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**Ministry of Environment and Natural Resources  
Climate Change Directorate  
Technical Opinion No. 003-2020 / DVACC / JWZZ-jv**

**Background information**

As a requirement of the Working Note N. 002243 reference SUBONU-754-2020 from the Vice Minister of Foreign Affairs Shirley Aguilar Barrera, who requests the inputs on Finance and Nature Based solutions, to be shared with her, it is state the following.

The Standing Committee on Finance of the United Nations Framework Convention on Climate Change prepares a Forum on Finance for Nature-Based solutions, considering that it will offer an opportunity to protect and restore natural ecosystems, while reducing the risk of adverse effects of climate change and mitigation. Taking advantage of including the gender and indigenous peoples perspective.

Guatemala has a natural and cultural wealth. It is among the 19 mega-diverse countries on the planet, with 33.7% of its territory with forest cover. Its native forests contribute significantly to the livelihoods of local populations. About a third of the national territory has been declared a protected area and has a wealth of ecosystem goods and services. The multicultural wealth of the country and the traditional and ancestral knowledge of its different peoples, establishes constitutes a potential for the NDC.

The Report on the Global Assessment Report on Biodiversity and Ecosystem Services of the Intergovernmental Scientific Normative Platform -IPBES- 2019, showcases evidence that human-induced changes, are creating the conditions for rapid biological evolution, so fast that its effects can be seen in a few years. The consequences for biodiversity and ecosystems can create uncertainty about the sustainability of species, the functions and benefits of ecosystems for people. That nature is essential for human existence and a high quality life. This plays a critical role in the provision of food, energy, medicines, genetic resources and a variety of goods and services that are essential for people's physical well-being and culture. The diversity of nature gives humanity the possibility to select alternatives towards unknown future.

The Ministry of Environment and Natural Resources -MARN-, as the responsible entity for preparing and monitoring the Nationally Determined Contribution (NDC), seeks to guide the implementation actions of the NDC under a national and multi sectoral approach. For this, there are legally binding instruments that allow the country to work on climate change issues.



The review of the national and international policy framework for climate change, marine-coastal zones and the management of biological diversity, as well as the evaluation of the legal framework for climate change in Guatemala, revealed the guidelines that the country have established to address the issues of climate change and marine-coastal zones. These inputs constitute the national guidelines of public policy to elaborate the Proposal of the Plan for the Reduction of Vulnerability in the Pacific Coast.

- Framework Law to Regulate Vulnerability Reduction, Compulsory Adaptation to the Effects of Climate Change and the Mitigation of Greenhouse Gases, Decree 7-2013
- General Fisheries and Aquaculture Law, Decree 80-2002
- Law to Promote the Establishment, Recovery, Restoration, Management, Production and Protection of Forests in Guatemala PROBOSQUE, Decree 2-2015
- The Regulation for the Protection, Conservation, Use and Exploitation of Trees of the Mangrove Ecosystem, Decree 101-96
- The Law on Protected Areas, Decree 4-89

The national and international policy framework has been review as follows:

- The National Climate Change Policy
- The Policy for the Integral Management of the Marine-Coastal Zones
- The Katun Our Guatemala 2032 National Development Plan
- The National Strategy for Biological Diversity and its Action Plan
- The United Nations Framework Convention on Climate Change
- The Sustainable Development Goals: Priority Goals for Guatemala for 2016

As a response of the request of Publications and case studies of nature-based solutions:

The National Climate Change Action Plan (PANCC) organizes the main actions by sectors, establishing in the topics of Climate Sciences, Adaptation and Mitigation. The financial and economic sectors are of great importance within the adaptation action frameworks of the PANCC. "Within this sector, risk transfer, armoring of infrastructure, institutional strengthening, financial mechanisms and the management of international financial resources must be prioritized."





- The National Strategy for Biological Diversity and its Action Plan.
- The Mobilization Resource Strategy for Biodiversity in 2016 based on various phases to invest on private public entities and international cooperation ii) costing the National Biodiversity Strategy iii) institutional review iv) analysis of financial gaps. The second phase of this strategy, has as its main objective the development of financial solutions that contribute to the conservation and sustainable use of biodiversity and counteract climate change.
- Cost analysis of the PANCC and the expense of climate change, was carried out in 2018.

As potential partners for the organization of the Forum Guatemala proposes:

- **Ministry of Environment and Natural Resources**
- **The National Council of Protected Areas**
- **The National Institute of Forests**
- **Ministry of Agriculture**
- **Livestock and Food through the GCI**

As a conclusion, the approach of the various national policies on the conservation and management of ecosystems raises the need to implement models of integrated and sustainable use and management, as well as models of ecological restoration, which includes other aspects in addition of reforestation and protected areas. It is clear that the objective of conservation is to decrease socio-environmental vulnerability and improve adaptation to climate change. Moreover access to environmental goods and services for the livelihoods of the population must also be ensured, including fair distribution and equitable benefits.

Guatemala, July 2020.

Ing. Jennifer Waleska Zamora  
Head of Department  
Vulnerability and Adaptation to  
Climate change  
Ministry of Environment and Natural Resources





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**MINISTERIO DE RELACIONES  
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EN LA REPÚBLICA FEDERAL DE ALEMANIA

DEPARTMENT OF ECOSYSTEMS -DECO- of the Direction of Watersheds and Strategic Programs, Guatemala, July 7 and two thousand twenty -----

**AFFAIR:**

Delivery of Technical Opinion No. 19-2020 / DECO / LMFL-RSC, Report on Inputs for the Forum "Finance for solutions based on nature" According to Official SUBONU 754-2020 of MINEX, requested by the Vice Minister of Natural Resources and change Climático, Engineer Fredy Antonio Chiroy Barrera, via email, dated June 26, 2020.

Providence No. 22-2020 / DECO / LMFL / Inf. Carefully pass to the Vice Minister of Natural Resources and Climate Change, Engineer Fredy Antonio Chiroy Barrera, what have indicated in the matter for your knowledge and corresponding effects.

Attached: the indicated (six folios).

Sincerely,

Licda, Luisa Maria Fernández Luján  
Chief a.i, Department of Ecosystems  
Ministry of Environment and Natural Resources

c.c: Archive Director of Watersheds and Strategic Programs, Engineer Carla Vanessa Franco

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Vice Ministry of Natural Resources and Climate Change  
Watershed Management and Strategic Programs  
Ecosystems Department

Guatemala, July 7, 2020

Technical Opinion No. 19-2020 / DECO / LMFL-RSC  
Inputs for the Forum "Finance for nature-based solutions".  
According to SUBONU Official Letter 754-2020.  
(Requested by MINEX to the Vice Office of RRNNyCC)

### **Budget and resource mobilization for the implementation of actions related to biodiversity management.**

Information compiled on the financial resources that are destined to the management of biological diversity from various sources, also shows gaps in financing, as well as some actions that are developed to address these gaps. These actions represent some progress in the implementation of the National Strategy for Biological Diversity (ENDB), particularly in strategic areas 1: Territorial institutionalist and coordination of actors; as well as strategy 2: Awareness and assessment.

### **Investing in biodiversity and financial gaps**

Starting in 2014, the Biodiversity Financing Initiative -BIOFIN- was developed in Guatemala through MARN, which was launched within the Convention on Biological Diversity through UNDP and various donors. BIOFIN supported participating governments in identifying expenditures (public and private) on biodiversity and identifying mechanisms to increase investment in conservation, sustainable use and equitable distribution of the benefits of biodiversity, with a particularly targeted approach to determine and cover financing needs at the national level.

The BIOFIN project made an estimate of public and private spending on biodiversity for the period 2010-2014. Regarding public spending, this was calculated using mainly the "Environmental Protection" classifier of the Ministry of Public Finance -MINFIN. This classifier includes the protection of biological diversity and landscape, which contains the expenses incurred in activities related to the protection of fauna and flora, the protection of certain habitats, and the protection of landscapes for their aesthetic values. Allocations from the following institutions were considered for this estimation: CONAP, MARN, MICUDE, INAB, CECON, municipalities and the Community Development Councils (CODEDES).

For the 2010-2014 period, total public spending on biodiversity ranged from Q.292.4 million to Q.418 million (Figure 1). About 92.5% of this expenditure was concentrated in the entities of the executive body and 7.5% by local governments (municipalities). It is



reported that about two thirds of public spending on biodiversity is destined for investment and one third for operation. The main sources of financing are tax revenue, own revenue and other revenue from the specific affectation treasury such as VAT-Peace for municipalities, external loans, and external and internal donations.

(Graph)

Figure 1. Total public expenditure on biodiversity between the years 2010 to 2014. (Source: Biofin 2016)

As for private sector spending on biodiversity, 20% of the organizations that manage 80% of the resources were considered together, including three sectors: 1) cooperators (UNDP, IDB, FAO, USAID, GIZ, KFW), 2) NGOs (TNC, MARFUND, ACOFOP, Fundación Defensores de la Naturaleza, FUNDAECO, FCG) and 3) companies / private academy (FEDECOCAGUA, AGEXPORT, ARNPG, CENGICAÑA, ICC, CATIE). Accumulated private spending on biodiversity from the 2010-2014 period was \$ 110 million, representing 76% of private spending on the environment, which was estimated at \$ 144 million. An increase in private investment from \$ 17.22 million in 2010 to \$ 27.37 million in 2014 for biodiversity is evident. The main destination of this expense was in biodiversity and landscape protection activities, which consisted of between 58% and 70% of the total. As for Research and development, investment ranged between 3% and 12% of the total. However, this estimate could underestimate the contribution of the private sector, since no information was obtained from other relevant organizations.

Biofin identified three executors of private spending on the environment and biodiversity: 1) productive sector, 2) cooperators, and 3) NGOs and private academy. The productive sector accumulated \$ 63 million, aid workers executed about \$ 53 million, and NGOs and academia accumulated about \$ 28 million (Proyecto Biofin Guatemala, 2016a). Four main sources of financing for private spending on the environment and biodiversity in Guatemala are identified: own income, productive sector, international cooperation and bilateral agreements. The productive sector financed 43.01% (\$ 59 million), international cooperation 41.07% (\$ 58 million); while bilateral agreements (\$ 22.3 million) and own income (\$ 600 thousand) have less relative importance for the reference period. It is pertinent to mention that a trend towards the reduction of international cooperation is detected, as registered in SEGEPLAN.



In addition to estimating public and private expenditures on biodiversity, the Biofin project estimated the financial gap for the implementation of the National Strategy for Biological Diversity and its Action Plan 2012-2022, for the period 2016-2022 using a specific methodology of the project. As a result, an optimal cost estimate of \$ 82.13 million was obtained for the five strategic axes. This estimate adds the unique costs and recurring costs of each of ENDB's strategic activities. 89.5% of the ENDB's total costs are recurring costs (\$ 61 million) and 10.5% are one-time costs (\$ 7.15 million).

Some relevant financial mechanisms that have contributed to the research, conservation and restoration of biodiversity within the reported period are: a) The National Conservation Fund -FONACON-; b) The General Research Directorate -DIGI- of the University of San Carlos de Guatemala and c) The Fund for the Conservation of Tropical Forests.

- a) FONACON obtains its budget directly from CONAP, granting projects aimed at the protection, conservation and restoration of biological diversity, to non-profit sectors of Guatemalan society. The projects financed by the fund aim to respond to the priorities indicated in the planning and management instruments of CONAP. From 2014 to 2018 (except 2017), FONACON financed 50 projects related to the objectives of the CBD: 39 projects to the conservation objective; 6 projects to the objective of fair and equitable sharing of benefits derived from the use of genetic resources and 5 projects to the objective of sustainable use of the components of biological diversity. The amount of financing ranged from Q7,065,831 (2014) to Q.2,813,583 (2018) with a total financing for all projects from 2014 to 2018 of Q.18,152,854.80. Funding is seen to have declined over time.
- b) The General Research Directorate (DIGI) of the University of San Carlos de Guatemala, has financed projects focused on the implementation of the different strategic objectives of the ENDB, particularly those linked to promoting greater and better knowledge of the biological diversity of the country and its value as a strategic resource. During the years 2012-2017, DIGI has provided approximately Q.2,000,000 annually in financing for different projects for these purposes.
- c) The Fund for the Conservation of Tropical Forests (FCA) is the result of a bilateral debt swap with the United States Government for actions of forest conservation and landscape restoration. The total amount of the exchange of the FCA Fund in Guatemala is US \$ 24 million, to be executed in 15 years until 2021. To effect this exchange, three agreements were made in 2006: a) Debt Exchange Agreement signed by the Government of the United States and the Government of Guatemala; b), Tropical Forest Conservation Agreement signed by the Government of Guatemala and international NGOs (The Nature Conservancy TNC and Conservation International CI); and, c) Exchange Co-financing Agreement signed by the United States Government and TNC and CI, who facilitated the negotiation of the debt exchange and financially contributed to the development of the process.

The FCA program is managed by a supervisory committee made up of 4 permanent members: 1) representative of the US government (through USAID / Guatemala), 2) representative of the Guatemalan government (through CONAP), 3) representatives of TNC and CI and 4) a temporary representative of civil society (through ARNPG, IARNA,



PACUNAM and ASIÉS). The administrator of the FCA fund is the Foundation for the Conservation of Natural Resources and Environment in Guatemala -FCG- who acts as secretary of the Oversight Committee.

Four regions of the country were prioritized to apply the FCA resources: 1) Maya Biosphere Reserve, particularly the multipurpose area and the Sierra Lacandón National Park. 2) The volcanic chain of the central and western Altiplano, 3) the Motagua-Polochic region of the Caribbean coast, particularly the Sierra de las Minas Biosphere Reserve, Bocas del Polochic and the protected areas of Izabal, 4) the Cuchumatanes region in Huchuetenango and part of the Quiché.

The FCA supports projects to carry out conservation and restoration actions, for example promoting the declaration of protected areas, promoting connectivity between ecosystems, protection of water recharge areas, promoting the preservation of endangered species, forest restoration projects, implementing projects PINPEP and PROBOSQUE, natural regeneration practices, among others. In 12 years of work, the FCA has invested Q.111 million in 42 regular program projects and 104 small projects by more than 105 civil society organizations, making it one of the most successful and efficient financial mechanisms to date. moment in Guatemala. The counterpart of these projects has been US \$ 12,539,976. In addition, the FCA plans to leave a trust of around US \$ 7 million to continue with the actions after 2021, which aims to leave established processes that continue over time.

Some options identified to increase investment in biodiversity in the short and medium term

A potential advance with respect to the financial issue that is related in part to the management of biodiversity, is the recent approval of the Environmental Fiscal Strategy, Ministerial Agreement number 442-2018, (MINFIN, 2018) by MINFIN. This instrument is expected to contribute to reducing the financial gap for the implementation of the ENDB, by directing private and public investment and improving budget spending to meet national and international objectives of adaptation and mitigation to climate change and to the protection of natural resources. It seeks to promote economic development based on responsible activities and respect for the nation's natural heritage.

The Environmental Fiscal Strategy is focused on five axes:

- a) **Quality of spending and public purchasing:** With actions focused on increasing the quality of administrative spending.
- b) **Municipal financial assistance:** It is intended to guide municipalities to define and prioritize issues related to the environment in the framework of the formulation of their budgets.
- c) **Environmental fiscal models:** It proposes the development of legal instruments to evaluate tax taxes that have the objective of reducing environmental pollution, internalizing negative externalities and generating an impact on collection and encouraging changes in behavior in production processes by companies and consumer by citizens.





- d) Management of fiscal risks and fiscal contingencies: it aims to promote the preparation of an inventory of natural resources at risk (for example, water availability, forest cover).
- e) Access to green and climate financing: the implementation of an action to improve the Integrated Account of Environmental Expenditures and Transactions (CIGTA) is expected to identify public spending on the prevention, mitigation or restoration of environmental damage, as well as expenses for the management of natural assets; and Develop a portfolio of projects associated with the protection of the environment, the forest and its biodiversity, mitigation and adaptation to climatic risks and prevention of environmental contingencies.

The Biofin Project proposes some financial mechanisms as part of the "Resource Optimization and Mobilization Strategy" such as: 1) strategic alliances to intervene in financial mechanisms focused on sport and tourist fishing (mainly sailfish); 2) strategic alliances for the intervention of the state territorial reserves control office (OCRET), focused on making changes in amounts for leasing and re-distribution of economic benefits in favor of biodiversity; 3) analyze the feasibility of reforming the "fund law for the economic development of the nation", restructuring the percentage of specific destinations of what is collected for national oil production; 4) make an impact on the budget allocation of CONAP, MARN and INAB with MINFIN authorities; 5) Biofin monitoring and cooperation with the project "Conservation and sustainable use of biodiversity in marine coastal protected areas -APMs", with the aim of influencing municipal councils and development councils in 11 municipalities of the Pacific of Guatemala, to mobilizing financial resources to support the management of marine coastal protected areas and their biodiversity.

Some of these mechanisms, which in turn are framed within the "Environmental Fiscal Strategy", are addressed by a second phase of the Biofin Project, during the years 2018-2021.

The Biofin II initiative, under the guidance of the Technical and High Level Committee made up of the following government institutions: MARN, CONAP, MINFIN and SEGEPLAN, aims to support national efforts to increase the mobilization of financial resources aimed at conservation and sustainable use of biological diversity, mainly through:

- a) Implementation of a comprehensive budget strategy for biodiversity in 5 local governments of the Pacific coast of Guatemala (municipalities of Ocós and La Blanca, in the department of San Marcos; Champerico, Ratalhuleu; Chiquimulilla and Taxisco, in the department of Santa Rosa), with a financial management model that redirects or generates financial resources towards the management of marine-coastal biodiversity, through mixed financial solutions, such as: Budgeting for results; Updating / prioritization of municipal service rates; Expansion of the criteria (specifically related to the management of biodiversity and climate change) in the allocation of funds derived from 1% of the Value Added Tax (VAT) for Strengthening Peace and Development (VAT-PEACE) through the National Council for Urban and Rural Development (CONADUR).
- b) Involvement of the private sector for the mobilization of financial resources, through the Public-Private Alliance (EPESTURDE-MAGA) for the promotion of recreational fishing and conservation of Pez Vela by strengthening the Socio-Environmental Fund for the



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conservation of Pez Vela and sustainable development of artisanal fisheries; and the development of an integrated certification scheme for the natural rubber value chain, with positive actions for the management of biodiversity and climate change.

### **Budget and resource mobilization**

Regarding international cooperation and private sector investment, they continue to play an important role in financing projects and programs for the conservation, research and management of natural assets, addressing financing gaps that are not covered through the national budget. However, in recent years a reduction in cooperation financing has been observed.

Some complementary financing mechanisms have somehow strengthened the management of biological diversity (Example FONACON, DIGI, FCA). However, a pending challenge is to harmonize investment agendas with the National Strategy for Biological Diversity and other planning instruments, as well as the establishment of priority lines of investment with respect to biological diversity and climate change.

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