

Focali Brief: 2013:04

## Guyana - Norway REDD+ agreement Payments based on performance - or politics?

The second audit of Guyana's progress under the Norway-Guyana REDD+ agreement was completed in December 2012. It found that seven out of ten verification indicators were not or only partially met. Nevertheless, the Norwegian government allocated additional funds of 45 million USD to Guyana due to "continued improvements". Focali has written about the debated bilateral agreement between Norway and Guyana earlier (Focali Brief 2010:01 & 2011:01) and is now revisiting the process.

**GUYANA HAS** one of the highest forest coverages worldwide (87 percent). It also has historically low deforestation; with over 60 percent of forest area undisturbed by humans (FAO 2005). The country is at a crossroads between fostering economic development through exploitation of natural resources such as gold, bauxite, and timber, or conserving its forests as a main national asset. This is the basis for the national Low Carbon Development Strategy (LCDS) developed in 2009, which aims to ensure economic development while preserving the country's forest resource. The LCDS foresees international compensation payments for forest conservation, and defines how these payments will help to realign Guyana's economy towards low carbon intensity and enhanced use of renewable resources.

The strategy comprises a framework for Guyana's REDD+ activities such as its participation in the World Bank's Forest Carbon Partnership Facility (FCPF) and a bilateral agreement with Norway, which has been addressed by two previous Focali briefs. The Memorandum of Understanding (MoU)



Photo: Sabine Henders

between Norway and Guyana, signed in 2009, is the main funding source for the implementation of the LCDS. The agreement was the first of its kind as it provides performance-based payments of up to 250 million USD by 2015 for Guyana's efforts to limit forest-based greenhouse gas emissions (Government of Guyana & Government of Norway 2009).

However, Norway's selection of Guyana has been questioned as being politicized and hasty (Bade 2012), especially since the two countries had no previous experience of working together (DT 2010). Guyana is ranked 133 (of 174 countries) on the Corruption Perceptions Index performed by Transparency International (2012), which makes the debate regarding fragile states in relation to REDD+ (for example Karsenty and Ongolo 2012) relevant for the agreement's implementation. In response to these challenges, the MoU contains several safeguards intended to ensure the integrity and credibility of activities (Henders and Ostwald 2011); among them requirements:

- to conduct transparent, comprehensive and externally monitored multi-stakeholder consultations,
- to respect the rights of indigenous peo-

ples and forest-based communities and involving them in REDD+ planning and implementation processes,

- to establish a dedicated financial mechanism to ensure transparent oversight of financial flows, and
- to carry out annual assessments and verifications by neutral expert organizations.

### What has happened so far?

Several important implementation milestones have been passed:

**Institutional set-up:** An Office of Climate Change has been established. The Guyana Forestry Commission (GFC), through its REDD+ Secretariat, is responsible for technical and operational implementation of REDD+ measures. A new Ministry of Natural Resources and the Environment was created in 2012 to provide policy integration on land-use issues such as mining, forestry and land-use planning. In order to ensure full stakeholder engagement and participation in the implementation of the LCDS and the MoU,

### About REDD+

REDD+ is an abbreviation for Reducing Emissions of Deforestation and Degradation, carbon enhancement, sustainable management of forest and forest conservation. It was discussed in its present form in the 2005 party meeting (Conference of Parties – COP) of United Nations' Framework Convention on Climate Change (UNFCCC) in Montreal. Two years later, during COP 13 in Bali, several programs were launched to test REDD+. While we still await a global climate agreement, the REDD+ idea is being tested and the Norway Guyana agreement is one such program.

the Multi-Stakeholder Steering Committee (MSSC) was created.

**Stakeholder consultations:** In 2009, a national round of stakeholder meetings was organized to gather input on the first draft of the LCDS, leading to a revised version of the strategy in 2010. This process has been independently assessed by the IIED, who identified significant progress in stakeholder engagement and concluded that the process had ‘opened a new space for multi-stakeholder involvement’ (IIED 2009).

**Investment mechanism:** In October 2010 the required financial mechanism to fund projects under the LCDS was established in form of the World Bank-administered Guyana REDD+ Investment Fund (GRIF). The GRIF is overseen by a Steering Committee that takes decisions on investments and is chaired by the Government of Guyana; thus maintaining Guyana’s sovereignty over LCDS decisions. This has allowed 114.5 million USD to flow from Norway to seven projects, which are currently under implementation (GRIF 2013).

**Funding of Amaila Falls Hydroelectric Facility:** 80 million USD of GRIF funds have been allocated to the controversial 840 million USD LCDS flagship project Amaila Falls (Henders and Ostwald 2011). Construction is planned to start in mid-2013 (Amaila Hydropower Project 2012) but will likely be

delayed after concerns about financial viability raised by the International Monetary Fund, and interruptions in construction of the required access road (Kaieteur News Online 2012; 2013), which will cut through virgin rainforest (DT 2010).

**Determination of deforestation rate:** As no deforestation rates were known when the MoU was established, the Combined Incentives methodology (Strassburg et al. 2009) was used to set a first benchmark deforestation limit of 0.275 percent. However, subsequent studies estimated annual deforestation between 1990 and 2009 at 0.02 percent, rising to 0.06 percent in 2009-2010 (GFC and Pöyry 2010) and falling again to 0.054 percent in 2010-2011 (DNV 2012). This would allow Guyana to increase deforestation considerably under the MoU, but the agreement foresees a reduction in payments when the deforestation rate exceeds the 2010 level, and payments will be halted if the rate exceeds 0.1 percent. However, deforestation that arises from the construction of the Amaila falls hydro project is exempt from this restriction and does not count towards the national deforestation rate (The REDD Desk 2011).

**Verification of progress:** So far, two verification audits of Guyana’s progress under the MoU have been conducted by the certification body Rainforest Alliance. The findings of the latest report (Rainforest Alliance 2012) are described below.

## Findings of verification audit by Rainforest Alliance

The auditors evaluated Guyana’s performance against ten indicators. Three indicators were met, four were partially met and three were not met (See summary in table No. 1 below). The audit report highlights both positive and negative findings:

- Key positive points were Guyana’s strong performance in terms of independent forest monitoring, involvement in the FLEGT and Extractive Industries Transparency Initiatives and enhanced inter-sectoral coordination on land-use issues through the new Ministry of Natural Resources and the Environment.
- On the negative side, “a noticeable reduction in the efforts by the Government of Guyana to communicate and consult with stakeholders” was noted (Rainforest Alliance 2012:5). Especially the MSSC was found not to be effective in its mandate to facilitate regular communication and consultation between all interested stakeholders of the LCDS and REDD+ activities.
- The audit also found that Guyana had not met its obligation to protect the rights of Indigenous Peoples, particularly in a lack of attention for land titling issues and tenure rights (see text box on the next page). Moreover,

Table No. 1: Findings from audit by Rainforests Alliance 2012. Guyana’s performance was evaluated against ten indicators, only three out of ten verification indicators were met.

Verification indicators	Audit findings
1: Transparent and effective multi-stakeholder consultations continue and evolve	NOT MET
2: Participation of all affected and interested stakeholders at all stages of REDD+/LCDS process	PARTIALLY MET
3: Protection of the rights of indigenous peoples	NOT MET
4: Transparent and accountable oversight and governance of the financial support	PARTIALLY MET
5: Initial structure for the Independent Forest Monitoring	MET
6: Continuing stakeholder consultation on the EU-FLEGT * process	MET
7: Continuing development of a national inter-sectoral system for coordinated land use	PARTIALLY MET
8: Continuing stakeholder consultation on EITI **	PARTIALLY MET
9: Measures to work with forest dependent sectors to agree on specific measures to reduce forest degradation	NOT MET
10: Mapping of priority areas for biodiversity in Guyana forests	MET

\* EU FLEGT: European Union Forest Law Enforcement, Government and Trade  
 \*\* EITI: Extractive Industries Transparency Initiative



Free, Prior and Informed Consent was not given due respect, especially in the case of the REDD+ opt-in process that allows indigenous communities to choose whether or not to participate in REDD+ activities. The audit found that this process and its implications is not well understood by affected stakeholders.

- Amerindian communities reported that their views were not adequately represented in the LCDS process and voiced concern about the lack of information available to them and the lack of a consistent framework for exchange between themselves and the government.
- A final point of criticism was the slow implementation of the GRIF. As of 30th June 2012, nearly two years after its inception, the GRIF had released 9.2 million USD or 13 percent out of a total of 69.8 million USD based on the Steering Committee's funding decisions (GRIF 2013).

While there is progress visible in some areas, mainly in technical forest monitoring and area mapping, the audit report concludes that the **“dominant impression from this audit, based on inputs from all interested parties, is one of frustration and disappointment that more progress has not occurred”** (Rainforest Alliance 2012:5).

## Progress or failure? - Differing perspectives

Several NGOs and also the auditors do not see the anticipated progress in the implementation of the MoU, questioning whether the results justify further payments under a performance-based agreement. Meanwhile, the combined Opposition partnership used their one-seat majority in the National Assembly to reduce the 2012 budget for green projects from approximately 18 billion Guyana dollars (GYD) to 1 billion GYD, casting doubt on the country's commitment to implement its LDCS.

The Government of Norway interpretation is more positive. Based on *“continued low deforestation”*, *“improvements in forest governance”* and a *“commitment to further improvements in 2013”* (Ministry of the Environment 2012), Norway has approved a further 45 million USD for Guyana's Low Carbon Development Strategy, bringing the total to 115 million USD (as of December 2012).

## What results can be expected?

The Guyana-Norway case highlights the question of what exactly REDD+ can be expected to deliver. Given the challenges of getting a very complex global mechanism up and running should leniency and flexibility be employed to enable lessons to be learned (An-

gelsen 2010; Venter & Lian 2012)? Or should the term “performance-based payments” be rigorously applied, as argued by private sector carbon investors, carbon offset standards (such as the Verified Carbon Standard, the California Action Reserve, the UN's Clean Development Mechanism, Plan Vivo, the Climate, Community and Biodiversity Standards, among others) and environmental organizations (such as Global Witness, Forest Peoples Programme, Carbon Market Watch, Rainforest Foundation in Norway, UK and US)?

An alternative suggestion brought forward in a report by CIRAD (2012) is to rethink the narrow definition of measurable performance based on ex-post results and instead to reward results related to the prerequisites for reduced deforestation such as sustained investments in structural agriculture, tenure and governance reforms that lead to long term and sustainable land use and improvements in overall governance.

We leave it up to the reader to take a stance in this debate, by pointing out the different perspectives on Guyana's performance under the REDD+ agreement with Norway.

### This Focali brief can be quoted as:

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## Addressing drivers of forest conversion?

In spite of growing interest from the international community to pay for preserving Guyana's forests, deforestation pressure especially from mining activities increases. While the second verification identified mining as the primary driver for up to 97 percent of all forest degradation (Rainforest Alliance 2012), government action is sometimes contradictory: In January 2013, the Guyanese High Court ruled in the case of a mining concession on titled indigenous lands that mining permits obtained prior to the Amerindian Act of 2006 are not bound by its provisions. Accordingly, miners do not have to obtain permission from indigenous villages before initiating their operations (Forest Peoples Programme 2013). This ruling is a drawback for indigenous peoples' rights and exposes the lack of adequate protections for indigenous lands in Guyana, which are an essential component of the Guyana-Norway MoU.

Photo: Sabine Henders

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*Focali is a Swedish research network where several Swedish universities and institutions are represented. Focali aims to facilitate cooperation between different disciplines as well as between research, policy and practice. Focali has a secretariat at the The Centre for Environment and Sustainability, GMV, in Gothenburg. GMV is a network organization at Chalmers University of Technology and University of Gothenburg.*



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