

<b>Template B - Request for an Extension of deadline for Project/Program Approval by the Subcommittee</b>			
1. Country/Region: <b>Guatemala</b>		2. CIF Project ID#: <b>XFIPDG213A</b>	
3. Source of Funding:	<b>FIP</b>	PPCR	SREP
4. Project/Program Title: <b>Dedicated Grant Mechanism (DGM) for Indigenous Peoples and Local Communities of Guatemala</b>			
5. Type of CIF Investment:	Public: x	Private	Mixed
6. Funding Request in million USD equivalent:	<i>Grant: \$4.5 million</i>		<i>Non-Grant:</i>
7. Implementing MDB(s): World Bank			
8. National Implementing Agency: to be confirmed			
9. MDB Focal Point and Project/Program Task Team Leader (TTL):	<i>Headquarters- Focal Point: Garo Batmanian/Meerim Shakirova</i>		<i>TTL: Zenia María Salinas Vallecillo, Dianna Pizarro</i>
10. Date of Project Approval:	<b>Original Approval date:</b> June 2019 <b>First extension approved to:</b> December 2019 <b>Second extension approved to:</b> June 2020		<b>New Proposed Date:</b> November 2020
11. Project/Program <i>(including proposed objectives and expected outcomes)</i> :  <p>The objectives of Guatemala's Forest Investment Plan are to strengthen the forest sector institutions, to promote sustainable forest management, and to promote governance and governability of protected areas and Indigenous Peoples and Local Communities (IPLCs') territories. It also seeks to encourage the diversification of IPLC's livelihoods and to improve their food security, through income-generation activities.</p> <p>The DGM Project would take advantage of the enabling conditions the Government will put in place through the US\$24 million Forest Investment Plan, organized into three projects currently under development. These projects are the US\$11.8 million Forest Governance and Livelihoods Diversification Project, channeled by the World Bank; the US\$9.7 million Sustainable Forest Management Project with the InterAmerican Development Bank (IADB); and the US\$1.5 million Green Guarantees for sustainable Landscapes, with IADB-LAB.</p> <p>The objective of the DGM Project is to strengthen the IPLCs' capacity to participate in sustainable forest and land management and to improve their livelihoods. The project has three components, as follows:</p>			

**Component 1: Strengthen IPLC's capacity and enabling conditions for the application of their traditional, indigenous, and local knowledge systems and practices of forest management (approximately US\$1.6 million).** This component consists of three sub-components. The first sub-component 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. The component 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, including land and forest tenure security, capacity building and knowledge management. The third sub-component would support participatory dialogues and engagement of IPLCs with public and private stakeholders in relation to forest and territorial managements.

- **Sub-component 1.1: Cultural land use planning and management for sustainable forest management (US\$700,000).** This sub-component would finance the systematization of traditional knowledge and cultural practices around the categorization of different areas of forests and natural resources, and based on these, prepare cultural land use plans (CLMPs) for forestry management. It would also support the implementation of these plans through a pilot Mechanism for the Compensation of Ecosystem and Environmental Services (MCEEs) that would compensate IPLCs for the ecosystem services achieved through the application of the CLMPs. If successful, the Pilot would serve to promote the recognition and adoption of CLMPs as mechanisms for forestry management accepted under public forestry incentive programs to access, in the future, national and international forest and climate change resources as well as inform and improve the implementation of existing government strategies for community and indigenous conservation and forest management.
- **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 populations.
- **Sub-component 1.3: Strengthen IPLC dialogue and engagement with external public and private institutions and actors on forest and climate change (US\$350,000).** This sub-component would aim to enhance the IPLCs' capacity to engage with and influence external stakeholders on issues important to strengthening their ability to participate in sustainable forest and territorial management.

**Component 2: Strengthen economic opportunities and livelihoods as incentives for sustainable forest and territorial management (approximately 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 small grants for sustainable livelihood alternatives, pre-investments for innovations in forest-related products, and the creation of community banks for financial inclusion of forest-dependent IPLC women.

- **Sub-component 2.1: Strengthen productive alternatives, innovation and financial inclusion to promote sustainable forest management and conservation (approximately US\$ 2.1 million).** This sub-component will support subgrants to IPLC organizations, associations and cooperatives, that: (i) generate viable economic alternatives to improve livelihoods while guaranteeing forest recovery and permanence; (ii) promote

shifts to sustainable land-use models; and/or (iii) support pre-investments (TA, exploratory economic and financial studies, equipment) for the development and commercialization of innovative non-timber forestry products with high economic potential, such as Ramon. Types of subprojects to support include ecotourism, productive investments in forest nurseries, sustainable fuelwood production, timber, non-timber forestry products, agroforestry, and agriculture. The National Executing Agency (NEA) will provide the necessary technical assistance for the design and implementation of these subprojects.

- The subcomponent would also support the technical assistance necessary to create community banks and build financial literacy for IPLC dependent communities, with a specific focus on IPLC women. Similar experiences in Central America demonstrate important results for Indigenous women regarding the economic empowerment that access to savings and micro-lending can have in regard to their agency and capacity to overcome urgent development needs.
- **Sub-component 2.2: Technical Assistance (approximately 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.

**Component 3: Project Administration, Monitoring and Evaluation (approximately US\$600,000).**

This project will finance the operative costs of the NEA to: (i) carry out Project coordination, management, and reporting; (ii) provide technical assistance for Project Component 1; (iii) ensure adequate environmental and social management; (iv) support the quality of design of subprojects, assess beneficiary capacity for subproject fiduciary and environmental and social management, supervise subproject implementation; ; (v) carry-out Project procurement and financial management; (vi) implement all Project related monitoring and evaluation and communications; and (vii) serve as the Secretariat and manage the operational costs of the National Steering Committee (NSC).

**12. Update on Project Preparation** *(describe in detail activities and consultations conducted during the IP preparation process and other relevant information related to finalizing the project design):*

- **Favorable political conditions for project design and implementation.** The new Government, which took office on January 14, 2020, confirmed its commitment to the forest and climate change plan initiated by the previous Government. Explicitly, on April 16, 2020, the Congress of the Republic approved the signing by the Ministry of Public Finance of the overarching Program to Reduce Emissions from Deforestation and Forest Degradation (REDD+), which provides strong political relevance to the FIP Projects, including the DGM, as they will contribute to achieving the REDD+ Program's goals.
- **NSC has been established.** The Committee is composed of five representatives of each of the three third level IPLC networks involved in forest and climate change in Guatemala. The networks are the National Alliance of Community Forestry Organizations of Guatemala (ANOFCEG), the Indigenous Peoples Roundtable on Climate Change (MICCG), and the National Network of Community Organizations Beneficiaries of the Forest Incentive Program for Possessors of Small Land Extensions Suitable for Forestry and Agroforestry – PINPEP- (Red del PINPEP). The NSC has nominated two focal points for each network, who have participated in all Bank missions (in-person and virtual) as well as almost weekly preparation meetings with the Bank since February 2020.

- **The NSC has developed internal regulations.** The NCS focal points and technical advisors, with the support of the Bank team, have prepared draft Statutes to regulate the roles and operating rules for the NSC as well as a Policy on Conflict of Interest and Confidentiality, prepared prior to initiating the NEA selection process and applicable to all Project-related decision-making processes.
- **Three technical advisors for the NSC have been hired.** With the Bank's support, the NSC conducted a robust nomination and competitive selection process to hire three technical advisors to support the NSC during project preparation. The role of the technical advisors is to work full-time together with the World Bank Team, the NSC, and other project consultants to advance project preparation and the NEA selection process. Together, the selected consultants cover a wide range of technical skills needed to provide adequate support to the NSC, including on technical, legal, economic, and social matters. This process served as an important learning experience for the NSC on the application of Bank rules for competitive selection processes, prior to initiating the NEA selection process.
- **The NEA selection process is undergoing.** With support from the World Bank and the technical advisors, the NCS carried out a highly participatory process to develop the necessary documentation to select the NEA. The package included the Terms of Reference for the NEA and the two-phase call for proposals, including evaluation and selection criteria. The NCS launched the call for expressions of interest on May 22, 2020, and with support from a specialized facilitator, carried out a 1.5-day meeting to select three candidate organizations in the shortlist (a total of six expressions of interest were submitted). On June 9, 2020, the NSC launched the second phase of the NEA selection process, requesting the short list to submit technical and financial proposals, which are due for submission by July 2, 2020. A detailed set of procedures and steps were included within the publication of the request for expressions of interest.
- **Coordination underway between the NSC and the GoG [Forest National Institute (INAB) and the Ministry of Public Finance (MINFIN)].** The NCS has met three times with the Government to: (i) introduce the Committee and the project concept; (ii) to present the NEA selection process and invite INAB to participate on the NSC as an Observer; and (iii) promote synergies, complementarity and coordination between the DGM and the FIP and ERP investment projects. These meetings have influenced critical project design decisions made by the NSC over the approach, geographic scope and type of DGM investments. The NSC has also documented this correspondence and decisions with the Government officially through written exchanges.
- **Project design is far advanced.** The project concept draws upon a robust field study carried out by a renowned anthropologist and lawyer hired in 2019 and supported by the three IPLC networks comprising the NSC. The report presented an in-depth analysis of the relationship between forest and Indigenous Peoples in Guatemala, including aspects such as land-and-forest resource tenure, as well as culturally based forest landscape management. The study also integrated information generated during the design process of the Forest Governance and Livelihoods Diversification FIP Project and the Guatemalan Emission Reductions Program. The study identified, in a participatory manner, eligible activities under the project, suitable sites to apply the Cultural Land Use Analysis Methodology under Subcomponent 1.1, and options to support economic inclusion and livelihood diversification. The report defined a draft results-framework, as well as an indicative timeline and budget for project implementation. On February 18, 2020, the NSC met to review and refine the project

concept. On April 7, 2020, the Bank approved the Project Concept and the Environmental and Safeguards Review Summary; and gave the green light to the Project Team to continue with project preparation.

- **Project area selection is undergoing.** The NSC generated detailed criteria to select 161 potential municipalities, based on the area of influence of the networks represented in the NSC. Considering the Bank's recommendation to improve project selectivity, the NSC is currently defining additional criteria to narrow and refine the project area.
- **Alternative analysis on project design.** The NSC originally proposed dedicating project resources to a revolving fund, seeking to ensure sustainability in the use of the funds and access to financial services that are critical for livelihood development. The NSC provided the Bank with examples of revolving funds managed by organizations that are not formal financial intermediaries. With support from the Finance, Competitiveness & Innovation Bank unit, the Project Team proposed to the NSC a narrow list of options to implement this subcomponent, including using the resources to improve the IPLCs' opportunities to benefit from the FIP Project Green Guaranties for Sustainable Landscapes managed by IADB-LAB; identify preferred financial intermediaries to handle the revolving fund; and/or establishing a grant fund that would target viable economic activities that promote financial inclusion. The NSC met with IADB-LAB to understand the abovementioned project and discussed with the World Bank the possibility to use non-financial intermediaries. Finally, the NCS decided on the third option.
- **Other inputs for project design are readily available.** Because the DGM project is aligned with the FIP projects and the REDD+ Program, the PAD will draw upon several pieces of information generated as part of the design of these projects. These include the economic analysis as well as the social and environmental analysis underpinning the safeguards instruments.

**13. Next Steps to Justify Request for an Extension and Ensure Approval by the New Target Date**  
(describe all activities to be completed during the extension)

The unprecedented circumstances related to COVID-19 negatively impacted the Bank and NSC's ability to comply with the timeline to present the project to the FIP Subcommittee by the third week of June 2020. The NSC and the Bank have made a considerable effort to participate in remote meetings, mobilize consultants as needed, and intensely push project preparation forward. However, the remote working conditions make field work impossible, and decisions much more difficult and cumbersome to reach- thus slowing progress compared with the original work plan. Working remotely poses challenges related to uneven access to technology or Internet connection by the members of the NSC. There is a need to have enough time to ensure adequate participation of the NSC in project design and the broader base of stakeholders in consultations. The extended timeline will allow the Bank and the NSC to integrate the selected NEA in the project design process and finalize critical design and appraisal processes, including assessment of the NEA's fiduciary capacity.

The below table shows the proposed next steps and realistic calendar to present the project to the FIP Subcommittee:

Activity	Approximate date
Complete the NEA selection process	Mid-July 2020

Complete project technical design and results framework	End-July 2020
E&S instruments in draft form	Mid-September 2020
Detailed design of implementation and fiduciary arrangements	Mid-September, 2020
Draft Operations Manual	End-September, 2020
Quality Enhancement Review	End-October 2020
Finalization and disclosure of E&S Instruments	Mid-November 2020
Submission to FIP Sub-Committee	End-November 2020
Board Approval	Mid-February 2021