MISSION
A STABILIZED GUATEMALA WITH EQUITABLE ACCESS TO RESOURCES & BENEFITS FOR ALL

A CONCEPT NOTE SUBMITTED TO THE JULIUS BÄR FOUNDATION
By Solidaridad Central America, Mexico & the Caribbean
31 March 2020

Michaelyn Baur
Managing Director
Centroamérica, México y El Caribe
INTRODUCTION

Solidaridad, in collaboration with the private sector palm oil company Grupo HAME and the Municipality of Sayaxche, proposes a three-year partnership to the Julius Bär Foundation for the long-term sustainable socio-economic and environmental development of 64 communities in eight key watersheds in the southern Peten region of Guatemala. Led by President Felipe Molina, Grupo HAME, a family-owned company, is Guatemala’s largest palm oil producer, among other business interests; the family’s largest palm oil plantations are held under Reforestadora de Palmas de El Petén, S.A. (REPSA) in Sayaxche. Under Felipe Molina’s leadership, the organization has worked to increase transparency, improve its social and environmental performance, and engage with surrounding communities in the Sayaxche region. The project methodology, anchored in socially inclusive dialogue, consensus-building and co-design of regenerative solutions, aligns with the Julius Bär Foundation’s stated goals of minimising the wealth gap and building trust between all groups in society, and seeks to promote social cohesion and stability.

BACKGROUND

Palm oil is a key commodity in Guatemala. Production is dominated by large agro-industrial companies, with very few smallholders forming part of the value chain. In the past decade, production has grown exponentially, although not always with the most sustainable practices. To help improve sustainability within the palm oil supply chain, in 2013, Solidaridad began forming the Mesoamerican Palm Oil Alliance (MAPA). MAPA is a regional learning and exchange platform that works to scale and accelerate the transition to sustainable palm oil in Central America and Mexico. Through MAPA, Solidaridad provides technical assistance to palm oil producers of all sizes, facilitates multi-stakeholder dialogue, influences corporate, national and international level policy, and supports the development of inclusive business models for social, economic and environmental gains. Solidaridad’s interventions have catalyzed unprecedented changes in the regional palm oil sector, promoting and validating transparency, respect for human rights, and regenerative landscape and biodiversity restoration activities.

One of Solidaridad’s major private sector partners in Guatemala is Grupo HAME, the country’s largest palm oil producer with over 42,000 hectares (ha) of oil palm under production and in the process of RSPO certification. Palm oil is only one of numerous business interests owned and operated by the Molina family in Guatemala. The economic and political influence of the Molina family, the founders/owners/managers of Grupo HAME, is significant in a country whose Gini coefficient stood at 53 in 2020, ranking number 9 globally.1 The Gini index is the most widely used measure of inequality. It looks at the distribution of a nation’s income or wealth, where 0 represents complete equality and 100 total inequality.2

Under a broad Memorandum of Understanding signed by both organizations in November 2018, Solidaridad and Grupo HAME have collaborated on RSPO certification processes, biodiversity monitoring, the development of a proposal to direct RSPO compensation funds to the Mayan Biosphere Reserve, and recently have begun the design of a broad gender inclusion strategy and landscape restoration program for the company in the Southern Peten region of Guatemala.

1 https://worldpopulationreview.com/countries/gini-coefficient-by-country/
2 Inequality index: where are the world’s most unequal countries?
LANDSCAPE DESCRIPTION

Peten is the largest department in Guatemala with an area of 36,800 km², mainly lowlands and vast extensions of grasslands in the northern part of the country. It is home to environmental and cultural sites vital to Guatemala, including Central America’s largest biosphere, the Mayan Biosphere Reserve, as well as several sites of preserved intact Mayan ruins. In 2016, the forest cover of Peten was 1.6 million ha, which is 15.5% of the country’s total forest coverage, being the department with more forest. It has an annual forest loss of -1.5%, with a decreasing tendency. Productive activities in the Peten include livestock, sustainable logging, tourism, oil palm plantations and basic grains, among others. It has a total population of 545,600 inhabitants, 49.9% are women and 30% are Mayan descendants.

The Municipality of Sayaxche is located in the southwest lowlands of the department of Peten. It has an area of 3,904 km² that encompass 10 microregions with 151 communities. The 2018 census estimated 93,414 inhabitants, of which 49.6% are women and 61% Mayan descendants. Its vast plain lowlands are particularly well-suited for palm oil plantations. Other relevant economic activities include fisheries in the La Pasion River, a transboundary river between Mexico and Guatemala. The river is the main body of water in Sayaxche and is primarily used for fishing, transportation and commerce. It is also one of the main water sources for domestic and agricultural activities.

Oil palm plantations are the main economic driver in Sayaxche. A fifth of the entire municipality of Sayaxché, 664.31 km², is planted with oil palm, according to records from the Guild of Palm Growers of Guatemala (GREPALMA). It has over 50,000 ha of oil palm plantations and six mills in its territory, providing over 5,000 direct jobs. For the entire department of Petén, oil palm represents 20% of its GDP (GREPALMA). The average productive yield is 22 MT FFB/ha, as a result of optimal climate and soil conditions, as well as intensive practices. These yields are not easily achievable, and in some cases production comes into conflict with conservation efforts. Most of the companies in Sayaxche have gone through, or are in the process of improving their sustainability practices. Such efforts are very important. The ecological richness and biodiversity are very unique in this region: there are more than 44,000 ha of protected areas, which house wetlands, rivers, lagoons and Mayan archeological sites.

Reforestadora de Palmas de El Petén, S.A. (REPSA), one of Grupo HAME’s companies, is one of the multiple palm oil companies that operate within Sayaxché, with over 12,500 hectares of oil palm plantations. REPSA employs 3,270 workers, and indirectly impacts approximately 16,000-20,000 people. It is located near fragile and high conservation areas, such as protected areas and archeological sites (Petexbatun, Dos Pilas, San Román). Also, the La Pasión River runs through its plantations. The river represents a key element in their operations; it’s water is used to some degree for both plantation management and oil extraction.

In early to mid-2015, over a period of several months, two events contaminated the Rio La Pasion, which runs adjacent to one of REPSA’s largest plantations. On April 28, one or more of REPSA’s filtration tanks failed during a major rainstorm, causing the sludge to drain into the river and leading to rapid deoxygenation of water sources in the vicinity, including the river. The second event, during the first week of June 2015, was termed an ecological disaster by Guatemala’s Ministry of Environment, as well as by activist organizations. More than 100 kilometers of river were affected; millions of fish and other aquatic species died, and the primary water source of an estimated 16 communities downriver was contaminated. To date, the source of the second incident has not been resolved. Nonetheless, the public outcry over the environmental disaster impacted REPSA’s reputation and business opportunities. It was a clear wake-up call to the company and the Molina family to engage more proactively with the local population, increase transparency on production and industrial practices, and support the development of a landscape-level plan for the long-term social, economic and environmental development of the region. In early 2020, a revealing profile (see also annexed profile) of Grupo HAME’s current President, Felipe Molina, was published in Guatemala’s most widely read periodical, Prensa Libre, highlighting the renewed commitment of the company to a more inclusive vision and practices.

In 2019, REPSA responded to a letter of invitation from José María Cabnal, the Mayor of Sayaxche to engage in the participatory development of an integrated development plan for the municipalities’ 13 micro watersheds and 103 communities. Of the 12 companies invited to this unprecedented opportunity for collaboration, REPSA was the only one to respond. Over the last six months, Grupo HAME/REPSA has funded a broad diagnostic process to determine where they can rapidly and meaningfully achieve impacts. The initial diagnostic, nearing completion in March 2020, has identified 64 communities of interest with approximately 5,900 families where subsequent consensus-building and co-design of interventions will focus efforts.

3 Fresh Fruit Bunches
OPPORTUNITY

REPSA has specifically requested Solidaridad’s support to achieve regenerative social, economic and environmental outcomes in their area of influence in Sayaxche, Guatemala. This effort would run parallel to, and be aligned with, the existing efforts between REPSA and the Municipality of Sayaxche. Solidaridad would like to partner with the Julius Bär Foundation to build on already-established strategic partnerships, an initial evaluation of opportunities for regenerative landscape restoration, and Solidaridad’s validated approach that builds trust, social cohesion, and community ownership. All these elements lead to reduced inequality.

The proposed project’s primary objective is to promote social cohesion and minimise the wealth gap in the Sayaxche, El Peten region of Guatemala through processes and interventions that lead to improved social and business relations, long-term social, economic and environmental resilience and equitable access to resources and benefits.

PROJECT METHODOLOGY

With a long history of developing and supporting global supply-chain programs, and founding transformational certification and sustainability mechanisms including Fair Trade, Solidaridad has broadened its strategic focus to catalyze systemic change for social, environmental and economic benefits at the landscape level. Pioneering efforts were made in Honduras and Nicaragua from 2016 to pilot a set of interventions, rooted in commodity programs, but with a wide array of stakeholders beyond supply chains working together for common benefits across a landscape. In 2018, Solidaridad began developing MESA, a regional strategic framework for accelerating living landscapes across Mesoamerica. MESA has the goal of reversing negative impacts of unsustainable agriculture and poor resource management and creating economic opportunities aligned with ecological regeneration and more equitable wealth distribution along the supply chain. MESA increases the knowledge and power of civil society actors, especially marginalized peoples, to advocate for their rights for equal access to resources and benefits, and influence policy in their favor. This focus contributes to peace-building in a region of deeply embedded conflict. MESA combines economic, social, environmental and political dimensions of development to ensure that markets work for the poor at landscape-level and support achievement of the SDGs and country-specific NDCs.

MESA SYSTEMS APPROACH ALIGNED WITH CIRCULAR ECONOMY
In all its initiatives, Solidaridad brings together multiple actors who live, work, or have a specific interest in a common physical setting or landscape to address common challenges and collectively identify solutions and work towards a shared vision for the management and sustainable growth of the area. MESA implements a replicable process to guide integrated landscape program development.

**Commodity sectors, such as palm oil in Guatemala,** are often the anchor of Solidaridad’s interventions in a landscape. Commodity sectors are a critical component of MESA’s market-driven approach to change and serve as powerful leverage points for additional investments.

- **Landscape scoping and selection:** This critical first step aims to identify and prioritize new opportunities; high-potential options are evaluated against a set of standard criteria developed by Solidaridad. The selection process includes a deep dive into the economic, social and environmental challenges and opportunities of the territory, as well as the identification of lead actors and potential partners - from local and national governments who are interested, to private sector companies, to community members themselves, community organisations, etc.

- **Landscape Modelling:** MESA utilizes scenario modeling to contrast a “business-as-usual” paradigm with alternative growth paths linked to national priorities (e.g. NDCs) or with a fully integrated landscape management scenario (including good agricultural and manufacturing practices, water conservation, biodiversity protection, etc.). This scenario modeling integrates socio-economic, cultural, biophysical and multi-level planning dynamics of the landscape and is informed by input and feedback from local stakeholders who subsequently identified necessary technical, market and institutional interventions to achieve the integrated landscape management scenario. This informs the new business models and investment cases to generate financial return aligned with ecological and socially inclusive development.

- **Sharing Results:** Findings from the scoping and scenario exercises are communicated to build buy-in with stakeholders in the landscape (local and national governments, the business community, civil society, donors and investors) and develop momentum for alternative pathways to growth that will be further developed by landscape stakeholders themselves.

- **Convening landscape actors for capacity-building and Intervention co-design:** Solidaridad convenes actors to build their capacity on landscape issues, agree on priority actions in a chosen landscape, based on a shared vision for landscape management, aligned with development models that prioritise sustainability as well as financial gain, and aligned to more sustainable development models identified in the initial scenario modeling.

- **Facilitating dialogue and consensus building:** As a trusted, solution-oriented facilitator, Solidaridad convenes stakeholders to engage in dialogue, consensus-building and the formation of working groups to co-design interventions that will deliver multiple benefits to multiple actors. For many marginalized communities, this is a first opportunity to “have a seat at the table” to share perspectives, concerns, harsh realities, and to actively advocate for more equitable economic opportunities and access to resources and benefits. For others, this is a profoundly eye-opening experience that leads to deep reflection of their roles and responsibilities in the wider society, the urgency for more equitable social and economic systems, and the potential scenarios that can come into existence if and only if there is true collaboration and concern for the well-being of all citizens.

- **Project Funding (though investment and donor case development):** MESA seeks funding for individual projects, either through enabling grants, or asset investments made by impact investors.
• **Project Implementation**

  › For grant-funded projects, project implementation follows, in which working groups are formed, and Solidaridad simultaneously provides accompaniment to the landscape actors, including technical assistance and accompaniment, monitoring and evaluation, and extrapolating and disseminating learning.

  › There is a specific procedure for projects seeking (debt/equity) investments; details upon request.

  › Illustrative initiatives:

    › Improved natural resource access for communities and businesses through watershed restoration and pollution management

    › Investments in agroforestry (e.g. cacao, cardamom) systems for small land owners

    › Development of smallholder inclusive business models in the palm oil and forestry sectors

    › Diversification of income streams through Payment for Ecosystem Services schemes

    › Development of SMEs (e.g. service provision, ecotourism, value-add for agricultural products) for job creation for women and youth

---

**HOW THE INVESTMENTS WORK 2020**

Among other opportunities, this proposed project can leverage planned investments of the Government of Mexico in its Plan for Prosperity with an investment of $30 million USD across Central America intended to reduce the rate of migration to the United States. Solidaridad will facilitate opportunities to invest in initiatives at the landscape level to increase the environmental, economic and social benefits for the communities in the Sayaxche area ecoregion, in order to create employment, improve trade and the well-being of the population, as well how to reduce conflict due to a lack of opportunities and satisfaction of needs.
ACTIVITIES

Phase 1: Landscape Knowledge Creation
- Landscape scoping, characterization and modeling, and formulate a draft plan towards short, medium and long-term integrated landscape management

Phase 2: Capacity Building, Consensus-building & Co-design
- Build multi-stakeholder capacity of existing and emerging leaders on the concepts, tools and methodologies of Integrated Landscape Management
- Facilitate dialogue between REPSA, other private sector actors, the municipality, community councils for development-COCODES, and local CSOs (such as Action Aid, SANK)
- Develop and facilitate buy-in for a plan of action for stakeholders to partner on win-win short to mid-term projects as well as long-term development plans
- Strengthen municipal capacities for landscape and natural resource management and monitoring of agreed measures
- Accompany/Support the implementation of co-designed solutions to improve smallholder palm growers opportunities to diversify and increase economic development opportunities

Phase 3: Sustainable Finance
- Develop blended finance and impact investment proposals that lead to increased wealth distribution, social and economic inclusion, and regenerative landscape development (see illustrative investments above).

SCALE-UP PLAN

Enabling environment

Initial Investments running

Landscape Finance running

Inception Phase

Individual Deal Structuring

Deal Stacking/Portfolio

Analysis/Proof of Concept

Establish Landscape Fund

Grants

Investment services

Company co-investment
KEY STAKEHOLDERS AND ROLES

Based on experience, Solidaridad understands the critical importance of a broad integration of stakeholders to ensure buy-in and sustainability of actions within a landscape or region. A key capability of Solidaridad is facilitating processes that are inclusive of a diverse set of actors and their perspectives. In the Sayaxche region, these include:

- Producers -- REPSA, other palm oil companies, and the smallholders in their supply chains
- Communities, COCODES in the Sayaxche municipality and the broad vicinity of REPSA’s plantations
- Civil society actors, including local environmental and human rights organizations, the tourism sector, others
- Other businesses within the palm supply chain
- Local government actors, specifically at the municipal level

Each stakeholder group has different interests and needs, but the project will work to build a collective vision for the region to address the main concerns and interests of each.

PROPOSED KEY PERFORMANCE INDICATORS 2021-2023
(TARGETS TO BE ESTABLISHED)

Social

- # of stakeholders trained on Integrated Landscape Management
- # of documented decisions made by multi-stakeholders platform to impact on ILM
- # of dialogue events facilitated
- # of working groups formed contributing with semester reports
- # of COCODES trained on community project development.

Economic

- # of women, # of men, # of youth with increased economic opportunities
- # of hectares restored with forestry, agroforestry and other productive models (e.g. fisheries) for increased wealth access.
- # of donor proposals generated
- # of impact investment proposals generated
  - Amount of funding (or in progress) leveraged for ILM

Environmental

- # and scale (ha) of new practices adopted by land owners
- # of reports from landscape monitoring methods
- # of climate smart agriculture practices for key production systems.