



Analysis of Forest Financing in Guatemala

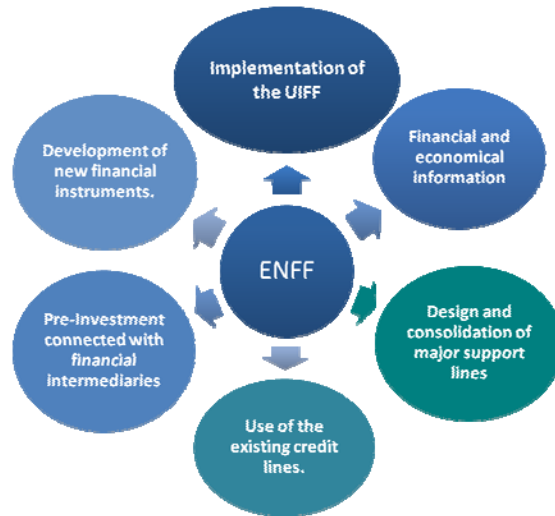
Prepared for UNFF Secretariat, Sept 2010

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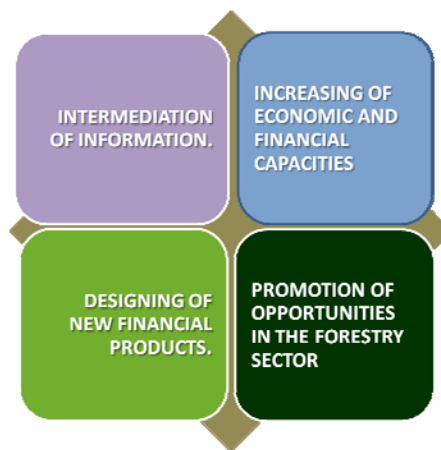
Analysis of policy frameworks and institutional structures for SFM and its financing in Guatemala



The National Strategy for Forestry Funding (ENFF)



Forestry Financial Intelligence Unit



Diagnostics of local and rural forest communities

- The National Alliance of Forestry Community Organizations of Guatemala (ANOFCEG),
- 11 second-level community organizations,
- Representatives of 427 organizations,
- 77,000 members,
- 388,000 indirect beneficiaries
- represents over 750,000 ha.
- 15% of the forestry coverage
- half of the communal forests.

Their substantive areas are:

- • Governance,
- • Financial mechanisms,
- • Competitiveness,
- • Organizational strengthening.



PINFOR (Program of Forestry Incentives)

- 1993-2009, 5,400 permanent annual employments Q11,000 for the generation of an employment per year.
- New rural employments, which are also multiplied inside the local economies.
- Investment value is estimated at 2009 prices, it shall be of Q893 mm, with a sale price at about Q1,900 mm, without the transformation process price.
- More than 90,000 ha reforested



PINPEP – Program of Incentives to small land owners with forest or agro forest vocation

The project covers 79 municipalities who are affected by the hunger and the poverty;
The total commitment of the PINPEP for the period 2006-2012 is Q90 mm, which Q63 mm were granted by The Netherlands, and the rest by the INAB.

Specific objectives

- To extend the participation of small owners of lands of forestry vocation.
- Gender equality in the managing of natural forests, and the establishment and maintenance of agro-forestry systems.
- Generate employment in the rural area.
- Strengthen the processes of participation of the local power .



Other programs and minor mechanisms

PPAFD - Direct Forestry Support Program:

Objective: the conservation of the natural forests located in strategic areas of the central and western high plane of the country. Managed by the MAGA.

- More than 3,000 sources of water have been protected, with the commitment of local authorities,
- 221 beneficiaries (67 municipalities, 72 communities and 82 individuals).
- Protects about 34,000 ha;
- Promotes the forests SFM production,
- Support to greenhouses and seeds for the plantations of trees.

MARN ,Mechanisms, Programs and Funds:

Leader in the fight against the desertification and the drought of the UNCC. In fact, the financial strategy of 2009 is the searching of funds and its mobilization to this action.

The MARN has funds for the REDD, among them are:

FOGUAMA - Guatemalan Fund of the Environment

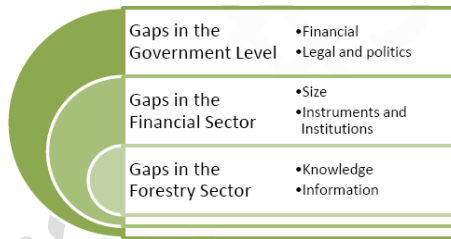
FONACOM – National Fund for the Conservation of Nature



Financial needs and gaps in the Sustainable Forests Management (SFM) in Guatemala



Gaps and Shortfalls in the Forestry Sector



Trade Balance	2007
Trade Balance Forest Products	(89,573)
Forest Products Imports (US\$)	176,633
Forest Products Exports (US\$)	87,060

Source: IARNA-URL

Forestry GDP	1991	2001	2002	2003	2004	2005	2006
Forest Sector % of GDP		2.50	2.77	3.10	2.75	2.60	2.58
Employment in forest and related areas	81,789	504,644	515,942	530,538	536,229	538,225	572,499

Source: IARNA_URL



- Guatemalan Financial Sector/Public Financing and their capabilities to fund forest

State Budget

Description	1996	1998	2000	2002	2003	2004	2005	2006	2007	2008	2009*	Average
Total	8,997.4	15,517.1	19,109.8	22,541.1	26,333.4	25,542.2	28,500.5	33,721.4	37,382.1	40,355.4	43,708.8	
Administrative	1,587.2	2,571.2	3,142.4	3,052.2	3,561.5	3,343.1	3,665.8	4,155.9	5,067.2	5,575.0	5,108.0	
Defense	1,077.9	1,476.3	2,177.8	2,364.3	2,788.7	2,169.2	2,205.2	2,525.1	2,725.3	3,097.5	3,476.4	
Social Service	3,772.9	7,132.9	8,734.1	11,444.0	13,153.9	13,342.8	15,770.3	17,876.2	18,915.4	20,702.6	24,826.5	
Environment	31.8	19.5	105.4	169.0	204.7	194.0	675.1	701.6	648.2	309.0	335.6	
Economic Service	1,493.8	2,976.1	3,224.5	3,411.3	4,563.0	4,085.7	3,935.9	5,981.8	6,782.7	6,954.4	5,923.8	
Agriculture	227.8	398.9	464.6	833.0	920.7	957.8	897.9	952.1	896.1	1,001.8	638.6	
Environment y/y Growth	-10.4%	-72.0%	177.4%	34.6%	21.1%	-5.2%	248.0%	3.9%	-7.6%	-52.3%	8.6%	41.4%
Agriculture y/y Growth	-10.1%	59.1%	-23.1%	-4.8%	10.5%	4.0%	-6.3%	6.0%	-5.9%	11.8%	-36.3%	11.1%
Total	12.8%	34.7%	2.0%	5.7%	16.8%	-3.0%	11.6%	18.3%	10.9%	8.0%	8.3%	13.3%
Environment % total	0.35%	0.13%	0.55%	0.75%	0.78%	0.76%	2.37%	2.08%	1.73%	0.77%	0.77%	0.9%
Agriculture % total	2.53%	2.57%	2.43%	3.70%	3.50%	3.75%	3.15%	2.82%	2.40%	2.48%	1.46%	2.9%

Fuente: MINFIN



The world financial crisis: its effects in the Guatemalan wood markets and long-term



A calculation of the financing needs in Guatemala for SFM

Millions of Quetzales

Year	Plantations Fiscal Incentives PINFOR	Plantations Fiscal Incentives PINPEP	Plantations Other	Natural Forest management	Knowledge & Scientific Promotion	Industrial Development	PES	INAB Budget	Annual Needs
2010	60	10	0	60	16	20	79	50	295
2011	60	15	10	62	19	22	79	55	322
2012	84	20	32	39	20	23	79	61	358
2013	84	25	96	53	21	27	79	67	452
2014	86	30	184	65	22	30	79	73	570
2015	87	35	183	79	24	33	79	81	600
2016	89	40	181	95	25	33	79	89	630
TOTAL	550	175	686	453	147	188	553	474	3,227



The implementation of the Non Legally Binding Instrument on all types of forests (NLBI) in Guatemala: Current Status and challenges



NLBI Actions (Source: NLBI UNFF)

1	Develop and/or update national forest programmes and strategies taking into account UNFF proposals	Inv	High	12	Integrate national forest programmes and strategies for SFM into national strategies for sustainable development	Budget	Low
2	Consider the 7 thematic elements for SFM as criteria and indicators	Inv	Med	14	Review, improve forest related legislation, strengthen forest law and promote good governance	Budget	Low
4	Develop and implement policies that encourage SFM and contribute to poverty reduction and development of rural communities	Inv	Low	15	Analyse the causes and address solutions to forest health and vitality from natural disasters and human activities	Budget	Low
8	Create enabling environments to encourage private sector investment, as well as investment by and involvement of local indigenous communities.	Inv	Low	16	Create, develop or expand and maintain networks of protected forest areas.	Budget	Med
9	Develop financing strategies that outline SFM and long term financial planning for SFM, taking into account domestic, private sector and foreign	Inv	Med	17	Assess the conditions and management effectiveness of existing protected areas	Budget	Low
10	Encourage recognition of the range of values derived from goods and services provided by all types of forests and trees outside forests	Inv	Low	18	Strengthen the contribution of science and research in advancing SFM by incorporating scientific expertise into policies and programmes	Budget	Low
11	Identify and implement measures to enhance cooperation and cross sectoral policy and programme coordination among sectors affecting and	Inv	Low	19	Promote the development and application of scientific and technological innovations	Budget	Low
13	Establish or strengthen partnerships, including public-private partnership, and joint programmes with stakeholders	Inv	Med	20	Promote and strengthen public understanding of the importance of the benefits provided by forests	Budget	Low
25	Enhance access by households, small scale forest owners, local communities and indigenous communities into diversification of income consistent with SFM	Inv	Low	21	Promote and encourage access to formal and informal education, extension and training programmes for SFM	Budget	Med
3	Promote the use of management tools to assess the impact on environment	Budget	Low	22	Support education, training and extension programmes involving local and indigenous communities, forest workers and forest owners.	Budget	Med
5	Promote efficient production and processing of forest products	Budget	Med	23	Promote active and effective participation by major groups, local communities, forest owners and other relevant stakeholders in the development, implementation and assessment of national policies, measures and programmes	Budget	Med
6	Support the protection and use of traditional forest related knowledge and practices in SFM	Budget	Med	24	Encourage the private sector, civil society organizations and women to develop, promote and implement voluntary instruments and certifications.	Budget	Low
7	Further develop and implement criteria and indicators for SFM	Budget	Low				



Recommendations: Areas, Issues and actions that Guatemala considers crucial for forest financing strategies



Improving Access to Forest

- i. Identification and contact of external funds.
- ii. Identification and contact of local funds.
- iii. Economic and Entrepreneurship Education to the Forestry Players.
- iv. Newsletter for the forestry and financial sector.
- v. Designing and implementing Credit and Financing Pilot programs.
 1. Pilot program to the micro and small scale forestry sector.
 2. Pilot program in nontraditional institutions: leasing, factoring.
 3. For the major projects, syndicated loans, carbon emission and trading, etc.
- vi. Long term financing is key, resolve and promote new mechanisms
 1. Eco Securitization
 2. Private forest funds
 3. Risk Mitigation Techniques



Some trends that should be considered to act on behalf

1. Increasing importance and use of certifications of forest products and origins.
2. Increasing use of carbon emission bonds and trading.
3. Increasing importance of the concept of SFM



Mobilization of resources

1. Promote a new PINFOR and the creation of the PINPEP as a national policy initiative with the commitment of funds.
2. Enable the INAB's Guarantee Fund. Elaborate the study and strategy to start using these funds.
3. Create an inventory of the funds of the International Cooperation to better focus.
 - Acknowledge the objectives of the key international organizations and adapt them into the environmental and forestry needs in Guatemala.
4. Press for changes in the discussion of public budget, specially to increase the forestry allocation. This is a lobby initiative, which needs to consider allies to this movement.
5. To evaluated or assess using the 25 actions that the NLBI recommend. The proposal is that the UIFF consider these actions as objectives to monitor them with clear indicators.
6. Propose green taxes.
7. Encourage private public alliances
8. Promote fiscal incentives.
9. Create funds and special mechanism or strengthen the existing for the PES.



Improve coordination and enable environment



Thank you

