

Development and Promotion Program for Financial Compensation and Environmental Services Derived from Tropical Forest Ecosystems in Guatemala

Final Report

PPD 101/04 Rev.1 (M)

This pre-project performed an analysis of how to quantify environmental services at the national level and identified problems associated with environmental services, including land tenure issues. It had two specific objectives:

- To undertake a study that quantified and identified environmental services in forest ecosystems and defined the possibility, potential and relevance of developing them in the market; and
- The definition of basic guidelines for creating, normalizing and regulating a general compensation system for environmental services in forest ecosystems.

The outcome of the pre-project was expected to help reduce deforestation by creating incentives to conserve the forest.

The pre-project outputs associated with Specific Objective 1 were:

1. An analysis of national case studies of environmental services;
2. Documentation of how Guatemala had advanced in undertaking its environmental services work;
3. Identification of opportunities and potential to expand environmental services in the market;
4. A list of experts in environmental services issues; and
5. Market studies that discuss local and regional environmental services schemes.

The main pre-project outputs associated with Specific Objective 2 were:

6. A technical document discussing environmental services schemes in national institutions;
7. An analysis of whether Guatemala has a suitable environment for such schemes;
8. A validation of proposed regulations on environmental services schemes with actors in the forestry sector, through a workshop presentation; and
9. A project document on environmental services in forest ecosystems.

A project document was elaborated as a result of the pre-project, which would last for a duration of three years and cost nearly US\$851,500.00. It will provide the processes for creating general guidelines for environmental services schemes in Guatemala and an analysis of national jurisdictions associated with environmental systems. In forming this project, the project writers held consultations with relevant stakeholders and expected to continue to do so while the project was underway. This project was reviewed by the 36th Expert Panel and awarded a Category 2.

Key findings from the pre-project include:

1. Funds associated with environmental services schemes in Guatemala should be managed by institutions and entities not associated with the government;

2. Legislation for environmental services is needed in the country so discrepancies over ownership do not arise; and
3. Consultants should be more closely monitored in order to deliver products in a timely manner.

While the pre-project was completed successfully, the pre-project suffered delays due to a change in a financial law in Guatemala. The ITTO Secretariat had transferred the funds to the pre-project account after receiving the pre-project work plan from the implementing agency in September 2005. However, the commencement of pre-project activities had been affected by the new law in Guatemala that forbids government agencies from administering international funds. It was subsequently established that the law does not apply to the pre-project as the funds were transferred to INAB in 2005. Accordingly, implementation of the pre-project activities had begun in August 2006.

The total cost of the pre-project was US\$60,040.00. The total ITTO cost of the pre-project was US\$46,400.00 and the counterpart contributions were US\$13,600.00. ITTO funds were saved on the cost of travel (US\$8,470.91) and other goods (US\$2,500). A total of US\$11,162.49 remained in the pre-project account. The Executing Agency has been requested to return the remaining funds to the ITTO.

The final completion and audit reports for the pre-project have been submitted and approved by the Secretariat. In November 2008, the pre-project was declared as completed by the Committee on Forest Industrie.