

DRAFT FOR DISCUSSION

**A LOW-CARBON
DEVELOPMENT
STRATEGY**



Developing a Framework for an “Opt in” Mechanism
for Amerindian Communities

Concept Paper

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**Office of the President,
Republic of Guyana**

Section 1: Background and Rationale

In June 2009 the first draft of Guyana's Low Carbon Development Strategy "*Transforming Guyana's Economy while Combating Climate Change*" (LCDS) was published. Following an extensive national multi-stakeholder consultation, a second draft was published in December 2009. The LCDS is a national strategy that seeks to create "a low deforestation, low carbon, climate resilient economy" with the major objective of transforming the economy of Guyana while combating climate change mainly through incentives to avoid deforestation.

There are three pillars to the strategy:

- **Avoiding Deforestation.** If an adequate UNFCCC (or interim, or bilateral) REDD-plus mechanism is created, Guyana can avoid cumulative forest-based emissions of over 1.5 gigatons of CO₂e by 2020 that would have been produced by an otherwise economically rational path.
- **Low Carbon Development.** REDD-plus payments can enable Guyana's economy to be realigned onto a low carbon development trajectory. Guyana can generate economic growth at or in excess of projected Latin American growth rates over the coming decade, while simultaneously eliminating approximately 30 percent of non-forestry emissions through the use of clean energy.
- **Adapting to Climate Change.** REDD payments can play a part in enabling Guyana's people and productive land to be protected from changing weather patterns. Investments in priority climate adaptation infrastructure can reduce the 1 percent of current GDP which is estimated to be lost each year as a result of flooding.

Underpinning the strategy are overall objectives of broad-based poverty reduction, inclusive national multi-stakeholder participation, applying social and environmental safeguards in accordance with international standards, and protecting the rights of Amerindians in accordance with the principles of free, prior and informed consent.

Payments for Forest Climate Services

Implementation of the LCDS will be funded in part through REDD-plus payments (referred to in the LCDS as "payments for forest climate services"), which are payments for forest carbon abatement achieved by Guyana.

The precise nature of the REDD-plus mechanism will be determined through the UNFCCC process, and the position of the Government of Guyana is that this should be decided within a legally binding global climate treaty to be concluded within the UNFCCC.

Pending the creation of a UNFCCC REDD-plus mechanism, in the short term (up until end-2015), Guyana aims to participate in a REDD-plus mechanism along the lines set out in the report for the Informal Working Group on Interim Financing for REDD-plus (IWG-IFR), which consisted of Guyana and approximately 38 other developed and developing countries.

The report proposed the establishment of interim performance-based payments with the goal of achieving a global reduction in deforestation of 50% by 2020 for between x and y billion euro in total. Guyana has also associated itself with the Copenhagen Accord, and its provisions for fast start funding for REDD-plus.

Pending the operationalisation of Interim Financing and the Fast Start Fund for REDD-plus, Guyana aims to conclude a series of bilateral agreements through which REDD-plus payments will be generated. The first of these, with the Government of Norway, has been established and its details are set out in the Memorandum of Understanding signed by the Governments of Guyana and Norway on November 9, 2009.

The Memorandum of Understanding (MoU), sets out how the two countries will collaborate in providing the world with a relevant, replicable model for how REDD+ can align the development objectives of forest countries with the world's need to combat climate change. As part of the agreement specified in the MoU with Norway, Guyana is expected to receive financial support of up to US\$250 million by 2015 for results achieved by Guyana in limiting emissions from deforestation and forest degradation. The LCDS sets out how this will, over time, be integrated into a longer-term mechanism that evaluates Guyana's forest at levels that out-compete unsustainable use of forest resources.

Guyana's Avoided Deforestation model is based on Guyana's State Forest Estate (SFE) and excludes forest lands under Amerindian and private jurisdiction. Amerindians own approximately 13.9 percent of forested lands and according to Guyana's constitution and as enshrined in the Amerindian Act 2006¹, Amerindians have the right to be consulted before any decision regarding their lands is made.

In accordance with this principle, Amerindian communities are given the option of choosing to participate in LCDS, which is detailed in the LCDS². This dedicated section in the LCDS relates to Amerindian communities "Opting In" and outlines the background to Amerindian land tenure, provides guidance for Amerindians on whether or not to "Opt In" and drafts the information on outstanding Amerindian land issues.

Amerindian communities that choose to "Opt In" will essentially be committing their forests to a REDD+ Agreement with the Government and in return receive payments which will be allocated to further Amerindian development through a pro rata share of forest compensation payments that accrue to Guyana.

The LCDS (2nd draft, Section 4, pg 33) indicates that over the next few years Amerindian communities will be able to make a determination on 'opting in' and there is no deadline to 'opt in'. Even as the Guyana-Norway MoU is now moving through the early stages of implementation with the setting up of the MRV System, financing mechanism and putting in place other REDD+ building blocks as set out in the MoU, efforts are underway to develop the Opting In Mechanism. This has been urged by a general indication by Amerindian villages to be part of the LCDS process as reflected in the LCDS stakeholder engagements and consultations and also a willingness by some villages to 'Opt In.' Several villages have already sent formal notification of this.

A Technical Working Group coordinated by the Office of Climate Change and comprising key Government entities (OCC, MoAA, GFC, EPA, GGMC) has been tasked to take the initial steps towards developing the Opt In Mechanism. In January 2010 the Group agreed that a Concept Paper should be prepared to set the basis for elaborating the Opt In Mechanism and the Office of Climate Change was tasked with preparing a first draft of the Concept Paper. This Concept Paper seeks to provide a conceptual framework on the process and requirements while highlighting key issues for consideration.

Section 2: Guiding Principles for an Opting In Mechanism

While the technical details of the design of an Opting In Mechanism are to be developed and may be subject to change over time, given the pioneering nature of the process, there are a number of fundamental principles that will guide and underpin the Mechanism.

1. Villages with legal title and demarcated lands can Opt-In³.
2. The Mechanism will operate through a performance-based model of avoided deforestation as outlined in the LCDS.

¹ Amerindian Act 2006 - Part V

² Second Draft of the LCDS – Section 4

³ Appendix V of the LCDS outlines the process for demarcation and award of title for outstanding lands.

3. The decision by Amerindian villages to Opt-In shall be guided by the principle of free, prior and informed consent. No village shall be under any pressure to make a decision and shall be free to make the decision to Opt-In at any time.
4. In its deliberation for Opting-In, villages would have free access to information and guidance as well as technical assistance facilitated by Government.
5. The decision to Opt-In shall be made and supported by a majority decision of a duly constituted meeting of the village, not just the Village Council. Efforts should be made to ensure every member of the village is fully aware of the implications of the decision and shall have free access to all relevant information.
6. A village that chooses to Opt-In shall receive a share of the total payments accruing to Guyana under any REDD+ mechanism that is in place up to the end of 2015 (starting with the mechanism outlined in the Memorandum of Understanding with Norway). The payments will be determined according to a set of predefined criteria and stipulated through an Agreement between Government and the village.
7. In agreeing to Opt In, villages would need to agree to monitoring, reporting and verification of its forest resources and usage and to collaborate with Government on this.
8. Villages that Opt In are required to act in accordance with the conditions of the Agreement.
9. The possibility of Opting Out of the Agreement will be governed by the terms and conditions of the Agreement.
10. Payments shall be based on a financial scheme similar to what prevails between the Government of Guyana and Norway.
11. Villages, through their governance structures, will determine how the funds accrued under the Agreement will be utilised for the village's and broader Amerindian benefit.

Section 3: Requirements for "Opting In"

Based on the principles outlined in Section 2, when a village indicates its interest in Opting In, there are a number of requirements that it must satisfy before it can enter into a formal agreement and receive payments.

These requirements are aimed at ensuring that the village is informed and aware of the implications of the decision it is making, and that the benefits of Opting In have been carefully estimated and weighed against the costs, and the village is of the view that the agreement will result in a net benefit. These requirements could also enable the village to establish a framework for forest management and community development, with support from the appropriate Government agencies.

Critical requirements that must be met before a village can Opt In are the following:

- The village must be titled and demarcated.
- The decision to Opt In must be made by two thirds of the village (not just by the Village Council or Toshao) at a meeting convened for this purpose and duly advertised and recorded.
- The decision must be formally communicated to Government, through the Ministry of Amerindian Affairs.

Section 4: Stages of the Opting In Mechanism

The “Opt In” Mechanism will be expected to operate in several stages with each stage constituting specific actions to be completed before moving to the subsequent stage.

Phase 1: Initiating the Process – Willingness to Opt In

1. A village, following a formal meeting and with a two-third majority of villagers in agreement, formally indicates its interest in Opting In by writing to the Government through the Ministry of Amerindian Affairs.
2. A team comprising OCC, MoAA, GFC, National Toshias Council and other representatives as may be determined, engages in detailed consultations with the village to outline the process, obligations and requirements, costs and benefits and other details of the Opting In Mechanism. This exercise will allow for a feasibility to be done for an estimation to be made of possible payments the village could receive based on its forests and what Opting In would require in terms of current and future projected forest use by the village.
3. The village makes a decision as to whether or not to proceed with the Opt In process, and communicates this decision to the Government in writing.

Phase 2: Establishing the Agreement to Opt In

Once a village has formally indicated its willingness to proceed with the Opting In, the process of establishing a formal agreement commences with the following activities:

1. Determining the status and extent of the village’s forests and its deforestation rate. This is essential in order to establish the financial model for the agreement and could require forest inventory and an assessment of forest use by the village.
2. Once the extent of forest resource is determined, along with village’s deforestation rate, the financial model is established. A model similar to what prevails between the Government of Norway and Guyana will apply, as follows:

$$\text{Annual Payment} = (\text{diff between D.F \& R.L}) \times \text{Forest Area} \times \text{Carbon Stock (tons/ha)} \times \text{Carbon Price}$$

where D.F = actual deforestation rate

R.L = reference level of 0.45

Carbon Stock = 367 tons/ha (pending implementation of full MRV systems)

Carbon Price = U.S\$5 per ton

3. A legal Agreement and Technical Note are prepared for Government and village to agree to. The period of the Agreement is to be determined and 5 years is recommended (for a maximum period of up to end-2015). Similar to the Norway MoU, Government could require an indication of the mechanisms to be employed by the village to meet its obligations under the Agreement. One of these could be a Community Forest Management Plan setting out how the village intends to utilise its forests, and its system for forest monitoring and enforcement to ensure compliance with the Agreement. Such a Plan could set out how the village would need to maintain or reduce its deforestation rate by managing economic activities; allow periodic monitoring of lands by the GFC and willing to conduct their own monitoring activities; conduct periodic reporting of monitoring economic activities such as mining, forestry and subsistence agriculture.

Phase 3: Operationalising the Agreement

Once the Agreement is established, the mechanisms for its operation will commence. Key components of this will be:

1. A Monitoring, Reporting and Verification System (MRVS). This will be used to determine on an annual basis, the compliance by the village with the Agreement by monitoring forest cover change and deforestation rate. The results of the MRV will also be used to calculate payments due.
2. An independent assessment report should be done annually to determine compliance and payments. Government will make payments based on the report and its findings and recommendations.
3. The financing mechanism through which the village will receive payments from Government. These could be done through an annual disbursement mechanism through the Ministry of Finance.

Conclusion and Next Steps

Guyana's LCDS and the agreement between Guyana and Norway is of a pioneering nature, as it provides a model for how a REDD+ mechanism could work, and few such models exist in other forest countries. A mechanism for allowing Amerindian villages to choose to be part of the agreement, and to gain compensation for avoided deforestation, is necessary to ensure broad based participation and equity in the agreement. However, it should be noted that the Opt In mechanism is the first of its kind in Guyana, and possibly in the world, and as such it is a working model that will undergo a process of development, refining, alteration and improvement as challenges are encountered and lessons are learned. The design of the Opt In mechanism will have a significant impact on the livelihoods of Amerindian villages who will have to make decisions regarding land use and forest management and community development if they decide to Opt In.

The following next steps are identified for consideration:

- Presentation of this Concept Paper to the Multi-Stakeholder Steering Committee for review
- Finalisation of the Concept Paper
- Preparation of an Operational Manual for the Opt In Mechanism
- Pre-Test the Mechanism using a pilot village

Key Issues for Consideration

Institutional Mechanism

The implementing of the Opt In Mechanism will involve several Government and other entities principal among them being the OCC, MoAA, GFC, GGMC, National Toshao's Council, and EPA. There could also be a role for the Multi-Stakeholder Steering Committee. The specific institutional roles and responsibilities will need to be determined.

Land Titling and Demarcation

In order for a village to Opt-In, it must be titled and demarcated. This requirement may frustrate some villages that are interested in Opting In but are not yet titled, or in the process of application for a title, or titled but not yet demarcated.

Cost of Opt In preparation activities

In preparation for Opting In, villages will have to go through a number of stages involving data collecting, capacity building and planning, with support from the appropriate agencies. These processes will be costly. Who will bear the cost of these preparation activities? Government? The village? A combination of the two? Will costs be subsequently deducted from payments to the village? It may be possible that financial support could be provided by external sources, such as NGOs, donor agencies or developed country governments.

MRV System

The Monitoring, Reporting and Verification System (MRVS) will need to be applied to Amerindian villages that Opt In to measure the village's deforestation rate. It is expected that the national MRVS will serve this function. The monitoring requirements of villages that Opt In will need to be determined e.g sample plots, monitoring frequency etc. Key issues for the MRVS are:

Will the MRVS in establishing the national deforestation rate utilise data on all forests including Amerindian forests from villages that have not Opted In?

Will the MRVS have the capabilities to measure village level deforestation rate?

How will shifting cultivation be treated?

Shifting cultivation is a traditional form of agriculture that has been practised by Amerindian villages for generations. As such, Opting In should not prevent a village from continuing to use traditional agricultural methods. However, if shifting agriculture is identified as a driver of deforestation or forest degradation, it will affect the amount of carbon stored in the village's forests, and could therefore affect payments. The issue of how to treat shifting agriculture is a sensitive one, and is likely to gain international attention from indigenous peoples' rights groups. It is subject to significant debate within the UNFCCC and Government supports the view that it should be allowed to continue and not regarded as a driver of deforestation. It will be necessary to integrate this policy position with the wider decision of the UNFCCC process.

When villages decide to Opt In, they will need to determine what action, if any, they will take on traditional rotational farming methods. Villages that have deforestation rates that are close to the threshold for receiving payments would have a strong incentive to find innovative ways to increase agricultural productivity without encroaching into forested areas, in order to minimise deforestation and maximise payments. This could be an area where Government can work with villages to reform agriculture in Amerindian villages.

Financing

Funds

Based on the Norway MoU, payments of up to U.S\$250 million could be made. This is based on State Forest commitments. If Amerindian villages Opt In, will this increase the fund commitments from Norway and/or other public and private contributors to Guyana's REDD-plus payments?

Mechanism for Disbursement and Timing of Payments

A very important consideration is the timing of payments to villages. Will they fall into the same time scale as payments flowing from Norway or will this been done annually according to when they Opt In?

Under the agreement with Norway, the fiscal year for payments is 1st October to 30th September. A similar arrangement could be used for the "Opt In" mechanism. Communities could be paid on a prorated basis from the time they "opt-in". Payments could be made based on performance in the previous year.

Another consideration which is perhaps less critical is the mechanism for disbursement of payments from Government to the village. One option is to set up a fund, such as the Amerindian Development Fund described in the LCDS as an intermediary, from which payments will be disbursed to communities. Direct transfer from the Ministry of Finance to the village council may however be more efficient and involve less bureaucracy.

Mechanism for Conflict Resolution

In the event of conflict or disagreement between the village and Government over payments for example, a predetermined third party should have power of arbitration.

What will happen at the end of the Opt In period?

The agreement with Norway is operational until the end of 2015. Villages that Opt In will be able to do so up until the end of 2015. That means that villages can Opt In for not more than five years, and possibly substantially less if a community decides to Opt In towards the end of this time frame. Taking into consideration that the agreement should be for a period of 5 years what will happen post 2015? Will the Norway Agreement be renewed? If there is no other bilateral or multilateral agreement at the end of this period, will payments stop? If there is another such agreement, or if a REDD+ mechanism is developed, will the Opt In agreement be extended, or renegotiated?

Opting Out Mechanism

Should a village decide to "Opt Out" the mechanism for this should be spelt out within the Agreement. Consideration could be given to the following:

- The village should convene a meeting to discuss its Opting Out and the decision should reflect two-thirds of the village members.
- The village should then organise a village meeting with representatives from Government to discuss its Opting Out request and the implications which principally would mean no more payments but also could have implications for Opting In again.