

Joint Concept Note

Background

On November 9th, 2009, Guyana and Norway signed a Memorandum of Understanding (MoU) regarding cooperation on issues related to the fight against climate change, in particular those concerning reducing emissions from deforestation and forest degradation in developing countries (REDD-plus¹), the protection of biodiversity, and enhancement of sustainable, low carbon development.

An accompanying Joint Concept Note (JCN) set out the framework for taking the Guyana-Norway co-operation forward. It set out how Norway would provide Guyana with financial support for REDD-plus results, and formed the basis for the first payment from Norway to Guyana. An update of the Joint Concept Note was finalized in March 2011 and has guided the partnership until December 2012.

Since the first Joint Concept Note was published, considerable progress has been made in the Guyana-Norway cooperation.

This current version of the Joint Concept Note replaces the concept note of March 31 2011.

¹ As defined in the Bali Action Plan (2/CP.13).

Section 1: Introduction

This Joint Concept Note constitutes the overarching framework for taking the Guyana-Norway cooperation forward. Specifically, it addresses Paragraphs 2 (c), 3 and 4 of the MoU signed between Guyana and Norway on November 9th, 2009. The Joint Concept Note sets out how Norway is providing, and will continue to provide, financial support to Guyana, based on Guyana's delivery of results as measured, and independently verified or assessed, against two sets of indicators:

- *REDD-plus Performance Indicators:* A set of forest-based greenhouse gas emissions-related indicators, as described in more detail in section 3 below. Results against these indicators will be independently verified according to the established practice of the partnership. These indicators will gradually be substituted as a system for monitoring, reporting and verifying (MRV) emissions from deforestation and forest degradation in Guyana is established. The development of the MRV system is guided by the MRV roadmap.²
- *Indicators of Enabling Activities:* Indicators are identified that can be independently assessed³ through publicly available information on progress regarding a set of policies and safeguards to ensure that REDD-plus contributes to the achievement of the goals set out in Paragraph 2(c) of the MoU signed between Guyana and Norway on November 9th, 2009, namely "that Guyana's LCDS Multi-Stakeholder Steering Committee and other arrangements to ensure systematic and transparent multi-stakeholder consultations will continue and evolve, and enable the participation of all affected and interested stakeholders at all stages of the REDD-plus/LCDS process; protect the rights of indigenous peoples; ensure environmental integrity and protect biodiversity; ensure continual improvements in forest governance; and provide transparent, accountable oversight and governance of the financial support received." The enablers are described in more detail in Section 2 and table 1 below.

Norwegian financial support is being channeled through a multi-contributor financial mechanism – the Guyana REDD-plus Investment Fund (GRIF). The support is financing two sets of activities:

- The implementation of Guyana's Low Carbon Development Strategy (LCDS)
- Guyana's efforts in building capacity to improve overall REDD+ and LCDS efforts.

Section 4 sets out how the financial mechanism operates.

The first payment to the GRIF was made in October, 2010 and the second payment in March 2011 for results achieved between October 1, 2009 and September 30, 2010. The third contribution was announced in December 2012 for forestry results from January 1st to December 31st 2011 and for results on indicators of Enabling Activities from October 1st 2010 to December 21st 2012.

The contents of this concept note have been updated to include the longer term goals of the partnership towards its end in 2015. The annual progress in developing the MRV system and in

²http://www.forestry.gov.gy/Downloads/Terms_of_%20Reference_for_Guyana's_MRVS_Draft.pdf

³ Up until now the enabling activities have been 'verified', this have been a challenging exercise since qualitative and subjective views highly influence the understanding and verification of the indicators. The Governments of Guyana and Norway have therefore chosen to change the language from 'verified' to 'independently assessed' in order to accommodate for the qualitative nature of these indicators.

strengthening the quality of REDD-plus-related forest governance will be defined as steps towards reaching these goals. The Government of Guyana is responsible for making publicly available the necessary data for assessing performance against the given indicators.

Section 2: Enabling Activities

The continuation of result-based financial support from Norway to Guyana will depend on publicly observable progress on forest governance, as outlined below.

Section 2.1 Indicators of Enabling Activities

Performance in enabling activities will be measured against progress on six key categories of activities:

Strategic framework:

All aspects of Guyana's planned efforts to reduce deforestation and forest degradation, including forest conservation, sustainable management of forests and enhancement of forest carbon stocks ("REDD-plus"), are being developed in a consistent manner, through an internationally recognized framework for developing a REDD-plus programme, and will continue to evolve over time. Guyana is developing its REDD-plus efforts under the Forest Carbon Partnership Facility (FCPF), managed by the World Bank. Furthermore, all REDD-plus efforts will, at all stages, be fully integrated with Guyana's Low Carbon Development Strategy (LCDS). The contributions to Guyana's LCDS from Norway and other contributors, including the FCPF, will be administered in a transparent manner. Information concerning all expenditures, both planned and implemented, will be publicly available on the relevant website of the Government of Guyana, and through national systems of public disclosure, including to the National Assembly.

Guyana has chosen the Forest Carbon Partnership Facility (FCPF) as the strategic framework for its REDD+ efforts. The Readiness Preparation Proposal (RPP) will be finalized during 2012 with IDB as the delivery partner.

Goal of the partnership

Guyana and Norway support the relevant decisions of the UNFCCC COPs in Cancun, Durban and Doha, and in particular the decision to agree a new, global climate agreement by 2015, for implementation from 2020 at the latest. The Governments believe that the partnership between the two countries can provide many useful lessons for the crafting of the new agreement, as well as influencing the effective functioning of other multilateral processes, e.g. the FCPF. This could include lessons on creating effective climate finance mechanisms, setting REDD+ reference levels, and providing practical lessons on the implementation of safeguards. By the end of 2014, the Governments will make one or more joint submissions to the UNFCCC, covering each area where there the Governments believe that there are shared lessons that will help the global multilateral process. As well, the Government of Guyana's Readiness Package ("R-package") will be prepared and assessed by the FCPF's Participants Committee (PC) in the fall meeting 2014, contingent on financial resources from FCPF, or other resources, being available in time to do so.

Improved Financial Intermediation

Subject to IDB decision-making processes, the IDB Financial and Safeguards Intermediary role will be operational in the first half of 2013.

By the end of 2013, an outline strategy will be prepared setting out how the interim financial mechanisms could in the future be transitioned into national systems once mutually agreed benchmarks for independent assessment of financial, social and environmental safeguards are met. This could form part of a submission into the UNFCCC process, as a contribution to global efforts to design effective REDD+ finance mechanisms.

Continuous multi-stakeholder consultation process:

The LCDS, including the REDD-plus strategy and prioritized LCDS funding needs, is subject to an institutionalized, systematic and transparent process of multi-stakeholder consultation, enabling the participation of all potentially affected and interested stakeholders at all stages of the REDD-plus/LCDS process. This process will continue to evolve over time. Particular attention will be given to the full and effective participation of indigenous peoples and other forest-dependent communities.

Goals of the partnership

- Monthly meetings of the Multi Stakeholder Steering Committee (MSSC), with comprehensive minutes of every meeting made publicly available immediately upon approval from the following MSSC meeting.
- Information and consultation program in place by June 2013, leading to a sustainable intensification of outreach activities both in the hinterland and elsewhere, including :
 - o From January 2013 keeping the GRIF and LCDS web pages updated with relevant information about the progress of ongoing processes.
 - o Initiating in January 2013 a responsible body for communication, information and consultations - located either in the Office of Climate Change (OCC), the Project Management Office (PMO) or REDD Secretariat. The body will be established in January 2013 and, subject to timely availability of GRIF resources, will be fully operational by the end of 2013, with the ability to lead the development and sustain the implementation of the elements identified below.
 - o The establishment of information and consultation routines tailored specifically to the needs of Amerindian communities, including non-internet based channels of communication like in-person meetings, information folders, and traditional media.
 - o Coordinated information flows related to the different parts of LCDS implementation, including but not limited to LCDS progress, IFM, EITI, FLEGT, FCPF and GRIF projects.
 - o Collaboration with the National Tshaos Council (NTC) and MSSC members to strengthen their capabilities to function as agents of information sharing.
 - o Develop annual stakeholder engagement and awareness plans consistent with the conceptual process framework developed, to be implemented starting in early 2014.

Governance:

A transparent, rules-based, inclusive forest governance, accountability and enforcement system for forest governance in Guyana is being progressively strengthened, in accordance with Guyana's outline REDD-plus Governance Development Plan (RGDP) and the enabling activities for 2012, as outlined in table 1.

Goals of the partnership

- Application for EITI Candidacy presented to the EITI board by May 2013, application for EITI compliance at the last EITI board meeting in 2015.
- Commencement of formal negotiations with the EU by the end of 2012, with the aim of agreeing to a Voluntary Partnership Agreement (VPA) under the EU FLEGT Action Plan, by March 2015. Ratification of the VPA by Guyana by September 2015. Development of a plan for the implementation of the VPA to be completed by the end of 2015.
- Continued implementation of Independent Forest Monitoring (IFM), with the first IFM assessment due by the end of 2013; In keeping with Section 4 of the agreed Terms of Reference for IFM, the next IFM assessments will be conducted at 2 years intervals thereafter, the next one taking place in December 2015
- Enforcement and implementation of activities outlined by the Special Land Use Committee (SLUC) – and communicated publicly – will continue in 2013.
- The fifth national report submitted by 31 March 2014 to the CBD, including to the extent possible a description of the synergies between the protection of biodiversity, REDD+ and the LCDS.
- Implementation of a GoG (MNRE) programme, with actions focused on specific efforts to manage degradation from extractive activities where this needs to be done, including, for example: the start up of an enhanced miners' environmental knowledge programme through a mining extension service initiative and enhanced dialogue with the sectors and relevant stakeholders towards ensuring that sectoral best practices are applied and sustained thereafter.

The rights of indigenous peoples and other local forest communities as regards REDD-plus:

The Constitution of Guyana guarantees the rights of indigenous peoples and other Guyanese to participation, engagement and decision making in all matters affecting their well-being. These rights will be respected and protected throughout Guyana's REDD-plus and LCDS efforts. There shall be a mechanism to enable the effective participation of indigenous peoples and other local forest communities in planning and implementation of REDD-Plus strategy and activities.

Guyana's policy is to enable indigenous communities to choose whether and how to opt in to the REDD-plus/LCDS process. This will take place only when communities wish to do so with their titled lands, in accordance with Guyana's policy of respecting the free, prior and informed consent of these communities.

Goals of the partnership

- GRIF funding made available to enable the achievement of the Government of Guyana's policy objective of completion of land titling for all eligible Amerindian communities by 2015, with progress measured relative to a publicly available timeline.
- GRIF funding made available for all CDPs through the Amerindian Development Fund.
- Opt In mechanism designed based among other things on evaluation of the piloting experience of the mechanism, and implemented starting in July 2015.

- Implementation starting by June 2013 of the part of the outreach program under the multi-stakeholder indicator which is tailored and targeted towards the needs of Amerindian communities.

Integrated land-use planning and management:

Several aspects of REDD+ relates to the development of a system for environmentally sustainable and climate smart area planning and management. Several of the current interim performance indicators and enabling activities are directly relevant in this context. To ensure sustained positive impact from our combined efforts, the long term goal should be for these indicators and activities to result in a formalized system for area planning and management:

Goals of the partnership

- By September 2015, Guyana has a formal system in place for holistic area planning and management.
- A key element of this system should be a publicly available map of area use (including, but not limited to, full transparency regarding existing and planned concession and reconnaissance areas for forestry and mining, titled lands for Amerindian communities, areas planned and concessioned for industrial agriculture etc.)
- In the process of developing the system for area planning and management and the area use map, formal status of varying degrees of protection should be awarded to a significant part of the areas identified as Intact Forest Landscapes and priority areas for biodiversity, This will gradually replace the Intact Forest Landscapes interim performance indicator. The measures taken will as a whole be in line with Guyana's stated goal of maintaining 99,5 per cent of its forest for the duration of the partnership and stay on a similar trend after 2015, though the degree of forest protection will depend on various factors, including the availability of international climate finance.

Monitoring, reporting and verification:

Guyana has progressed far in developing a national MRV system. Guyana has established a deforestation baseline and performed two forest area assessments for the years 2009-10 and 2010-11.

Goals of the partnership

- Guyana has implemented the MRV-roadmap and reached a reporting level incorporating several Tier 3 elements by the end of 2015. These Tier 3 elements include, but are not necessarily limited to, the use of high resolution data at national level that allows for disaggregation, the use of methods that provide estimates of greater certainty than lower tiers for key carbon pools, the use of comprehensive field sampling that is linked to GIS based systems which integrates land use and management activity data, and is subject to quality checks, and validations. Further, other areas relevant to Tier 3 reporting, will be further explored as stated in the MRV Roadmap.
- Guyana will conclude technical analyses that inform a reference level that is to be submitted to the UNFCCC. The reference level will reflect the core elements of the reference level agreed by the GoG and the GoN, and also make provisions that the reference level be reassessed at regular intervals as/if global rates decrease. The aim is to submit the reference level to the UNFCCC by mid 2014, if this is technically feasible. If

this goal proves impossible to meet due to technical challenges, the deadline can be extended after written agreement by both parties

Section 2.2 Assessing Progress Against Enabling Indicators

Table 1 below sets out how progress will be measured regarding enabling indicators going forward. These indicators are informed by the long term goals of the partnership as agreed in section 2.1 above, and thereafter updated in accordance with the long term goals.

Guyana and Norway have agreed that the necessary information to assess Guyana's delivery on these indicators will be easily accessible in the public space. Independent assessment of the information thus accessible determines to what degree, the REDD-plus enablers have been met.

Section3: REDD-plus performance indicators

Guyana is being paid for its performance through an incentive structure which rewards keeping deforestation below an agreed reference level, as well as avoiding increased forest degradation.

The Governments of Guyana and Norway strongly endorse the establishment of such an incentive structure under the United Nations Framework Convention on Climate Change (UNFCCC). To help facilitate such an agreement, the Governments have decided to pilot such an incentive structure on a national scale and in a pragmatic, gradually evolving, workable and hopefully replicable manner. Once an international regime is in place, the Guyana-Norway partnership will be adjusted accordingly. Section 3.1 sets out the incentive structure, while Section 3.2 outlines how performance is to be assessed.

Section 3.1 REDD+ incentive structure

The payments due to Guyana for a given year are paid post facto. They are calculated as follows:

1. Measure avoided deforestation by subtracting Guyana's observed deforestation rate against the agreed *reference level*. See Section 3.1.1
2. Determine avoided greenhouse gas emissions by applying a set of *carbon-density proxies* to:
 - (i) convert the observed avoided deforestation rate into avoided greenhouse gas emissions;
 - (ii) subtract increased emissions from forest degradation based on agreed indicators and their reference levels as set out in table 2.See Section 3.1.2.
3. Apply an interim carbon price of US\$5 per tonne of avoided emissions, providing Guyana does not exceed an agreed level of deforestation within the context of the Guyana-Norway partnership – see Section 3.1.3. If the deforestation rate is above the levels stipulated in section 3.1.3, payments will be reduced and ultimately cease.

Section 3.1.1 – Measuring Avoided Deforestation and Forest Degradation

Setting a Deforestation Reference Level

For a global REDD+ mechanism to be effective it must incentivize both (i) reductions in deforestation in countries with high levels of deforestation and (ii) maintenance of low deforestation rates in countries that have maintained their forest cover. If only countries with high

deforestation rates are compensated for improving their forest protection under an international climate regime, deforestation pressures will move to countries with currently low deforestation, like Guyana, and the overall emissions reduction effect will be diluted or lost.

On the other hand, if a global incentive structure does not ensure global additionality, the international community will be paying for “hot air” and there will be no mitigation impact.

This point is broadly accepted within the UNFCCC negotiations, and there is general agreement that a REDD-mechanism must provide genuine incentives for forest conservation in low deforestation countries, as well as ensure global additionality.

Therefore, Norway and Guyana have – pending the finalization of a UNFCCC reference level methodology – decided to use the “combined reference level” methodology to set a provisional reference level, based on an equal weighting of Guyana’s mean 2000 - 2009 deforestation rate and the mean 2005 – 2009 rate in developing countries with deforestation. The “combined reference level” methodology provides incentives for all categories of forest countries, and ensures that emissions from deforestation and forest degradation are reduced cumulatively at a global level.

In setting a historical deforestation baseline for Guyana under the Guyana-Norway REDD+ partnership, the mean value for the 2000-2009 period is used; 0.03% (see box 1 for background). This adheres to the principles used for setting the historical deforestation baseline in the Brazilian Amazon Fund.

The “global average deforestation rate” is calculated⁴ across 85 developing forested countries by dividing the sum of reported forest area loss in only those countries which lost forest by the starting area of forest across all countries. Data on forest loss is taken from FAOs Forest Resources Assessment 2010 (FRA 2010). For the period 2005-2010 the “global average deforestation rate” was 0.52%. This figure will be subject to revision given new data from future FAO FRA’s or from the IPCC.

The reference level for Guyana is the mean value of these two measures, that is, 0.275%.

Setting Reference Levels for forest degradation indicators.

In the first two years of the partnership, Guyana’s MRVS was not sufficiently developed to enable an analysis of forest degradation in Guyana that would enable a facts- based reference level to be established for all degradation indicators. Guyana has made substantial progress in improving the knowledge base for degradation indicators, and the current set of indicators and their associated reference levels are described in table 2.

Section 3.1.2 Converting to Avoided Greenhouse Gas Emissions

Guyana is working to implement an IPCC-compliant MRV-system for emissions or removals of carbon from Guyana’s forest sector. Until such a system is in place, a set of basic interim (proxy) indicators will be used to assess Guyana’s performance. As a more sophisticated forest carbon accounting-system is implemented, these basic indicators will be gradually phased out. The set of interim performance indicators is based on the following assumptions:

⁴The open source Osiris database was used for these calculations (www.conservation.org/osiris). Note that this is an underestimate because it does not include deforestation that occurred within countries that had a net gain in forest, nor does it account for all deforestation in countries that lost forest as some countries' reported forest area loss are net values.

- They provide justification and prioritization for near-term implementation of REDD-plus efforts.
- They are based on conservative estimates while encouraging the development of a more accurate MRV system over time through building national capacities.
- They will contribute towards the development of a national MRV-system, based on internationally accepted methodologies and following the IPCC reporting principles of completeness, consistency, transparency, uncertainty, comparability, and encourage independent international review of results.

When calculating reduced emissions from avoided deforestation, an interim default value of 100 tons of Carbon is applied. This interim carbon figure corresponds to 367 tons of CO₂. When calculating emissions caused by forest degradation, a default value of 400 tons per hectare is applied, this corresponds to 1468 tons of CO₂. These conservative carbon values help to ensure that emission reductions from deforestation are not over-estimated and emissions from forest degradation are not under-estimated.

The interim indicators are described in table 2 below.

Section 3.1.3 Calculating Payment

Payments due to Guyana will be calculated by applying an interim carbon price of US\$5/ton CO₂, as established in Brazil's Amazon Fund.

However, this price will only be applied if Guyana's observed deforestation rate is below the agreed level. This is explained in the following section.

Agreed maximum level of Deforestation

If designed for maximum effectiveness and efficiency, a future global incentive system could allow for significant variations in individual countries' deforestation rates while still ensuring global additionality.

However, in the absence of a global system, such an approach alone would imply that Guyana would be eligible for significant payments even if it were to increase its deforestation along a business-as-usual trajectory towards the agreed reference level of 0.275%.

However, neither Norway nor Guyana wishes to see such an increase in deforestation, and in November 2009 the Joint Concept Note clearly stated that:

"(...) the Participants agree that Norwegian financial support from 2011 onwards is also dependent on no national-level increase in deforestation over an agreed level that should be as close to historical levels as is reasonable in light of expanded knowledge of these historical rates and the quality of that knowledge. Such a level can only be set when more robust data is available concerning current and historic deforestation."

At the same time, Guyana's national development requires limited but strategic use of forest assets to enable (i) a limited amount of economic activity to take place within the forest, where the economic value to the nation of such activity is very valuable; (ii) a limited amount of essential national infrastructure to be constructed where this is in line with critical development goals; (iii) support for the sustainable development of forest villages. Guyana is reaching a stage of economic development where experience from other countries suggests that enabling these objectives brings further deforestation pressures.

Therefore, pending the introduction of a global incentive system, it would defeat the purpose of making REDD+ an attractive development option for forest countries if this REDD+ agreement meant that no increases at all be allowed in Guyana's historically low deforestation rates. First, the rates are so small that the margin of error of measurements in itself could yield significant annual variations (as measured in per cent). Second, insisting on such strict limitations would probably yield an insufficient incentive structure for the people of Guyana to stick to a low-deforestation development path, as the economic downsides would be disproportionate to the incentive offered. Third, the relevance of historical trends when deforestation rates are extremely low is not as useful a predictor of future pressures on the forest as it is in countries with higher historic rates of deforestation.

There is no given mathematically correct answer to how these concerns should best be balanced. Guyana and Norway have chosen a model that on the one hand enables Guyana to exercise careful, strategic use of limited forest areas for high value economic activity, the construction of essential national infrastructure and sustainable development of forest villages. On the other hand, the model puts in place incentives that would quickly penalize an upward trend in deforestation, see box 2.

The essence of this approach has two implications:

- (i) One-off predictable and controllable deforestation events will be allowed for critical national infrastructure that is part of Guyana's transition to a low carbon development path.⁵ During the duration of the current Guyana-Norway partnership, the only such event will be the construction of the Amaila Falls hydro-electricity plant. This plant is the flagship of Guyana's Low Carbon Development Strategy, and is expected to eliminate over 92% of the country's energy-related emissions, after the emissions associated with its construction are accounted for⁶. It will only go ahead after Guyana and Norway have agreed that the necessary Environmental and Social safeguards have been met, and an independent verification agreed by Guyana and Norway confirms the overall beneficial effects of the project from a climate change perspective.
- (ii) Economic activities will be permitted within the forest, within a ceiling on deforestation of 0.056 per annum, without any financial penalty apart from the reduction in compensation caused by a smaller margin between the reference level and the verified deforestation level. For any deforestation rate up to this level, Guyana will be eligible for payments equaling the full margin between the reference level and the verified deforestation level. For deforestation rates between 0,056 per cent and 0,1 per cent (unless they relate to the Amaila Falls project as described above), eligibility for payments would be calculated as a gradually decreasing percentage of the payments that would be due if only the margin between the reference level and the verified deforestation level were taken into account, as set out below. At deforestation rates at or above 0,1 per cent, no payments would be due to Guyana for that given year.

⁵ The exception is only from the 'agreed maximum level of deforestation' provision. The emissions resulting from such activities would still be part of the total deducted from the reference level to determine total payments due to Guyana. I.e., emissions from Amaila would still count as deduction in total amount due to Guyana in the years when Amaila was established.

⁶ The January 2011 ESIA for the Amaila Falls project can be found at <http://amailahydropower.com/latest-news/key-project-documents>. Section 5 details how a 92% reduction in net greenhouse gas emissions is calculated.

Box 2:**Mechanism for reducing results based payments if deforestation rate exceeds the agreed maximum level (0,056%)**

Deforestation rates (%)	Up to 0.056	0.057-0.062	0.063-0.080	0.081-0.090	0.091-0.1
Reduced compensation (% per 0.0015 increased deforestation)	0	1,5	2,0	2,5	3,0

Examples of reductions in compensation at levels above agreed maximum level:

Deforestation rate (%)	Up to 0.056	0.07	0.08	0.09	0.1
Reduced compensation (%)		25	45	70	100

This approach is compatible with the Government of Guyana's declared long-term strategy to maintain the maximum amount of forest cover in Guyana, if an appropriate incentive structure is in place to make this strategy viable. This is being done through a balanced mix of maintaining forests under full protection (areas where only small-scale subsistence farming by forest dependent communities is allowed) and sustainable commercial forest management (where existing forestry concessions can operate within the terms of their licenses and the GFC's sustainable forest management guidelines).

In sum, this means:

- a) that a ceiling on the level of deforestation that can take place before 2015 with any incentives still flowing, has been set at only around 35 per cent of the level of deforestation that the reference level would imply;
- b) the accommodation of limited annual upward variations to ensure that the incentive structure still makes REDD+ a positive development choice for Guyana; and
- c) that Guyana is incentivized to maintain more than 99.5 per cent of its forest cover for the duration of the partnership.

See box 3 for a summary description of how performance based payments will be calculated.

Norwegian support to GRIF – alone or in combination with other contributors – will not exceed the sum calculated on the basis of the above described methodology.

It is also likely that while support from Norway will be sufficient to provide majority funding for results delivered by Guyana, in a given year, it is unlikely to equal the total sum owed to Guyana. Therefore, to ensure that the incentives which underpin the partnership are fully in place, Guyana and Norway will work together to seek to get other Participants to join the partnership.

Once other Participants are in place with sufficient commitments to the Partnership, this will enable Norwegian (and other Participants') contributions to vary directly with performance, i.e. a reduction in estimated emissions will lead to relatively higher contributions, increases to relatively lower contributions.

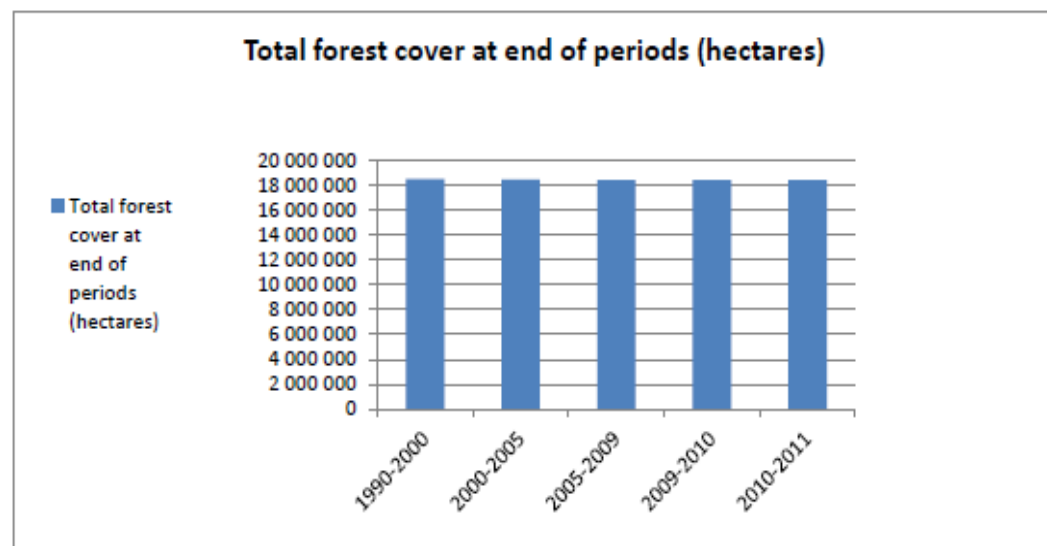
Box 1:

To improve knowledge on historical deforestation rates in Guyana, an analysis of forest area change since 1990 to September 2009 has been undertaken, using archived Landsat-type satellite data that met the IPCC Good Practice Guidelines for Land Use, Land Use Change and Forestry (LULCF). The analysis was conducted by Pöyry-New Zealand, upon assignment by the Guyana Forestry Commission. The report was subsequently subject to independent verification by Det Norske Veritas (DNV). The reports can be downloaded at www.regjeringen.no/guyana or www.forestry.gov.gy

Driver	Historical period				
				Year 1	Year 2
	1990 - 2000	2001 - 2005	2006 - 2009	2009 - 2010	2010 - 2011 (15 months)
	Area (ha)				
Forestry	6094	8420	4784	294	234
Agriculture	2030	2852	1797	513	72
Mining	10843	21438	12624	9384	9205
Infrastructure	590	1304	195	64	149
Fire	1708	235		32	136
Area deforested	21267	34249	19400	10287	9796
Total forest area of Guyana	18 473 394	18 425 127	18 417 878	18 398 478	18 388 190
Total forest area of Guyana remaining	18 452 127	18 417 878	18 398 478	18 388 190	18 378 394
Deforestation %	0,01 %	0,04 %	0,02 %	0,06 %	0,05 %

The estimates include all forest to non-forest change, i.e. detected mining, road infrastructure, agricultural conversion and fire events that result in deforestation. They do not include degradation caused by selective harvesting, fire or shifting agriculture. It should be noted that the numbers for the historical analysis are annualized, but that firm enough data to establish actual rates for any given year are not available. Insights gathered from countries where such data exist, indicate that there is most probably a fairly significant year-on-year variation.

A key conclusion to be drawn from the study is that forest cover in Guyana has remained relatively stable over the 20 year benchmark period, as illustrated below:



Box 3:
How will results based payments be calculated?

To calculate the results based payments due to Guyana based on the results in any given year, the following steps will be followed:

1. Subtracting Guyana's reported and verified deforestation rate from the agreed interim reference level of 0.275%;
2. Calculating the carbon emission reductions achieved through avoided deforestation (as compared to the agreed reference level) by applying an interim and conservatively set estimate of carbon loss of 100tC/ha. This value will be replaced once a functional MRV system is in place. The interim carbon loss figure corresponds to 367tCO₂/ha.
3. Subtracting from that number changes in emissions – on a ton-by-ton basis – from forest degradation as measured against agreed indicators and their reference levels, as specified in Table 2.
4. In calculating the carbon effects of forest degradation, an interim and conservatively set carbon density of 400 tC/ha will be applied. Upon agreement under the UNFCCC on how to estimate and account for emissions from degradation, this approach will be adjusted accordingly;
5. The tons of “avoided emissions” is then multiplied with an interim carbon price of US\$ 5/ton CO₂, as established in Brazil's Amazon Fund.
6. If the deforestation rate in a given rate exceeds 0,056, the payments will be gradually reduced as a proportion of the sum derived through step 1-4 above, or cease (if at or exceeding 0,1 per cent), as stipulated in section 3.1.3, box 2.

Section 3.2 Monitoring Progress Against reducing emissions and enhancing removals of carbon in Guyana's forests

Progress against reducing emissions and enhancing removals of carbon in Guyana's Forests will in time be measured through the MRV system that is being put in place as set out in the MRV-system Road-map⁷.

Pending the implementation of the MRV-system, Table 2 sets out the interim REDD+ performance indicators described above. Guyana and Norway agree that these indicators will evolve as more scientific and methodological certainty is gathered concerning the means of verification for each indicator, in particular the capability of the MRV system at different stages of development.

A roadmap for the establishment of a national MRV system and accompanying Terms of Reference for the system have been developed to provide a framework for verifiable, performance monitoring, set against international best practice and nationally appropriate

⁷http://www.forestry.gov.gy/Downloads/Terms_of_%20Reference_for_Guyana's_MRVS_Draft.pdf

circumstances. In years 1, 2 and 3 (2009-2011), implementation has also commenced in a number of administrative and technical areas. Broad based MRV-system Steering and Technical Committees have been established and initial technical work has commenced and advanced in forest area and forest carbon stock assessment and monitoring. The framework has been created for annual reporting on deforestation and forest degradation in accordance with interim REDD+ Performance Indicator that will evolve into a full MRV system. The first product has been the completion of historic reporting on forest/non forest cover and deforestation by driver, over the period 1990 to 2009, accompanied by annual reporting of forest/non forest cover and deforestation and forest degradation results in accordance with REDD+ Interim indicators set out in the JCN. Concurrently, work is also proceeding for field based assessments of forest carbon stock assessment and monitoring, the establishment of demonstration activities, and detailed technical studies on reference level setting and forest degradation, as well as other areas.

During 2009-2011, significant improvements to Guyana's ability to measure deforestation indicators were made. In particular, it was determined (and independently verified) that deforestation rates were extremely low.

Progress has also been made to gain a greater understanding of how degradation is to be measured, and this leading to further work in 2013 and onwards, when new scientifically-based knowledge will enable progress on refining the reporting on indicators to assess degradation, including that from mining and infrastructure (currently the dominant drivers of degradation).

Guyana and Norway have agreed that annual independent verification of REDD+ performance indicators will be conducted by one or more neutral expert organizations, to be appointed jointly by the Participants. The assessment determines what results Guyana has delivered according to the established indicators for REDD-plus performance. For the first and second reporting periods, the measurement of progress was carried out by Poyry, Indufor and WinRock in collaboration with the Guyana Forestry Commission, and independent verification was carried out by DNV. DNV was selected on the basis of an international tender process in accordance with Norwegian procurement regulations.

Section 4: Financial mechanism:

The Guyana REDD+ Investment Fund (GRIF) is channeling REDD-plus financial support from Norway and other potential contributors to the implementation of Guyana's LCDS.

Pending the creation of an international REDD+ mechanism, the Guyana REDD+ Investment Fund (GRIF) represents an effort to create an innovative climate finance mechanism which balances national sovereignty over investment priorities with ensuring that REDD+ funds adhere to globally accepted financial, environmental and social safeguards.

The GRIF is an interim solution for channelling climate finance to Guyana - designed for the Guyana-Norway Partnership up to 2015 - pending the transfer of payment intermediation, and associated processes, to Guyana's national systems. This will be done when it is possible to specify how independent verification of Guyana's adherence globally accepted financial, environmental and social safeguards can be implemented. This will draw on UNFCCC and other relevant guidance.

Until such time as national systems can be used, the World Bank's International Development Association (IDA) was invited by Guyana and Norway to act as Trustee and is responsible for providing financial intermediary services to the GRIF.

The Trustee (i) receives payments for forest climate services provided by Guyana; and (ii) transfers these payments and any investment income earned on these payments, net of any administrative costs, to Partner Entities, for projects and activities that support the implementation of Guyana's LCDS. Transfer of funds takes place on approval by the GRIF Steering Committee, which consists of Guyana and Norway, with observers from Partner Entities, as well as Guyanese and Norwegian civil society.

Partner Entities provide operational services for the approved LCDS investments, and apply their own globally accepted operational procedures and safeguards. As of December 2012, Guyana and Norway have approved as Partner Entities the Inter-American Development Bank (IDB), the World Bank and the United Nations Development Group.

More information on the operation of the GRIF is set out in the Administration Agreement between the Government of Norway and the World Bank.⁸

Improved Financial Intermediation

The Guyana REDD+ Investment Fund (GRIF) has experienced significantly slower than anticipated progress, although important lessons have been learned. The two Governments recognize the need for disbursements from the GRIF into Guyana's economy and relevant LCDS and REDD+ investments to strengthen the effectiveness of REDD+ as an intrinsic part of Guyana's sustainable development. As such, work is being undertaken to allow for a more flexible, fit-for-purpose financial mechanism that would ensure the application of internationally recognized safeguards while allowing for stronger Guyanese ownership. As part of this, a pilot for an IDB role as Financial and Safeguards Intermediary is being developed, with the goal of it being operational in the first half of 2013.

Goal of the partnership

The proposed role for the IDB as Fiduciary Safeguards Intermediary will ensure compliance with IDB's fiduciary, environmental and social safeguards for simpler projects. If proven suitable for the implementation of a range of GoG-activities it can also be useful to the further development of Guyana's domestic institutional capability.

It is hoped that by 2015, the financial mechanisms of the partnership can be used as examples of interim flexible climate financing instruments, which allow for rapid approval of projects and stronger national ownership, while at the same time applying internationally recognized (in this case IDB) standards for fiduciary, environmental and social safeguards.

⁸<http://lcds.gov.gy/guyana-redd-investment-fund-grif.html>

Table 1- Key REDD+ Efforts in 2012/13 (from 21 December 2012 to 15 June 2013):

Improved REDD+ Governance

Through 2012, the Government of Guyana continued to improve governance standards within the REDD+-related forest dependent sectors. These efforts to improve REDD+ -related governance, will continue in 2013 and onwards. The information necessary to assess Guyana's completion of the actions below will be easily accessible in the public space.⁹Based on the goals of the partnership presented in section 2 the following actions will take place between December 21st 2012 and June 15th 2013:

Strategic framework

- Continued engagement between the IDB and the GFC with the aim of advancing an agreement on the FCPF, contingent on the completion of IDB's internal processes of approval of Guyana's FCPF programme.
- Guyana will publish its LCDS Addendum which will highlight its updated REDD+ strategy, including learnings to date from the Guyana-Norway partnership and an outline plan for advancement on the FCPF programme.

Continuous multi-stakeholder consultation process

- Monthly meetings of the MSSC, with comprehensive minutes of every meeting made publicly available immediately upon approval from the following MSSC meeting.
- Establishment of a Communications and Outreach team within the OCC, PMO or REDD+ secretariat, in anticipation of GRIF resources for its operations (see next point).
- With reference to the long term goals: Information and consultation project concept note presented to GRIF SC. The project will be addressing general information concerning Climate change and REDD+, LCDS and the Norway Guyana partnership, specific information on Amerindian land titling, the opt-in mechanism, FLEGT, EITI, IFM, GRIF projects and other relevant information. The project will recognize the need of tailored and non-internet based information to indigenous groups and others without stable internet access.
- Regular updates of the GRIF and LCDS webpages.

Governance

- Application for EITI Candidacy at EITI board meeting in May 2013.
- Develop an interim definition of legality for the EU FLEGT VPA for Guyana by end of June 2013.
- Outline in 2013 a GoG (MNRE) programme, with a particular focus on specific efforts to manage degradation from extractive activities where this needs to be done, including, for example: an enhanced miners' environmental knowledge programme through a mining extension service initiative and enhanced dialogue with the sectors and relevant stake holders towards ensuring sectoral best practices are applied and sustained thereafter, where necessary

⁹<http://www.lcds.gov.gy/> and <http://www.regjeringen.no/nb/dep/md/tema/klima/klimaogskogprosjektet/norge-og-guyana-avtale-om-a-bevare-guyan.html?id=592318>

The rights of indigenous peoples and other local forest communities as regards REDD+

- Present the Amerindian Land Titling project to the GRIF steering committee, after the normal GRIF public hearing period for new project notes is concluded
- Opt-in concept note ready and pilot community for opt-in mechanism selected.
- Strategy and development of tailored information and consultations for hinterland communities addressed in the outreach program.
- Initiating implementation of Community Development Plans through the Amerindian Development Fund.

Integrated land-use planning and management

- Strategic Approach to land use planning publicly communicated by March 2013.
- Establish a plan, timeline and responsible agency for the development of a map of area use (including, but not limited to: existing and planned concession and reconnaissance areas for forestry and mining, titled lands for Amerindian communities, areas planned and concessioned for industrial agriculture etc.)
- Based on the evolving area use map, determine a roadmap by June 2013 to codify the formal status of varying degrees of protection for the areas identified as Intact Forest Landscapes and priority areas for biodiversity. This will gradually replace the Intact Forest Landscapes interim performance indicator.

Table 2: Interim Indicators for REDD+ performance in Guyana¹⁰

Source of emissions or removals	Justification	Interim performance indicator	Monitoring and estimation	IPCC LULUCF reporting
Deforestation indicator:				
Gross deforestation	Emissions from the loss of forests are among the largest per unit emissions from terrestrial carbon loss.	<p>Rate of conversion of forest area as compared to agreed reference level.</p> <p>Forest area as defined by Guyana in accordance with the Marrakech accords:</p> <ul style="list-style-type: none"> • Minimum 30% tree cover • At a minimum height of 5 meter • Over a minimum area of 1 ha. <p>Conversion of natural forests to tree plantations shall count as deforestation with full carbon loss.</p> <p>Forest area converted to new infrastructure including logging roads, shall count as full carbon loss, unless otherwise</p>	<p>Forest cover as of September 2009 will be used as baseline for monitoring gross deforestation.</p> <p>Reporting to be based on medium and high resolution satellite imagery and in-situ observations where necessary.</p> <p>Monitoring shall detect and report on expansion of human infrastructure (eg. new roads, settlements, pipelines, mining/agriculture activities etc.)</p>	Activity data on change in forest land

¹⁰The Participants agree that these indicators will evolve as more scientific and methodological certainty is gathered concerning the means of verification for each indicator, in particular the capability of the MRV system at different stages of development. Based on experiences from the first and second reporting and verification exercise, some adjustments have been made in this table. However, the process has identified a need to develop further detail on the operationalisation of the indicators. Significant improved ability to operationalise the indicators has already been achieved, and this process will continue over the duration of the partnership.

		informed by field study that identifies an alternative carbon loss level.		
Degradation indicators:				
Loss of intact forest landscapes ¹¹	Degradation of intact forest through human activities will produce a net loss of carbon and is often the pre-cursor to further processes causing long-term decreases in carbon stocks. Furthermore, preserving intact forests will contribute to the protection of biodiversity.	The total area of intact forest landscapes within the country should remain constant. Any loss of intact forest landscapes area ¹² shall be accounted as deforestation with full carbon loss. The IFL Baseline map developed in the first reporting period will be used to assess changes. Note that this indicator will be subject to review as stipulated in section 2.1. ¹³	Using similar methods as for forest area change estimation.	Changes in carbon stocks in forests remaining as forests
Forest management (i.e. selective logging) activities in natural or semi-natural forests	Forest management should work towards sustainable management of	All areas under forest management should be rigorously monitored and	Data on extracted volumes is collected by the Forestry Commission. Independent forest	Changes in carbon stocks in forests remaining as forests

¹¹Intact Forest Landscape (IFL) is defined as a territory within today's global extent of forest cover which contains forest and non-forest ecosystems minimally influenced by human economic activity, with an area of at least 500 km² (50,000 ha) and a minimal width of 10 km (measured as the diameter of a circle that is entirely inscribed within the boundaries of the territory)." (See www.intactforests.org)

¹²When assessing loss of IFL, the established elimination criteria will be applied:

- Settlements (including a buffer of 1 km);
- Infrastructure used for transportation between settlements or for industrial development of natural resources, including roads (except unpaved trails), railways, navigable waterways (including seashore), pipelines and power transmission lines (including a buffer of 1 km on each side);
- Areas used for agriculture and timber production;
- Areas affected by industrial activities during the last 30-70 years, such as logging, mining, oil and gas exploration and extraction, peat extraction, etc.

The threshold values for IFL-patches (500 km², min. width 10 kms) will not be applied in assessing IFL loss.

¹³ The analysis of loss of IFL area during the second reporting period was conducted after the verification process had ended. The result reported under this indicator for the second reporting period will therefore be verified in relation to the year 3 verification.

	<p>forest with net zero emissions or positive carbon balance in the long-term.</p>	<p>activities documented (i.e. concession activities, harvest estimates, timber imports/exports).</p> <p>Increases in total extracted volume, expressed in tons of CO₂, (as compared to mean volume 2003 – 2008) will be accounted as increased forest carbon emissions¹⁴ unless otherwise can be documented using the gain-loss or stock difference methods as described by the IPCC for forests remaining as forests. In addition to the harvested volume, an appropriate expansion factor of 25 % (applied to the whole population of trees under forest management, i.e. harvested + remnant trees) shall be used to take account of carbon loss caused by collateral damage, etc, unless it is documented that this has already been reflected in the recorded</p>	<p>monitoring will act as an additional data source on forest management to complement this information.</p> <p>Accounting of this indicator should be done in terms of carbon units referred as close as possible to extraction of biomass from the above ground carbon pool.</p>	
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¹⁴ The participants agree on the need to create incentives for net-zero or carbon positive forest management practices in Guyana. This will require a sophisticated MRV system to assess the carbon effects of forestry activities. This will be an objective of the MRV system under development. In the interim period, focus will be on incentives for avoiding increased emissions from forest management activities.

		extracted volume.		
Carbon loss as indirect effect of new infrastructure.	The establishment of new infrastructure in forest areas often contributes to forest carbon loss outside the areas directly affected by constructions.	<p>High resolution satellite imagery and/or field observations shall be used to detect degradation in a 100m buffer surrounding new infrastructure (incl. mining sites, roads, pipelines, reservoirs etc.).</p> <p>As the benchmark for this indicator, the annualized number of the mapped degraded area from the second reporting period will be used (4368 ha)¹⁵. Any degradation above this benchmark in subsequent reporting years will result in reduced compensation.</p> <p>Unless other emission factors can be documented through the MRVS, these areas shall be accounted with a 50 % annual</p>	Medium and high resolution satellite to be used for detecting human infrastructure (i.e. small scale mining) and related degradation.	Changes in carbon stocks in forests remaining as forests

¹⁵For the second reporting period, Guyana made use of a new and significantly improved method for mapping infrastructure related degradation. A historical proxy analysis of areas affected by degradation from infrastructure was conducted for the period 2000-2010. The total area of a 100m buffer surrounding all new infrastructure was calculated for the historical period, as well as for the for the year 2 reporting period. This analysis indicated that the area affected by new infrastructure in the year 2 reporting period was comparable to the historical period. This exercise will be verified in the next verification of the interim performance indicators.

As a benchmark for infrastructure related degradation in future reporting periods, the area mapped as degraded in the second reporting period will be used. This area equaled 5460 ha, but as the second reporting period had a length of 15 months, and subsequent reporting periods will be 12 months, this number was annualized. The new benchmark is therefore 4368 ha.

		carbon loss, i.e. areas mapped in one year will be accounted with a further 50 % carbon loss in subsequent reporting periods.		
Emissions resulting from subsistence forestry, land use and shifting cultivation lands (i.e. slash and burn agriculture).	Emissions resulting from communities to meet their local needs may increase as result of <i>inter alia</i> shorter fallow cycle or area expansion.	Not considered relevant in the interim period before a proper MRV-system is in place.		Changes in carbon stocks in forests remaining as forests
Emissions resulting from illegal logging activities	Illegal logging results in unsustainable use of forest resources while undermining national and international climate change mitigation policies	Areas and processes of illegal logging should be monitored and documented as far as practicable.	<p>The monitoring of illegal logging is within the main objectives of the GFC's forest monitoring system, and is informed by an illegal logging database. In addition to reporting on illegal logging via the database, Independent Forest Monitoring will support performance monitoring of forest legality through the IFM framework. Should IFM detect potentially significant challenges with the established forest monitoring system, this indicator will be reassessed.</p> <p>In the absence of hard data on volumes of illegally harvested wood, a default factor of 15% (as compared to the legally harvested</p>	Changes in carbon stocks in forests remaining as forests

			<p>volume) will be used. This factor can be adjusted up and downwards pending documentation on illegally harvested volumes, inter alia from Independent Forest Monitoring. Medium resolution satellite to be used for detecting human infrastructure and targeted sampling of high-resolution satellite for selected sites.</p> <p>Accounting of this indicator should be done in terms of carbon units referred as close as possible to extraction of biomass from the above ground carbon pool.</p>	
Emissions resulting from anthropogenically caused forest fires	Forest fires result in direct emissions of several greenhouse gases	Area of forest burnt each year should decrease compared to current amount	Coarse-resolution satellite active fire and burnt area data products in combination with medium resolution satellite data used for forest area changes	Emissions from biomass burning
Indicator on increased carbon removals:				
Encouragement of increasing carbon sink capacity of non-forest and forest land	Changes from non-forest land to forest (i.e. through plantations, land use change) or within forest land (sustainable forest management, enrichment planting) can increase the	<p>Not considered relevant in the interim period before a proper MRV-system is in place but any dedicated activities should be documented as far as practicable.</p> <p>In accordance with Guyanese policy, an environmental impact</p>		Activity data on change to forest land and changes in carbon stocks in forests remaining as forests

	sequestration of atmospheric carbon.	assessment will be conducted where appropriate as basis for any decision on initiation of afforestation, reforestation and carbon stock enhancement projects.		
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