemala has at least 12 species of beans, three of which are endemic (*Phaseolus persistentus*, *Phaseolus macrolepis*, and *Phaseolus dumosus*). The same goes for corn species. Of the 14 varieties reported in Central America, only one is not located in Guatemala, which gives it the status of a center of convergence and divergence of species.





Guatemala has 192 species of terrestrial mammals. Considering only the species of birds with reproduction in Guatemala, 370 species have been documented, and the presence of 116 additional species is considered possible; a total of 486 species. Other groups such as reptiles and amphibians are highly diverse and endemic. Illegal trafficking and the clandestine use and trade of wild flora and fauna constitute a serious threat to biodiversity, due to the weakness and lack of institutional capacity for its control. By protecting biodiversity, Guatemala has specific laws that protect natural and critical habitats, Decreto numero 4-98, which inter alia assigns to the National Council of Protected Areas (CONAP), shall draw up annual lists of species of Guatemala's wild fauna and flora, threatened with extinction. CONAP registers in its website 341 protected areas, totaling 4,171,980.43 ha, classified into: national parks, biotope biological reserves, natural monuments, cultural monuments, historic parks, multiple use reserves, forest reserves, springs, wildlife refuges, natural recreational areas, regional parks, scenic routes and pathways , private nature reserves. As in other Mesoamerican countries Guatemalan biodiversity suffers pressures and threats. In addition to the natural and global threats as effects of the El Niño and La Niña phenomenon among the anthropogenic ones stands out: soil erosion, deforestation, pollution, legal felling and illegal, forest fires, introduction of invasive alien species, trafficking of illegal wildlife and the advancement of the agricultural and livestock frontier (CONAP, 2008). The protected areas also suffer anthropogenic pressure. The advance of the agricultural frontier threatens the National Park Sierra de Lacandón, Laguna del Tigre, the Buffer Zone and part of the Multiple Use Zone included in the route from the municipal capital of San Andrés to the community of Carmelita.

**Social context:** Guatemala is a multilingual country, with a total of 25 languages (Mayan, Xinca, Garífuna, Spanish, and others). The ER Program, given that it is nearly nation-wide, includes areas with Indigenous Peoples: some states with up to 20% presence of IPs, some with around 2%. Guatemala has not adopted legislation nor a mechanism for the adjudication of the rights of indigenous peoples to lands, territories and natural resources. Local indigenous actors directly involved in forest management, forest governance and forestry projects, whose roles were identified in a stakeholder analysis, are community forestry networks (for example: ANOFC, ACOFOP, FEDERAFOGUA, PINPEP Beneficiary Network, Utz Ché), municipal offices that support forest administration and women's participation (for example: Municipal Forestry Offices, Municipal Environmental Units, Municipal Women's Departments), regional or local organizations that influence the management of forest resources (for example: FUNDALACHUÁ, ASORECH, ASOCUCH) and which are important for representing local indigenous and non-indigenous actors linked to forest management and forest governance; representatives of groups of women and young people who manage or influence the management of forest resources (for example: AMCO), environmental NGOs (for example: FDN, Calmecac), as well as universities and other academic centers (for example: CECON). The implemented agency integrated these stakeholders into the consultation processes.

Guatemala faces challenges regarding inequality in land distribution and historical land conflicts, which give rise to latent social conflicts, including violence against indigenous leaders and environmental activists. However, in the last two decades, important institutional efforts have been made to alleviate this problem. The country has identified around 1,577,124 ha of communal lands throughout the country (approximately 15,771 km<sup>2</sup>), which corresponds to 12% of the country's surface. Support programs for land recognition and titling, forest incentive programs such as PINPEP and PROFOR, as well as concessions in the protected areas of the Maya Biosphere Reserve are all examples of actions that have restored historic land property rights to local and indigenous communities and that are directly or indirectly linked to the ERP.

Poverty, measured at the upper middle-income class line (US\$5.5 per person per day in 2011), increased between 2006 and 2014 from 43.4 to 48.8 percent, adding almost 2 million people into poverty. Extreme poverty (having less than US\$1.9 per person per day) affected 8.7 percent of the population in 2014, almost half a million more people than in 2000. Inequalities persist across geographical areas and among ethnic groups, with Indigenous Peoples continuing to be particularly disadvantaged. Around 40 per cent of indigenous peoples live in extreme poverty and more than half of all indigenous children are malnourished.

**Underlying activities:** The ERP is an umbrella Program comprising several ongoing underlying activities (6 in total),



which are financed by the World Bank (WB), other MDBs, private sectors, government, and bilateral donors.

Regarding the safeguards approach, three of these activities, which are the ones financed by the WB (FIP2) or other international donors (IADB: FIP1 and 3) have been designed with the application of a safeguards framework. Furthermore, the REDD+ projects have been certified under the Voluntary Carbon Standard (VCS) and the Community, Climate, and Biodiversity Standard. These three activities will apply the OPs or the IADB safeguards standards, while the other underlying activities will apply the ESF instruments. The Emission Reduction Program considered the safeguards management of the different programs under the ERP and developed an Environmental and Social Management Framework (ESMF and its annexes: IPPF, PF, RPF, LMP, SEP, and management plans), aligned with the World Bank's Environmental and Social Standards (ESS), that is mandatory for all projects that comprise the ERP. In order to ensure that participating institutions have the necessary capacity for the ESMF implementation, the Environmental and Social Commitment Plan (ESCP) of the ERP foresees the implementation of a series of initiatives to strengthen the capacity of participating agencies and their professional teams in the implementation of the actions and procedures contemplated in this ESMF. These actions will start from the signing of the ERPA and will be maintained throughout the implementation of the ERP and are introduced in the ESCP.

The Program has the flexibility to include new activities during implementation, i.e., after ERPA signing. Consequences for the safeguards approach and capacity building needs will be further analyzed during the due diligence of any new ER initiatives. If due diligence on the activities reveal that an activity is not consistent with safeguard instruments and unwilling to comply, such an activity would need to be either retrofitted or excluded from the ER Program.

#### D. 2. Borrower's Institutional Capacity

The ERP will be implemented within the current ENREDD+ governance framework by the Interinstitutional Coordination Group (ICG), composed of four institutions in charge of forests and natural resources: The Ministry of Environment and Natural Resources (MARN), the Ministry of Agriculture, Livestock and Food Supply (MAGA), the National Forestry Institute (INAB) and the National Council of Protected Areas (CONAP). This coordination entity will further be referred to as Program Entity. INAB will take the lead in safeguards supervision and ensuring the compliance of the underlying activities with the E&S documents and the ESCP. The ICG, led by INAB, will be reporting on safeguards to the World Bank and at a national level. Staffing and budgeting needs for a technical safeguards team, but also the other ICG members, is integrated in the ESMF, including human and technical resources necessary considering the size and scale of the accounting areas and especially for areas that fall outside of programs with donor or Bank support.

The Government of Guatemala is developing the “national safeguards system” (NSS) for managing safeguards across the Program area, at a national level (finalized by autumn 2020). The supervision of the ERP will be done through this national safeguards system (NSS) and reported through the Safeguards Information System (SIS). The overall NSS relies on existing instruments, instruments under development, and on the national legal and policy framework. It comprises the following 4 processes: 1) Since 2012, Guatemala, in collaboration with IADB, produced a variety of safeguards documents during REDD Readiness and FIP design. These include the National Safeguards Approach Document, an analysis of Policies and Governance approaches and how these can be linked to REDD+ implementation, a SESA, an ESMF, and a GRM guidance note for REDD Readiness. The SESA includes a gap analysis, a legal analysis and recommendations for action, and was consulted with a wide variety of stakeholders (190 people in four regions). 2) Process for the design and implementation of the Safeguards Information System (SIS), a tool for monitoring compliance with REDD+ safeguards. The SIS needs to be designed, tested, evaluated, optimized, and formalized by autumn 2020. Institutional arrangements for the administration and management of the SIS are still being defined. 3) Processes for the participation and capacity strengthening of stakeholders through a multi-stakeholder Working Group on Safeguards. 4) Process of communication with the UNFCCC (last submission in 2016):



including communication on how the safeguards are being addressed by the reporting modalities agreed under the UNFCCC.

Even though Guatemala has had some forest policy success with community forestry and forest restoration over the past two decades, the institutions leading the supervision of the ERP have become weaker in their ability to enforce forest policy. While they retain some capacity to oversee environmental regulation (MARN), administer the forest incentives (INAB) and co-manage certain protected areas with grassroots organizations and NGOs (CONAP), they have resources and capacity limitations to counter the constant and growing pressure to forests coming from livestock grazing, subsistence agriculture, and poor governance, and to ensure appropriate forest monitoring and law enforcement.

The preparation of underlying activities (e.g., under FIP investments), as well as the Readiness process for the ER Program for Guatemala have revealed important capacity challenges in regard to safeguards implementation, the Grievance Redress Mechanism (GRM), as well as inter-institutional coordination and consultations with IPs. Furthermore, an analysis was done of (i) the new areas of substantive coverage of the World Bank's Environmental and Social Framework (ESF), as compared to the World Bank safeguards and the national/regional framework (particularly in relation to the 3 (of 6) underlying activities in the ERP area that have been developed considering only the national/regional framework); (ii) the ability of the technical REDD+ team to effectively manage the execution and operation of the Program in line with the objectives of the ESF, and (iii) its capacity to monitor and report on the preparation of any requisite safeguard instruments at the ER Program activity level. The analysis concluded that limited institutional capacity and financial resources underlie inadequate vertical and horizontal coordination of public policies; imperfect and incomplete allocation of rights to forest lands, land titling and zoning; the limited availability, dissemination, and use of information for decision making and land use planning; and the low level of monitoring, control, and enforcement of land and natural resource use. The capacity strengthening measures to be done after ERPA signing were reflected in the Environmental and Social Commitment Plan (ESCP) and budget was integrated both in some of the underlying activities (all FIP projects), as well as the ERP (cf ESCP).

The focus of the supervision responsibilities of the World Bank, as Trustee of the FCPF, will be on the performance of agreed safeguards systems, and not on supervising the safeguards aspects of all individual activities of an ER Program. Given the potentially vast geographic area of an ER Program, supervising activities beyond those financed by the Bank is not operationally practicable nor is it something for which the Bank can be held accountable. Thus, as was endorsed in December 2017 by the OESRC, the World Bank should retain the responsibility to determine that the safeguards systems developed by the Program Entity for an ER Program are designed and supported sufficiently to result in ER Program implementation that is consistent with World Bank standards. Specifically, the World Bank confirms, as part of appraisal of the ER Program, that the ESMF developed by the Program Entity for the ER Program meets the requirements of the World Bank ESF, and that the Program Entity has in place effective management systems to implement the ESMF.

In addition to self-reporting by the Program Entity and World Bank due diligence, ER Programs will be required to have independent third-party monitoring that is paid for by the FMT. The third-party monitoring would be separate from verification of emission reductions generated from the ER Program, and the World Bank, acting as Trustee, will review the information from third-party monitor, along with the self-reporting and verification report (verifying the volume of emission reductions generated) to determine whether or not to make the ER payments under the ERPA in whole or in part to the Program Entity. This third-party monitoring provides timely information to the Program Entity on any problems with implementing the ESMF and its annexes so that the Program Entity can take corrective actions, if needed. Second, third-party monitors provide information to the World Bank on systemic safeguard performance issues which may require changes in the management approach and/or additional financial or human resources needed by the Program Entity. In the event of non-compliance/ non-performance as evidenced through the self-



reporting or third-party monitoring, the World Bank, as Trustee, would have various remedies, including withholding of ERPA payments (in whole or in part) and termination of the ERPA; or, for projects (i.e., the FIP 2) where the World Bank is the financier, contractual remedies such as suspension, cancelation of financing for the underlying project or acceleration of loan repayment. Specific remedies to be exercised, if any, will be context specific and would depend on the nature and scope on non-compliance or non-performance.

## II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

### A. Environmental and Social Risk Classification (ESRC)

Substantial

#### Environmental Risk Rating

Substantial

The Project's Risk Rating is Substantial, with a downgrade from High since PCN.<sup>1</sup> The ERP is designed to support positive environmental outcomes of reduced deforestation and land degradation through purchase of emission reductions. The project relies on underlying activities that are not likely to generate a wide range of significant adverse risks and impacts on the environment. The risks and impacts themselves are mostly temporary, predictable and/or reversible. There is a low probability of serious adverse effects on the environment, and the effects of the Project on areas of high value or sensitivity are expected to be positive, given the focus on policy changes, small and medium-scale forestry, community-based natural resource projects, among other activities. Nevertheless, given the innovative and results-based nature of the instrument, scale of the area of program coverage, and the limited capacity of the Program Entity, it is classified as Substantial risk.

The potential adverse risks and impacts on the environment are related to the implementation of infrastructure such as the opening of new paths, the establishment of fences, forestry, agroforestry, reforestation, restoration of areas, community management and strengthening of selected natural resource-based value chains and sustainable production of local communities.

#### Social Risk Rating

Substantial

The Social Risk Rating is Substantial, with a downgrade from High since PCN.<sup>2</sup> The ER Program is not likely to cause significant negative impacts on human populations. Based on the analysis of the underlying activities of the ER Program, the ER Program is expected to have positive impacts on vulnerable and systematically excluded groups through better forest governance, more inclusive decision making of e.g., forest concessions, an increase in

<sup>1</sup> The Risk was initially graded as "High" risk classification, particularly given the large and country-wide scale, low capacity and weak enforcement, sensitive context concerning legacy issues around land tenure, competing interests and demands of different land holders and people without land title, illegal logging activities and risks related to indigenous peoples. During preparation, these risks have been mitigated through ESF instruments as stated in the ESRS, coupled with capacity building, a robust and inclusive BSP, consultations for the program and a buy-in from the communities as confirmed during the consultations.

<sup>2</sup> The Risk was initially graded as "High" risk classification, particularly given the large and country-wide scale, low capacity and weak enforcement, sensitive context concerning legacy issues around land tenure, competing interests and demands of different land holders and people without land title, illegal logging activities and risks related to indigenous peoples. During preparation, these risks have been mitigated through ESF instruments as stated in the ESRS, coupled with capacity building, a robust and inclusive BSP, consultations for the program and a buy-in from the communities as confirmed during the consultations.



employment and business opportunities due to the reduction of illicit forestry activities and the improvement of the livelihoods of people with small land holdings. Furthermore, the ERP activities will foster the adoption of sustainable and productive land-uses. It is also expected to enhance livelihoods through a more coordinated support from various public programs that would generate increased revenues from sustainable practices (agriculture and forestry), thus generating rural employment. Impacts on physical, cultural, and/or archeological sites, economic displacement, land acquisition or resettlement are considered minimal. Furthermore, during implementation, a strong focus will be put on the capacity building of the safeguards team of the implementing agency, which will foster the mainstreaming of social considerations, gender and inclusion throughout and after the life cycle of the underlying activities.

Despite the overall minimal direct social impacts of the underlying activities, the Social Risk is rated as Substantial at Appraisal, due to the following contextual factors: a) Guatemala has history in weak law enforcement related to forest management and challenges of illegal logging, which could negatively impact the implementation of the underlying activities and the safety of the workers, b) the project is very large in scale (basically nation-wide), c) the involved institutions have limited experience in safeguards supervision, d) the social context in Guatemala is sensitive from legacy issues around land tenure and land grabbing, coupled with competing interests and demands of different land holders and people without land title, illegal logging activities and elite capture, and e) while activities on disputed lands or land or natural resources with traditional or underlying customary use or occupation will be excluded, it will be important to continuously ensure the respect for indigenous territories, forms of traditional forest administration and to continuously include IPs and local communities into the decision-making processes.

Despite these above mentioned challenges, these risks can be addressed through the implementation of the ESMF and other safeguards instruments (IPPF, PF, RPF, LMP, SEP, plus a robust GRM). All documents are also gender-sensitive and mainstream GBV-prevention measures. Furthermore, a) the project will put a strong focus (e.g., through the underlying activities of the FIP) on law enforcement for forest management, b) the project has sufficient budget to supervise the activities through the NSS and report through the SIS, c) capacity has been extensively built through project design and will be continued to be strengthened after ERPA signing (cf. ESCP), d) the safeguards instruments include an exclusion list to avoid adverse impacts on land and natural resources subject to traditional ownership or under customary use or occupation and the implementation of underlying activities on disputed lands or land or natural resources with traditional or underlying customary use or occupation, or any other harmful activity on indigenous peoples (cf. Section 9 of the ESMF)<sup>3</sup>, and e) the ER Program has also developed a GRM through Readiness, which, through INAB, is already in place on a country level, which be strengthend and made regionally accessible once the ERPA is signed. It will contribute to mitigating, managing, and resolving potential or realized negative impacts and contribute to positive relations with local communities and other stakeholders. Furthermore, the ERP was developed through an in-depth stakeholder involvement process which involved nation-wide consultations of the ESMF and the other safeguards instruments. To further manage social risks, Guatemala shall implement the ERP through a participatory approach and apply beneficiary feedback mechanisms as defined in the SEP. This will help create timely feedback loops and ensure inclusion and active participation of beneficiaries from vulnerable groups in order to avoid any kind of discrimination. The risk of elite capture will be mitigated through the

<sup>3</sup> The ESMF and the Involuntary Resettlement Framework establish, among others, the following exclusion criteria for projects, subprojects and activities that cannot be financed under the Program: i) Activities in areas where eviction processes have occurred in the last 10 years., ii) Activities or subprojects that promote agrarian conflicts, such as granting project benefits in properties (farms) where property is not clearly defined, where there are border disagreements between territories (municipalities and / or communities) and / or between owners, among others., iii) Activities carried out in relation to the adjudication of disputed lands or land or natural resources with traditional or underlying customary use or occupation.



BSP, among other things, which requires REDD+ initiatives to develop their own benefit-sharing plans that adhere to the benefit-sharing principles defined under the Emission Reductions Program (See Section 2.3 of the BSP). One of these principles are transparency and social inclusion. Transparency includes decision making and management of funds. Implementers of REDD+ initiatives will have to make the sub-BSPs publicly available in a manner that is culturally appropriate. Also, beneficiaries of the BSP would be able to use the ERP FGRM to present grievances. A portion of the fixed costs associated to ERP implementation would be dedicated to finance the FGRM implementation.

Regarding risk management linked to the use of security forces, the ESMF determines that when the ERP projects and activities use direct or contracted workers to provide security and protect its personnel and property, the responsible entity will carry out an ex-ante risk assessment aligned with the requirements of ESS 4 and the Voluntary Principles on Security and Human Rights.

## **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:***

The Standard is relevant. The ER Program is expected to generate benefits for local communities through the adoption of sustainable and productive land uses, as well as significant positive impacts on forest conservation, as it aspires to tackle the main direct drivers of deforestation and forest degradation to promote emissions reductions. However, the specific underlying activities over which the overall ER strategy is based, pose potential direct and indirect social and environmental risks and impacts that can be mitigated and managed. Some negative environmental and social risks are identified such as: degradation of forests and natural ecosystems in neighboring municipalities due to improvements in forest monitoring and control, promotion of the use of invasive species, change of land use and deforestation due to expansion of the agricultural and livestock border in case the subprojects to be financed are not profitable or do not have adequate environmental management, contamination of water bodies due to an increase in the use of agrochemicals, and the potential effect of illegal activities in forests.

The Environmental and Social Screening during Concept Note stage identified that the ER Program's underlying activities will generate overall positive impacts related with landscape restoration and promote sustainable and resilient land use practices. However, there is an important contextual social risk associated with possible local social conflicts stemming from the distribution of the benefits of the Payments for Results/benefit sharing schemes. Furthermore, the social context in Guatemala is sensitive resulting from legacy issues around land tenure and land grabbing, coupled with competing interests and demands of different land holders and people without land title, and illegal logging activities. There are also risks identified related to legacy issues of restrictions for indigenous populations of traditional access to natural resources, and local social conflicts for distribution of the benefits of Payments for Environmental Services. In order to avoid the risk of displacement of emissions or increased conflicts in surrounding areas, specific mitigation actions are foreseen, such as the creation of community control and monitoring mechanisms, Master Plan in preparation of community socio-economic diagnoses, Institutional Strategic Plan (PEI) in force until 2027 and others. It is expected that the best practices in forest management will be incorporated into the projects already underway and those that will be in the accounting areas.

Guatemala carried out a full-scale Environmental and Social Assessment for the forest sector (2014-2017), as well as a SESA and ESMF for the National REDD+ Strategy. The ESMF analyzes the potential risks and impacts of the REDD+



actions and proposes management measures. Some risks and impacts are:

- Insufficient institutional management and execution capacity of the Government institutions. For this purpose, institutional strengthening actions have been incorporated in the Program;
- Political and community opposition. Mitigation responses are foreseen through activities of communication, community participation and engagement, during all stages of the project. Furthermore, inclusive consultations were held (cf. SEP);
- Risk of a promotion of activities that can encourage the conversion of natural forests to plantations or other. Mitigation measures are proposed to promote a line of work that encourages the use of natural forests as an emission reduction activity, involving SIGAP since it contains most of the country's natural forests;
- Carbon leakage effect which will be mitigated by the use of the leak identification framework applied throughout the national territory;
- Natural disasters and other contingencies, that demand prevention and mitigation measures as early warning systems and contingency plans; which will be mitigated with funding from an underlying activity (FIP) and an early warning system which will react to threats to forests, deforestation and degradation; and
- Limited participation of vulnerable groups such as indigenous peoples, communities linked to forest management, among others. This risk is going to be mitigated with the use of governance structures that allow the participation of vulnerable groups such as the Forestry Tables, the Network of Beneficiaries of PINPEP, the creation of the National Committee for Environmental and Social Safeguards with the participation of multiple actors, as stipulated in the SEP.

These risks can become impacts if they are not well identified and mitigated and if the Program Entity is not sufficiently trained in the implementation and supervision of the ESMF, or if enough resources to do so are not available. The ER Program's underlying activities will be safeguarded through an ESMF and other frameworks (RPF, IPPF, PF, etc.) whose supervision responsibility, for projects outside of Bank financing, lies with the Program Entity (see also the section on institutional capacity for more detail). Plans will be required for those underlying activities that pose specific risks and impacts related to the provisions of particular ESSs (under the premise that underlying activities not consistent with the ESMF will need to be either retrofitted or excluded from the ER Program). The ESMF and its annexes contain guidelines for the preparation of site-specific safeguards instruments during the ER Program implementation phase, which will be required for those underlying activities that pose specific risks and impacts related to the provisions of particular ESSs. The ESMF includes i) an exclusion list of high-risk activities, such as the introduction of invasive species in plantations, or the land titling over regional conservation areas; ii) a screening plan to identify, avoid and mitigate any potential negative environmental, health, safety, and social impacts on vulnerable populations and other stakeholders associated with underlying activities; iii) a process for categorizing, in terms of expected level of environmental and social risk, and assessing and safeguarding future potential underlying activities to be included under the ER Program; iv) good practices for potential activities such as community forestry, sustainable management of forest landscapes, guidelines for sustainable exploitation of timber and non-timber products, productive reconversion, national and international certification, value chain development, access to markets, and certification processes, as well as for the preservation of critical natural habitats sustained by these forests, inter alia.

The ESMF, RPF, IPPF, PF, SEP, ESCP and the ESMF-annexes (Pest Management Plan, Labor Management Plan, Biodiversity Action Plan, Cultural Heritage Management Guidelines) and the GRM have been consulted and disclosed in August 2019.<sup>4</sup> Feedback was integrated in the documents and included as annex into the SEP. The documents will

<sup>4</sup> The E&S instruments (ESMF, SEP, IPPF, RPF, PF and GRM) and the ER Program were then consulted in August 2019 in 6 participatory consultations that were held in Cobán, Río Hondo, Huehuetenango, Quetzaltenango, Santa Elena, Petén and



be finalized prior to ERPA signing and published on the government's and Bank's websites before appraisal. The ESMF and its annexes will be integrated into the "national safeguards system" to ensure ER Program implementation consistent with the World Bank's ESF (the system will sit with the Environment Ministry).

The ER Program has the flexibility to include activities during ER Program implementation. In this sense, the ESMF will include a process to screen/evaluate such activities to ensure that they will be implemented in a manner consistent with the environmental and social safeguard provisions of the document. If due diligence reveals that an underlying activity is not consistent with the E&S instruments, such an activity would need to be either retrofitted (in case of ongoing activities) or excluded from the ER Program. This level of due diligence is necessary to ensure that, at the time of ERPA signing, the ER Program only includes the ER Program activities that are consistent with the ESMF and other E&S instruments.

In addition, the Government of Guatemala has opted to include both emissions generated before the signing of the ERPA and afterwards. This means that the E&S instruments apply to all activities generating Emissions Reductions (ERs) during the defined period prior to ERPA signing as well as during project implementation. The ERs generated during the defined period prior to ERPA signing will be verified based on the submission of evidence by the Program Entity (INAB), in form and substance satisfactory to the Trustee, demonstrating that the ER Program measures that generated the said ERs were implemented in a manner consistent with the E&S instruments. The Program Entity will be required to provide evidence of E&S compliance in a report showcasing the management of environmental and social risks and impacts for all activities carried out in the defined period prior to ERPA signing and related directly to the Emissions Reduction Program. The report will also include capacity building measures, plans and GRM procedures. Any potential compliance gap identified by the report of the Program Entity or through the due diligence of the World Bank may be corrected through corrective measures and action plans, which must be implemented in a defined timeframe and completed prior to carrying out the monitoring and verification by the independent third party. In the event that any compliance gaps have not been adequately filled at the time of independent monitoring and verification, the emission reductions corresponding to the activities in question will not be counted.

#### **ESS10 Stakeholder Engagement and Information Disclosure**

This Standard is relevant. The Readiness phase implemented a broad and strong stakeholder engagement process. The ER Program and its related Stakeholder Engagement Plan (SEP) have been built upon this long-standing continuous engagement.

Given the nearly nation-wide reach of the ER Program, beneficiaries and stakeholders consulted and considered for the SEP include the regional governments and actors such as community groups, indigenous peoples, and small and medium-sized producers. Stakeholders also include private enterprises and NGOs that operate in the jurisdiction (. e.g., EcoMaderas, Productos Petén, Baren commercial), and whose actions contribute to the achievement of the ER Program's objectives, to the extent that they act through public-private alliances and/or public-private-communal alliances that help to promote low-emissions development. A stakeholder analysis identified entities that represent local indigenous and non-indigenous actors directly involved in forest management, forest governance and forestry projects, such as community forestry networks (for example: ANOFC, ACOFOP, FEDERAFOGUA, PINPEP Beneficiary Network, Utz Ché); municipal offices that support forest administration and women's participation (for example:

Guatemala City, with the participation of 199 representatives from 22 departments and different sectors (indigenous authorities and organizations, productive associations and cooperatives, community forestry networks, educational and academic organizations, local governments, commonwealths, women's and youth organizations, unions and private initiative companies, public bodies, non-governmental organizations in environmental matters and rural development).



Municipal Forestry Offices, Municipal Environmental Units, Municipal Women's Departments); regional or local organizations that influence the management of forest resources (for example: FUNDALACHUÁ, ASORECH, ASOCUCH) and which are important for representing local indigenous and non-indigenous actors linked to forest management and forest governance; representatives of groups of women and young people who manage or influence the management of forest resources (for example: AMCO), environmental NGOs (for example: FDN, FUNDAECO, Calmecac), as well as universities and other academic centers (for example: CECON, CUNOR). Furthermore, the SEP considers public institutions, including regional and central offices (e.g. INAB, CONAP, MARN, MAGA; these institutions participate as an institution and as representatives of the Inter-Institutional Coordination Group (GCI)); representative indigenous institutions and authorities; the National Association of Municipalities (ANAM) through its representatives and departmental offices; Groups of women and youth who manage or influence the management of forest resources (for example: AMCO, Ixiles Women's Network, AMPI, ASOMAYAS Tikal); and the justice sector linked to environmental issues.

Guatemala has drafted a Stakeholder Engagement Plan (SEP) that will accompany the ER Program's preparation and implementation phase. The drafted SEP and the other ERP instruments were consulted in August 2019. The main questions and concerns related to land tenure, the BSP, the functionality of the GRM and participation mechanisms in the ERP. Any questions were responded to, and concerns (e.g., on the accessibility of the GRM) discussed in the meetings. Feedback on the instruments or specific issues was integrated into the instruments.

Extensive consultations have taken place on the program as a whole. The Dialogue and Participation process with stakeholders involved a round of informative consultations and dialogues throughout 2019. 10 informative dialogues were held in 8 cities of the country, through which the participation of 662 attendees was reached (34.7% were women and 40% indigenous). At the same time, 8 workshops complemented these dialogues and fed into the safeguards instruments, reaching 55 stakeholder groups and 392 people in total. The E&S instruments (ESMF, SEP, IPPF, RPF, PF and GRM) and the ER Program were then consulted in August 2019<sup>5</sup>. 6 participatory consultations were held in Cobán, Río Hondo, Huehuetenango, Quetzaltenango, Santa Elena, Petén and Guatemala City, with the participation of 199 representatives from 22 departments and different sectors (indigenous authorities and organizations, productive associations and cooperatives, community forestry networks, educational and academic organizations, local governments, commonwealths, women's and youth organizations, unions and private initiative companies, public bodies, non-governmental organizations in environmental matters and rural development). Feedback, mainly on land tenure, the importance to introduce a strong GRM, as well as an exclusion list to not invest on disputed lands or land or natural resources with traditional or underlying customary use or occupation, was integrated in the documents (cf. Section 8 of the ESMF).

The stakeholder engagement process will continue throughout ER Program implementation as described in the SEP.

The ER Program has also developed a GRM through Readiness, which is already available through INAB, and will be strengthened and made regionally accessible after ERPA signature. It will contribute to mitigate, manage, and resolve potential or real negative impacts and contribute to positive relations with local communities and other stakeholders. The design of the GRM ensures agility, access, prompt response timeframes, and respect for confidentiality. The GRM, which will also handle GBV (incl. special handling procedures) and labor complaints, will be managed by INAB, and also be accessible and coordinated through the regional and departmental offices of INAB, MAGA, MARN and

<sup>5</sup> 13 August: Cobán; 14 August: Río Hondo; 19 August: Huehuetenango; 21 August: Quetzaltenango; 26 August: Santa Elena, Petén; 28 August: Guatemala City.



CONAP. From the moment a grievance, question or complaint is received until a resolution is issued, there shall elapse no more than 30 working days. A systematic process is followed that consists of five steps: i) Receipt and registration, ii) Investigation, iii) Selection of the approach for addressing the question or complaint, iv) Evaluation and Response, v) Monitoring.

## 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

This Standard is relevant, based on the underlying activities of the ER Program. Some activities related to forest or agroforestry management, as well as reforestation work, could pose risks to workers' health. Furthermore, associated risks are that personnel may suffer injuries and / or accidents due to an inappropriate work environment or conditions; entry of unauthorized personnel could cause accidents, robberies or vandalism; workers could be exposed to dust, fungus and mold during operations, as well as to dangerous products, including pesticides; climate events could pose threats to personnel; and that there could be risks of exclusion (discrimination and lack of equal opportunities), GBV, and related.

The ER Program for Guatemala will be implemented primarily by government staff from the Ministries (Finance, Environment, Forest, Protected Areas, Agriculture). In line with ESS2, where government civil servants are working in connection with the project, whether full-time or part-time, they will remain subject to the terms and conditions of their existing public sector employment agreement or arrangement, unless there is an effective legal transfer of their employment or engagement to the project. ESS2 applies to government civil servants related to the project in regard to provisions of paragraphs 17 to 20 (Protecting the Work Force) and paragraphs 24 to 30 (Occupational Health and Safety). These will be covered by the ESMF when project-related. At the same time, according to the available information, ER Program underlying activities include also small-scale community-based projects, and projects where most activities are carried out by contractors and subcontractors. In this sense, the ER Program and the underlying activities may encompass the hiring of different types of workers (direct workers, community-based labor, consultants). The number of workers is not known at this time. Foreign labor influx related impacts are not expected; a focus will be put to hire local workers when possible. In the case of community labor, the Program Entity will assess whether there is a risk of child labor or forced labor, identifying those risks consistent with paragraphs 17 to 20 of the ESF. Strong clauses against child labor were integrated into the ESMF and the LMP: for all labor purposes during the development of the Program, no forced labor will be used and the minimum age for hiring will be 18 years at the time of formalizing the contractual relationship.

The Government has drafted Labor Management Procedures (LMP) consistent with national legislation, ESS 2 and ILO conventions, including the recruitment and project job management procedure as well as risk mitigation to the risk mentioned above. A strong focus on the avoidance of child labor was integrated in the LMP, additional to a code of conduct. The LMP will serve as the basis for preparation of more specific Labor Management Plans as needed during implementation, applying any requirements that are relevant given the nature of the activity. This includes terms and conditions of employment, non-discrimination and equal opportunity, and the establishment of workers' organizations.

For complaints or claims related to working conditions within the framework of the ERP, the Grievance Redress Mechanism (GRM) developed for the Program will contain a specific tab or section referring to labor and working conditions.

The ER Program will promote transparency in terms and conditions of employment, nondiscrimination and equal opportunity where possible.

The LMP will be finalized before ERPA signing. During ERP implementation, the LMP will be revisited and updated as



required and as additional labor related risks or issues unfold.

#### **ESS3 Resource Efficiency and Pollution Prevention and Management**

The standard is relevant because the project promotes emission reduction. The ER Program aspires to tackle the main direct drivers of deforestation and forest degradation to promote emissions reductions. The achievement of the PDO will be measured against indicators which include the volume of CO<sub>2</sub> Emission Reductions measured and reported by the Program Entity, verified by a Third Party, and transferred to the FCPF Carbon Fund (tCO<sub>2</sub>e).

Additionally, some of its underlying activities may pose a risk of environmental pollution and degradation of natural resources (soil, water). These include commercial reforestation and commercial agroforestry, use of technologies, equipment, and inputs through technical assistance, implementation of community development plans and community forestry management systems, among others. These activities may generate environmental pollution and degradation by an inadequate: (i) use of pesticides and agrochemicals; (ii) consumption of water resources and consequent degradation of water quality and quantity (affecting users downstream); (iii) use of gas and oils for equipment; etc. The fact that these activities are likely to involve smallholders (less equipped to handle/manage potentially dangerous chemicals) makes it particularly important to include appropriate guidance and provisions in the ESMF. The ESMF also includes specific measures to prevent and mitigate the pollution of natural resources, mainly soil and water, when handling hydrocarbons (oil and gas) for equipment in forestry and agroforestry activities.

The ERP contains mainly underlying activities which support sustainable forestry activities. The ERP's ESMF stipulates that underlying activities will avoid the use of prohibited pesticides at the national level and those prohibited in the international lists that are applicable. An Integrated Pest Management Plan was already drafted as part of the ESMF to support the planning and pilot production activities. Substantial measures on training and provision of necessary equipment, including PPE, have been considered in the budgeting for ESMF/IPMP implementation.

#### **ESS4 Community Health and Safety**

This standard is relevant. The ESMF will consider the potential risks and impacts to community health and safety from ER Program implementation and operational stages and guide the development and implementation of specific safeguards instruments, including emergency plans, particularly in regard to emergencies from exposure to climate vulnerabilities (e.g., forestry fires, floods, and landslides) and man-made hazards (e.g., emergencies from exposure to pesticides and agrochemicals, and accidents due to unsafe use of equipment during forestry activities). To address these risks, the ESMF will include:

- (i) specific language on the prevention of incidents and accidents due to unsafe use of equipment and technology, including particularly training and capacity building measures.
- (ii) Specific language on non-discrimination and a harassment-free workplace.
- (iii) Core principles of ESS4 are considered in the Integrated Pest Management Plan described under ESS3.
- (iv) provisions on Emergency Responses related to climate disasters.
- (v) specific language on the prevention of violent encounters and accidents/fatalities during forestry supervision, an activity promoted under the ER Program's underlying activities.

There may be a need to improve accessibility to Program buildings and offices for the public. Some modifications may be necessary for facilitating access to program information and systems to people living with disabilities. A specific road safety plan and a specific gender-based violence (GBV) plan will not be necessary, as safety and GBV/harassment-related management measures are included in the ESMF (and annexes) and through the GRM. This includes a chapter on GBV in the ESMF, a code of conduct in the LMP and a GBV-sensitive GRM. Furthermore, GBV



capacity building, as well as awareness will be strengthened through trainings.

#### **ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement**

The standard is relevant. The ER Program is expected to lead to improved forest cover, maintain titling and sustainable forest management, and no expansion of the agricultural frontier. The ER Program will not finance large-scale physical infrastructure and is not expected to cause physical displacement to formal or informal occupants. No involuntary land taking or voluntary land donation will be financed. It is not expected that the ER program activities or the BSP could lead to loss of land and, as mentioned above, the Program excludes the implementation of activities in disputed lands or land or natural resources with traditional or underlying customary use or occupation. However, the ER Program underlying activities could lead to the reduction or restriction of access to legally designated parks and protected areas or the loss of economic assets from small construction works (mostly temporary in nature).

Decisions on any implemented activities will be sought through the participation of communities, Indigenous Peoples, and municipalities, and in case economic assets are lost temporarily or longer-term, it will be communicated on time and in an inclusive manner. However, there could be the case that for some community members, these arrangements might be involuntary. Thus, a Resettlement Policy Framework (RPF) and a Process Framework (PF) (in the case of reduction or restriction of access to legally designated parks and protected areas), were drafted and consulted.

RPF and PF outline the procedures the client will follow during ER Program implementation in order to define impacts covered under ESS 5, i.e. provide guidance on when and how to draft plans if necessary.

The RPF outlines the procedures the client will follow during the implementation of the underlying activities in order to clarify resettlement principles, Livelihood Restoration Plans, organizational arrangements, and design criteria to be applied in case of economic losses.

The following risks regarding involuntary resettlement were identified by the RPF:

- An update of regulations may result in restriction of access to natural resources, and may affect livelihoods and economic loss, especially for Indigenous Peoples and rural women.
- Strengthening forest monitoring may result in restriction of access to natural resources, and may affect livelihoods and cause economic loss, especially for Indigenous Peoples and rural women
- In order to take advantage of incentives and new mechanisms for distributing benefits, local authorities, municipal authorities and individuals may take over the land through the purchase of land from vulnerable people or move them and thus collect incentives.
- The protection of conservation areas can restrict access to resources, affect livelihoods and generate economic loss, including to natural resources traditionally used by (indigenous) women

The PF describes the process for resolving disputes relating to resource use restrictions that may arise between or among affected communities and appropriate due diligence processes will ensure that potential land disputes and customary tenure conflicts are identified, avoided and/or addressed.

Both frameworks (RPF and PF) take into consideration cultural knowledge and were consulted through the ERP participatory consultation processes. Feedback from the consultations was integrated into the PF and RPF.

Both instruments describe the process for resolving disputes that may arise between or among affected communities. Furthermore, both instruments include an exclusion list to avoid adverse impacts on land and natural



resources subject to traditional ownership or under customary use or occupation by IPs.

#### ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This standard is relevant because many of the activities support forest management and conservation, including in legally protected areas, natural and critical habitats. Some activities will focus on forests, their protection/management as well as community linkages and use of these resources and nontimber forest products. The ESMF assessed possible risks to natural and critical habitats to ensure that program activities carried out in these areas will be consistent with ESS6 guidelines. To address the mentioned risks, the ESMF includes:

- (i) A list of ineligible activities under the ER Program umbrella, including (particular relevant for this ESS):
  - (a) any activity that may produce adverse impacts on critical habitat (Classified with information available from GOG) in accordance with the criteria set out in ESS6; (b) the introduction and/or promotion of use of invasive species and/or non-native species (not currently established in the region) on reforestation and agroforestry activities. Where alien species are already established in the region, the underlying activities implementors will undertake diligence in not spreading them into areas in which they have not already become established; (c) land use change from non-disturbed forests (to be classified by structural parameters such as size, stratification, presence or absence of significant disturbances by specific studies already performed or mapped by MARENA), to plantations, agroforestry systems, and silvopastoral systems. These will be located on land that is already converted or highly degraded (excluding any land that has been converted in anticipation of the program);
- (ii) A screening plan for activities to identify potential negative impacts on biodiversity even from allowable activities.
- (iii) A process for categorizing (in terms of expected level of environmental risks and impacts), and assessing and safeguarding future potential underlying activities to be included under the ER Program. Underlying activities that pose adverse impacts over critical habitats will not be financed (ineligible activities).
- (iv) Procedures to determine the need for development of site-specific assessments and guide the implementation of safeguard measures, adequately applying the Mitigation Hierarchy and following GIIPs. Such measures include: guidelines for sustainable exploitation of timber and non-timber products and avoid overexploitation; measures for forest fire prevention and control practices; procedures for preventing hydrological changes and consequent impacts on water users downstream of the areas of intervention; measures to ensure that ensure that any activities undertaken in legally protected areas and areas of international recognized biodiversity importance are consistent with the area's protection status and and/or management and designation objectives; among others.
- (v) Activities to strengthen the relevant Government institutions (including monitoring, protection and enforcement), enhanced protected area management plans and the establishment of incentives for stakeholders to comply with this standard and the corresponding provisions are included in the ESMF.

Sustainable management of living natural resources: Since the ER Program's underlying activities involve primary production and harvesting of living natural resources, the Program Entity will assess the overall sustainability of these activities, as well as their potential impacts on habitats, biodiversity and communities (including cumulative impacts). In the case of small-scale forestry activities, these will follow principles of this ESS in regard to time-bound planning for achieving sustainable management. Regarding commercial forestry plantations, the Program Entity will ensure such operations are certified according ESS6 requirements. Projects must develop Forest Management Plans, endorsed by independent technicians, who are subsequently inspected and certified by INAB. Forest Management Plans are prepared based on the Guide for the Development of Master Plans and the Forest Manual. ESMF includes language on these requirements.



Primary producers: Underlying activities related to the establishment of plantations, agroforestry systems, and silvopastoral systems, may entail the purchase of plants, seeds or other products such as wood that are known to originate from areas where there is a risk of significant conversion or degradation of natural or critical habitats. The ESMF includes an evaluation of the systems and verification practices used by the primary suppliers (mainly nurseries). According to the obtained results, the Program Entity will establish systems and verification practices in line with requirements of Paragraph 38 of ESS6.

Guidelines for the development and implementation of Forest Management Plans (FMP) also take into account the requirements of ESS6, for both commercial and small scale activities, required for those specific underlying activities that include the promotion and development of forestry plantations, agroforestry systems, reforestation activities and community-based forest management for timber and non-timber products. Relative weak capacity was identified with institutions related to agricultural, forestry and natural resources activities and forest and natural resources conservation (MAGA, MARN, INAB, CONAP) and as well as municipalities. Therefore, the FMP aims to strengthen the institutions including through increased financing and human resources to be able to approve and supervise underlying programs adequately.

Activities included in the ERP are linked to the National Policy on Biological Diversity. REDD+ Projects carry out biodiversity monitoring prior to verification. The Forest Investment Program also includes, within its Budget, the development and updating of the country's biological diversity policy and strategy.

Guidelines for the development and implementation of a Biodiversity Action Plan were already drafted for those specific underlying activities that pose adverse residual impacts on natural and critical habitats and the biodiversity they support. The BAP will have a strong focus on the implementation of biodiversity offset measures where and as needed, in line with requirements of Paragraphs 15-18 of ESS6.

The activities and projects in Protected Areas under the ERP will comply with the Management Plans within the framework of the Protected Areas Master Plan, which contemplates the strengthening and conservation of the services provided by the ecosystem.

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

This standard is relevant as a large segment of the beneficiaries are expected to be indigenous peoples and local communities. The participation of the indigenous population is relevant in all ER Program actions, since they represent almost half of the population in the Program area. Their participation in actions to strengthen forest governance, monitoring, municipal strategies for forest development, firewood use, production, fire prevention, reduction of illegal logging is essential, since they play a primary role in the use and conservation of these resources. Their participation is also foreseen and considered elementary in the formulation and implementation of biodiversity conservation incentive programs, the effective management and administration of protected areas, the strengthening of the process of co-administration of protected areas and the forest concession process in protected areas, and in the conservation of resources in protected areas, given IP's close links with these resources for ceremonial activities and as livelihoods.

The Program and its underlying activities are expected to generate positive social impacts and benefits in the Linguistic Communities / Indigenous Peoples. In order to achieve this, the Program will ensure (a) a broad process of dialogues and open participation; (b) a direct approach by the Executors to the different Indigenous Authorities (and later the indigenous populations in the communities through General Assemblies) to socialize / inform about the Program (already ongoing); c) provide support and inclusion in the program without distinction of gender, race,



ethnicity, religion, socioeconomic status or other cause that implies discrimination; (d) ensure transparency in the granting of support; and (e) ensure full respect for social organization and internal decision making of each community.

Even so, the exclusion of indigenous communities could eventually occur if the Program does not consider issues such as: cultural adequacy of decision-making; respect and consideration for the cultural characteristics of indigenous peoples in terms of territory management and use of natural resources; culturally appropriate technical assistance and training methodologies.

The Indigenous Peoples Planning Framework (IPPF) which was prepared and consulted for this Project analyzes these risks, identifies the potential positive and negative impacts on IPs and provide recommendations on how to screen for them and avoid them, but also how to promote IP participation in ER Program and benefits. It contains specific guidelines on culturally adequate consultations/dialogues, as well as measures to ensure joint-planning, capacity building and culturally-inclusive implementation of activities, promoting equally distributed benefits for the population, including women and youth. In addition, the IPPF establishes guidelines and criteria for the preparation of Indigenous Peoples Plans (IPPs), to be drafted when required and during implementation once concrete activities require it. The IPPs will be developed in line with ESS7 and describe the specific actions, budgets, and indicators and will encourage inclusion of affected Indigenous Peoples and communities during their implementation.

The draft IPPF was consulted together with the other ER Program safeguards documents with IP communities, local communities and afro-descendants (called Garifuna) and their representatives to ensure communities' broad support to the ER Program. Feedback was integrated into the IPPF.

#### **ESS8 Cultural Heritage**

The Standard is relevant. While the impact on tangible or intangible cultural heritage is likely to be minimal as no large infrastructure or earth uncovering is expected, the ERP will focus on forestry activities, the improvement of livelihoods, and sustainable land management practices, which could uncover tangible chance finds. Underlying activities screening and procedures for chance finds, including sacred sites, were therefore considered through a Guideline on Cultural Heritage that was developed and aligned with ESS8. The Guideline on Cultural Heritage includes chance finds procedure and the following protection measures: a) perform archaeological and paleontological surveys prior to the start of the works.; b) train the personnel involved in all stages of the Program in local cultural aspects, importance of cultural heritage and its safeguarding, the recognition of the material evidence of the region and Chance Finds Procedures.

The Implementing Agency will place particular importance on ESS8 in the Petén department where several pre-Columbian archaeological sites can be found. If applicable, the Agency will scout the potential to develop low-impact community tourism and contribute to reducing poverty in rural areas.

#### **ESS9 Financial Intermediaries**

ESS9 is not relevant. The Project will not channel funds through a Financial Intermediary.

### **B.3 Other Relevant Project Risks**

No other relevant Project risk identified at Appraisal stage.



Should "Other Relevant Project Risks" be disclosable?

No

**C. Legal Operational Policies that Apply****OP 7.50 Projects on International Waterways**

No

The Project will not affect international waterways as defined in the Policy. Therefore, this Policy is not triggered.

**OP 7.60 Projects in Disputed Areas**

No

The Policy is not triggered because the Project will not be implemented in areas known to involve disputed areas.

**III. BORROWER'S ENVIRONMENTAL AND SOCIAL COMMITMENT PLAN (ESCP)**

DELIVERABLES against MEASURES AND ACTIONS IDENTIFIED				TIMELINE
The Program Entity has developed an ESMF, IPPF, PF, RPF, SEP and ESCP, which will safeguard the underlying activities under the ER Program umbrella, in line with the requirements of the Bank's ESF. All documents have been prepared, consulted and disclosed prior to WB appraisal (in draft <sup>6</sup> ) and will be finalized and re-published by ERPA signature.				
Table 1 below summarize the different assessments and safeguard instruments.				
<b>Table 1. Required Environmental and Social safeguards instruments</b>				
E&S safeguard assessments and instrument	Applicable Standard	Type of Document	Due date	Responsible
1 Environmental and Social Management Framework (ESMF)	All	Stand-alone, with subsequent annexes	Draft prepared and disclosed prior to Bank appraisal, and finalized before ERPA signature	Client
2 Integrated Pest Management Guidelines (IPM-Guidelines)	ESS 3	Annex to the ESMF	Draft prepared and disclosed prior to Bank appraisal and finalized before ERPA signing	Client
3 Guidelines for a Biodiversity Action Plan (BAP-Guidelines)	ESS 6	Annex to the ESMF	Draft prepared and disclosed prior to Bank appraisal and finalized before ERPA signing	Client
4 Guidelines for Labour Management Procedures (LMP-Guidelines), including code of conduct	ESS 2	Annex to the ESMF	Draft prepared and disclosed prior to Bank appraisal and finalized before ERPA signing	Client
6 Guidelines for Forest Management Plans, for both commercial and small-scale activities	ESS 6	Annex to the ESMF	Draft prepared and disclosed prior to Bank appraisal and finalized before ERPA signing	Client
7 Guideline on Cultural Heritage	ESS 8	Annex to the ESMF	Draft prepared and disclosed prior to Bank appraisal and finalized before ERPA signing	Client
8 Indigenous Peoples Planning Framework (with subsequent IPPs where necessary)	ESS7	Stand-alone	Draft prepared and disclosed prior to Bank appraisal and finalized before ERPA signature	Client
9 Resettlement Policy Framework (RPF)	ESS5	Stand-alone	Draft prepared and disclosed prior to Bank appraisal and finalized before ERPA signature	Client
10 Process Framework in case restriction of access to natural resources occurs	ESS5	Stand-alone	Draft prepared and disclosed prior to Bank appraisal and finalized before ERPA signature	Client

<sup>6</sup> <http://portal.inab.gob.gt/index.php/noticias/programa-inversion-forestal-fip>



				before ERPA signature.	
11	Stakeholder Engagement Plan (SEP)	ESS 10	Stand-alone	Draft prepared and disclosed prior to Bank appraisal and finalized before ERPA signature.	Client with WB
12	Capacity building program for MINAM, based on the results of the capacity assessment to be conducted by the Bank.		Stand-alone	During implementation as clarified in the ESCP (e.g., 6 months after ERPA signing etc.)	WB and/or third-party

The above-mentioned documents were developed and consulted. Final versions will be disclosed before ERPA signature.

### B.3. Reliance on Borrower's policy, legal and institutional framework, relevant to the Project risks and impacts

**Is this project being prepared for use of Borrower Framework?**

No

**Areas where "Use of Borrower Framework" is being considered:**

None

### III. WORLD BANK ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

**A. Is a common approach being considered?**

No

**Financing Partners**

n/a

### IV. WORLD BANK ES OVERSIGHT

Corporate advice/oversight will be provided by an Environmental and Social YES Standards Adviser (ESSA) during project preparation

### V. CONTACT POINTS

**World Bank**

Contact:	Philippe Dardel	Environmental Specialist	
Telephone No:	+12024735795	Email:	pdardel@worldbank.org

**Borrower/Client/Recipient**

**Implementing Agency(ies)**



Implementing Agency: INAB

## VI. FOR MORE INFORMATION CONTACT

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>

## VII. APPROVAL

Task Team Leader(s):

Zenia Salinas

<sup>i</sup> 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.

<sup>ii</sup> CONAP. Guatemala's Seven Biomes. Retrieved 22 March 2019 from <http://paisesmegadiversos.org/en/english-guatemalas-seven-biomes/>.

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

<sup>v</sup> MARN, 2017. National Strategy for the Approach of Deforestation and Degradation of Forests in Guatemala.

<sup>vi</sup> CONAP. October 2018. Public list of the Guatemalan System of Protected Areas. Retrieved 21 March 2019.

<http://www.conap.gob.gt/Documentos/SIGAP/Listado percent20SIGAP percent20P percentC3 percentBAblico percent20Octubre percent202018.xlsx>

<sup>vii</sup> Rosales, K and Michel, JM. (2019). Análisis regional de causas de la Deforestación/Degradación Forestal a partir de la base de datos obtenida con la herramienta Collect (Malla de 11,369 muestras a nivel nacional) para el periodo de estudio años 2001 a 2016. Unpublished study.

<sup>viii</sup> Ministerio de Ambiente y Recursos Naturales. (2017) National Strategy for the Approach of Deforestation and Degradation of Forests in Guatemala. <http://www.marn.gob.gt/Multimedios/10061.pdf>

<sup>ix</sup> Instituto Nacional de Bosques (INAB). 2015. Estrategia Nacional de Producción Sostenible y Uso Eficiente de Leña 2013 - 2014. Serie Institucional ES-002(2015). Guatemala. pp. 43. <http://www.usaid-cncg.org/estrategia-nacional-de-produccion-sostenible-y-uso-eficiente-de-leña-2013-2024/>

<sup>x</sup> Rosales, K and Michel, JM. (2019).

<sup>xi</sup> Estrategia Nacional para el Abordaje de la Deforestación y Degradación de los Bosques de Guatemala:

<http://www.marn.gob.gt/Multimedios/10060.pdf>

<sup>xii</sup> [https://www.vcsprojectdatabase.org/print.html#/projects\\_print/st /c GT/ss 0/so projectId/di DESC](https://www.vcsprojectdatabase.org/print.html#/projects_print/st /c GT/ss 0/so projectId/di DESC)

<sup>xiii</sup> <http://www.climate-standards.org/>