

# LOW-CARBON DEVELOPMENT STRATEGY



*Transforming Guyana's Economy While Combating Climate Change*

**DRAFT FOR DISCUSSION**

**Opt-In Mechanism Strategy**

Office of Climate Change  
Office of the President

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## List of Acronyms

ADF	Amerindian Development Fund
ALT	Amerindian Land Titling
CDP	Community Development Plan
C-MRV	Community Monitoring, Reporting and Verification
CO <sub>2</sub>	Carbon Dioxide
CO <sub>2e</sub>	Carbon Dioxide Equivalent
DF	Deforestation Rate
EPA	Environmental Protection Agency
FPIC	Free Prior and Informed Consent
GFC	Guyana Forestry Commission
GGMC	Guyana Geology and Mines Commission
GoG	Government of Guyana
GRIF	Guyana REDD+ Investment Fund
HEP	Hinterland Electrification Programme
ICT	Information, Communications and Technology
JCN	Joint Concept Note
LCDS	Low Carbon Development Strategy
MoAA	Ministry of Amerindian Affairs
MoU	Memorandum of Understanding
MRVS	Monitoring, Reporting and Verification System
MSSC	Multi-Stakeholder Steering Committee
NTC	National Toshias Council
OCC	Office of Climate Change
OIM	Opt-In Mechanism
REDD +	Reducing Emissions from Deforestation and Forest Degradation Plus (‘Plus’ activities include forest conservation, sustainable forest management and enhancement of forest carbon stocks)
RL	Reference Level
TWG	Technical Working Group (for the OIM)
UNFCCC	United Nations Framework Convention on Climate Change
VMP	Village Management Plan

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## 1: Introduction

In June 2009, the Government of Guyana (GoG) launched the Low Carbon Development Strategy (LCDS) with the aim of creating a low deforestation, low carbon, climate resilient economy. The principal objective of the LCDS is to bring about economic transformation while combating climate change. Underpinning the Strategy is the overall objective of broad-based poverty reduction, inclusive national multi-stakeholder participation, the application of social and environmental safeguards in accordance with international standards, and the protection of the rights of Amerindians in accordance with the principle of free prior and informed consent (FPIC).

In November 2009, the Governments of Guyana and Norway signed a Memorandum of Understanding (MoU) that elaborated their intention to collaborate on “issues related to the fight against climate change, the protection of biodiversity and the enhancement of sustainable development”.<sup>1</sup> Under the MoU, Guyana is expected to receive up to US\$ 250 million by 2015 in performance based payments from Norway.

Payments are based on two sets of key indicators that assess performance in limiting emissions from deforestation and forest degradation; and in creating an enabling environment for full implementation of Reducing Emissions from Deforestation and Forest Degradation Plus (REDD+). These indicators are outlined in a Joint Concept Note (JCN) which sets out the framework for taking the Guyana-Norway cooperation forward. Having satisfied independent audits against these indicators, Guyana has, to date, received three performance payments from Norway totaling US\$ 115 million. These payments are held in the Guyana REDD+ Investment Fund (GRIF), which was specially designed for this purpose, and are now being channeled into development projects which would benefit all Guyanese.

In recognition of the central role forests play in the LCDS, the GoG has included several projects that aim to enhance the development of forested hinterland communities, in particular Amerindian villages. Significant efforts have been made to provide clean energy, in some cases energy for the first time, under the Hinterland Electrification Programme (HEP), and to bridge the digital divide by making Information Communications Technology (ICT) available in the hinterland regions. Moreover, the Amerindian Development Fund (ADF) is being capitalized by the GRIF to facilitate the implementation of the village developed Community Development Plans (CDPs). GoG’s long-standing commitment to securing Amerindian land tenure rights has been accelerated by GRIF funds. Communities with outstanding title requests including those awaiting demarcation and extension have already been processed, or are currently being addressed under the Amerindian Land Titling project (ALT), 2013-2016.

The Opt-In Mechanism (OIM) is an innovative approach intended to help Amerindian villages to benefit optimally under the LCDS. Guyana is one of the first countries in the world to propose a national scale OIM detailing how indigenous peoples may choose to “Opt-In” to the national REDD+ mechanism and receive a *pro rata* share of Guyana’s REDD+ earnings.

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<sup>1</sup> Guyana-Norway MoU (November 2009). Available online at: [www.lcds.gov.gy](http://www.lcds.gov.gy)

## **2: The Opt-In Mechanism**

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. Guaranteeing the rights of indigenous peoples in accordance with the provisions of the Amerindian Act (2006) has been one of the GoG's foremost priorities. The GoG has committed itself to respecting and protecting these rights throughout the LCDS and REDD+ processes. Further, performance based payments under the Guyana-Norway Partnership are dependent on GoG proving that progress has been achieved against specific indicators for "the rights of indigenous peoples and other local forest communities as regards REDD-plus". Consequently, the OIM is an important activity as it relates to Guyana's LCDS.

### **2.1: Amerindian Land Ownership**

Amerindians legally own approximately 14% of Guyana's territory. To date, several villages have obtained legal titles for their lands under the Amerindian Act (2006). The Act makes the provision for matters of land management, allocation, leasing, titling, demarcation and extension.

The Act provides the Village Council with functions to hold, for the benefit and use of the village, "all rights, titles and interest in or over village lands and to manage and regulate the use of and occupation of village lands" (Amerindian Act, 2006; Section 13 (1) (d)). Each village elects a Toshao to represent the village. A National Tosaos Council (NTC) has been established as a body corporate comprising of all Tosaos, and the NTC's executive committee elects a Chairperson to represent the Council.

Ownership of land in Amerindian villages is communal, meaning that the land is collectively owned by the village, under the administration of the Village Council. The Village Council coordinates with the village on the allocation and use of the land to both residents and non-residents, including leases to non-residents and private companies. The Amerindian Act allows Village Councils to lease communal lands (up to 10% of the titled area). The Village Councils also make the decision on how much land should be used for mining, forestry, hunting and residential occupancy.

According to the provisions of the Constitution and the Amerindian Act (2006), Amerindians have the right to be consulted before any decision regarding their lands is made. In adherence to these provisions, and in accordance with the principle of Free, Prior and Informed Consent (FPIC), titled Amerindian villages are given the option of choosing to Opt-In to the Mechanism.

There are no deadlines for Opting-In. Villages will also have the option of reversing their decision and choosing to Opt-Out. The Opt-Out process will be stated in detail in the Opt-In Agreement between the Amerindian village and the GoG. Moreover, by agreeing to receive payments for maintaining a low deforestation rate, Amerindian villages will not be relinquishing their land titles or legal ownership of the land. Whether villages choose to Opt-In or Opt-Out, they will continue to benefit from the LCDS.

### **2.2: Developing the Opt-In Mechanism (OIM)**

In 2009, the Office of Climate Change (OCC) convened a Technical Working Group (TWG) with key Government entities, including the Guyana Forestry Commission (GFC), the Ministry of Amerindian Affairs (MoAA), the Guyana Geology and Mines Commission (GGMC) and the Environmental Protection Agency (EPA), to take the initial steps towards the development of the OIM. The result of

that work was the preparation of a *Concept Paper: on Developing a Framework for an Opt-In Mechanism by Amerindian communities*. The Concept Paper outlined the central elements of the Mechanism such as its guiding principles, requirements for Opting-In, and determination of scale of payments, that assisted in jumpstarting discussions at the national and local levels.

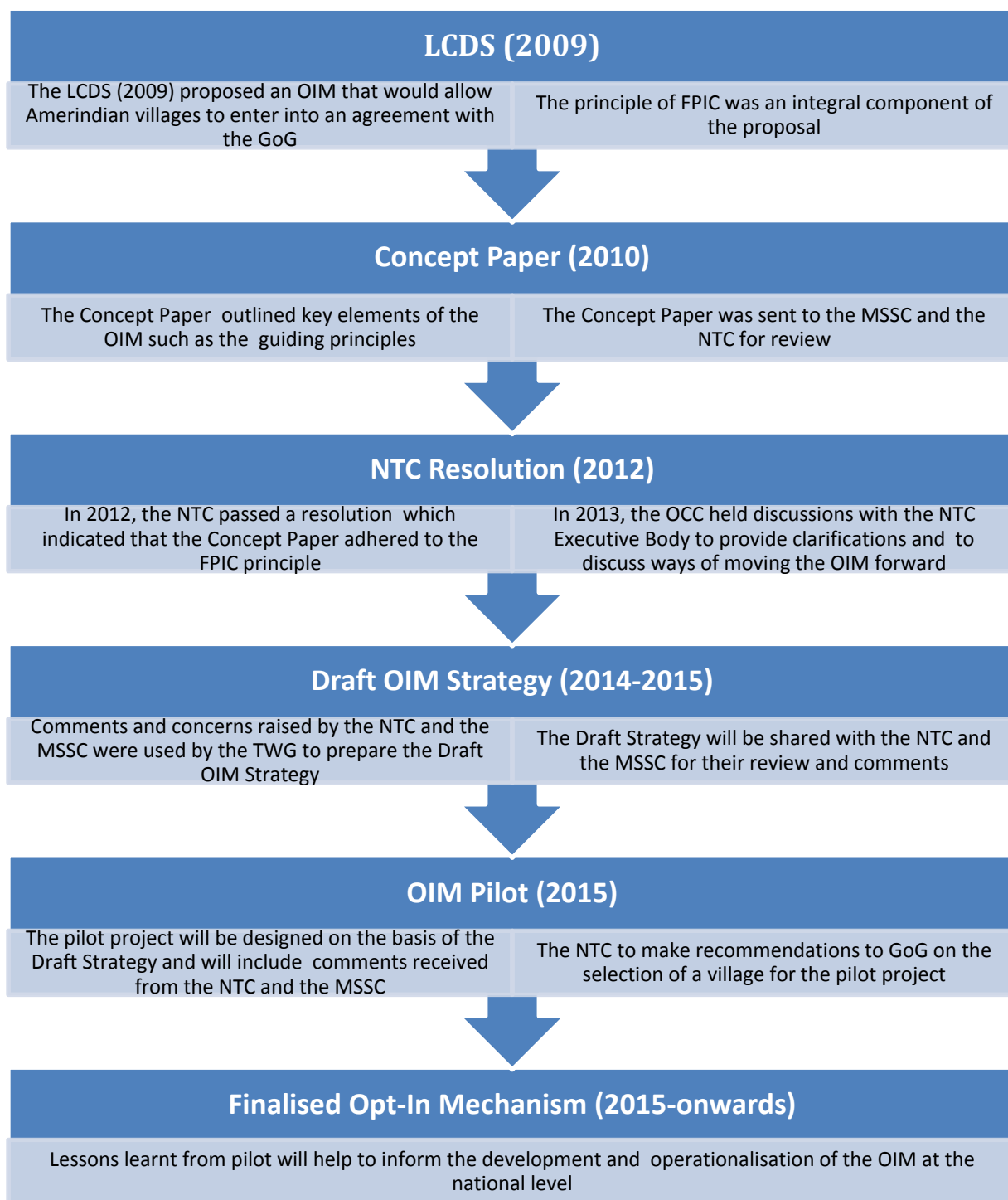
The Concept Paper was circulated to the LCDS Multi-Stakeholder Steering Committee (MSSC) and the NTC for their comments. The GoG awaited the outcomes of the review and guidance from the NTC before moving forward to fully develop the framework for the Mechanism. In August 2012, following extensive consultations within the NTC, the Council passed a Resolution at its sixth annual meeting which indicated that the Paper conformed to the principle of FPIC.

Subsequent to this resolution, the OCC engaged the Executive Body of the NTC<sup>2</sup>, to provide clarification where necessary and discuss ways to move the Mechanism forward. With the aim of continuing to build the framework for the Mechanism, the OCC invited comments from the TWG on the Concept Paper. The inputs received on the Concept Paper were reviewed and it was determined that the Concept Paper remained relevant and would play an important role in shaping the Mechanism. It was also recognized, however, that in order to facilitate the implementation of the OIM, some elements of the Paper would require further elaboration, update or revision. Further, the TWG examined the various options on how the Mechanism can be implemented and made recommendations on moving forward.

These recommendations were drawn upon, building on the Concept Paper, to develop this *Draft Opt-In Mechanism Strategy* which will be circulated to the MSSC and NTC for comments. Subsequently, and prior to full implementation, the OIM will be piloted. The results and lessons learnt from the pilot will help to guide the development of the Mechanism that would be deployed at the national scale.

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<sup>2</sup> Notes from this meeting have been posted on the LCDS website and are available at: [http://www.lcds.gov.gy/index.php?option=com\\_content&view=article&id=452:national-toshaos-council-ntc-and-office-of-climate-change-continue-discussions-on-opt-in-mechanism&catid=58:slide-show&Itemid=176](http://www.lcds.gov.gy/index.php?option=com_content&view=article&id=452:national-toshaos-council-ntc-and-office-of-climate-change-continue-discussions-on-opt-in-mechanism&catid=58:slide-show&Itemid=176)



**Figure 1: The Opt-In Mechanism Timeline**

### 3: Guiding Principles of the Opt-In Mechanism

In the Opt-In Concept Paper, eleven Guiding Principles were identified that were expected to guide and underpin progress on the Mechanism. These principles are still applicable to the Mechanism; however, an evolved understanding of the Mechanism has allowed these principles to be further elaborated as follows:

1. *The decision to Opt-In shall be guided by the principle of FPIC. 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.*
  - (a) Villages' decision to Opt-In is grounded in the principle of FPIC and there are no timelines for Opting-In. Villages are encouraged to conduct their deliberations at their own pace and to seek technical assistance where necessary including from, but not limited to, the GoG.
  - (b) The decision to Opt-In shall be made and supported by a two-thirds majority decision of a duly constituted meeting of the village, not just the Village Council. Efforts should be made to ensure that every member of the village is fully aware of the implications of the decision.
  - (c) In its deliberations for opting in, villages would have access to information, guidance, and technical assistance, as required, from the GoG.
2. *The Mechanism will operate through a performance-based model of avoided deforestation as outlined in the LCDS.*
  - (a) The Mechanism will operate through a scaled-down version of the national model for performance based payments for avoided deforestation.
  - (b) The payments shall be based on a financial scheme similar to what prevails between the Governments of Guyana and Norway.
  - (c) A village that chooses to Opt-In shall receive a share of the total payments accruing to Guyana under a REDD+ mechanism.
  - (d) Payments will be determined according to a set of pre-defined indicators and stipulated through an Agreement between Government and the village.
  - (e) 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 GoG on this. Villages may also need to participate in a Community-MRV (C-MRV) type system to facilitate ground-truthing of deforestation, and eventually, forest degradation, in the villages.
3. *Villages must be demarcated and have legal titles to facilitate Opt-In. Such villages must possess 'Certificates of Title' (CoT).*
4. *Benefits received will be determined by a performance based system.*

If villages decide to Opt-In, forestry, mining and other forest related activities such as shifting agriculture would not have to stop. Village forest resources would have to be defined using the national definition of forests for REDD+ as used in the monitoring, reporting and verification system (MRVS).<sup>3</sup> In order to earn maximum payments, deforestation would have to be kept below the established national reference level that is being used at the time of the Opt-In Agreement<sup>4</sup>.

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<sup>3</sup> Land classified as Forest follows the definition as outlined in the Marrakech Accords (UNFCCC, 2001)

<sup>4</sup> This value can change over time depending on the national Reference Level agreed by Guyana at the time of the Opt-In Agreement.



5. *Shifting agriculture would not be classified as a driver of deforestation as reflected in the LCDS and the MRVS Roadmap.*
6. *Villages will be required to sign an Opt-In Agreement with the GoG .*
  - (a) Villages that Opt-In will be required to act in accordance with the conditions of the Agreement. These conditions would include the pre-defined criteria.
  - (b) The possibility of Opting-Out of the Agreement will be governed by the terms and conditions of the Agreement.
    - (i) The decision to Opt-Out shall be made and supported by a two-thirds majority decision of a duly constituted meeting of the village. The Village Council should ensure that members of the village are aware of the implications of Opting-Out.
    - (ii) The village shall thereafter present its formal request of Opting-Out to the GoG.
7. *Villages will be able to determine how the payments are spent.*
  - (a) Villages, through their governance structures, will determine how the funds accrued under the Opt-In Agreement will be used for the village's development as articulated in their Village Management Plans (VMPs).
  - (b) These priority areas should focus on low-carbon development. To the extent possible, these projects should not provide a one-time only benefit, but should facilitate the creation of systems or processes that would lead to sustained, low-carbon development including through the provision of low carbon livelihoods. Plans and projects must be in keeping with national guidelines.
8. *REDD+ performance based payments earned at the national level will fund the OIM.*

## **4: Phases of the Opt-In Mechanism**

The Opt-In Concept Paper outlined the three principal phases in which the OIM is expected to operate. Completing each of these phases was identified as a pre-requisite to move to the following stage. Subsequent to the reviews of the Concept Paper, these phases were further elaborated to illustrate how they could be operationalized in the Mechanism. Moreover, based on the input from the MSSC and the NTC, these three phases will help to guide the design and implementation of the pilot.

### **4.1 Phase 1: Initiating the Process – Willingness to Opt-In**

4.1.1 *Stage 1: Following a formal meeting at the village level, the Village Council, on behalf of the village formally indicates its interest to Opt-In by writing to the GoG.*

1. A special village meeting should be convened for this purpose and duly advertised to ensure that villagers are informed and represented.
2. Prior to voting, the village must clearly state its comfort with the level of information and access to information to aid its decision making.
3. Voting should be conducted in accordance with the village by-laws.
4. The agreement to Opt-In should be made by a two thirds majority decision of a duly constituted meeting of the village, not just the Village Council.
5. A relevant representative of the GoG, through the MoAA, should be present to observe the process.

6. Where necessary, the Village Council, on behalf of the village can request a meeting with GoG to receive background information on the Opt-In process and potential implications of Opting-In prior to its village meeting.
7. The decision to Opt-In should be formally communicated in writing to the GoG through the MoAA.
8. Special consideration should be given to persons who make their livelihoods from forest resources.

#### 4.1.2 *Stage 2: An Opt-In Expert Group engages the community in detailed deliberations.*

##### a) Obligations

#### **Village Obligations**

1. Evidence that Stage 1 of Phase 1 has been completed.
2. Village proves that they own the land they are proposing to opt in by way of their Certificate of Title (CoT).
3. Village opts in their entire titled land.
4. Evidence of efforts to plan development at the village level through the preparation of a Village Management Plan (VMP). The VMP is being proposed for planning village level development. It is expected to outline, inter alia, the village's vision for their development and their developmental needs and priorities. The VMP should also include the village's plan for managing their forest resources.
5. Village establishes an Oversight Group as an advisory body to guide the Opt-In process.
6. Where available, relevant baseline data collected from MRV and C-MRV at the community level can be used.

'Village Obligations' 1 – 3 are considered the 'minimum requirements' and thus, must be met before Villages can progress in the OIM. However, it is recognized that 'Village Obligations' 4 – 6 are also critical to the success of the OIM. As a consequence, villages will be required to satisfy these obligations and this should be reflected by strict timelines in the Opt-In Agreement.

#### **Government Obligations**

The GoG will provide guidance and support on the implementation of the OIM. Some of the key areas are described below:

1. Guidance on maximum and minimum annual payments using, inter alia, the national definition of forests.<sup>5</sup>
2. Guidance on the expected net monetary benefits (payments – (opportunity costs + transaction costs + implementation costs)). Payments will utilize the national reference level method along with the Reducing Balance Scale for deforestation rates that are higher than the agreed baseline. For example, under the current JCN, payments are reduced if the deforestation rate exceeds 0.056% (see Figure 2 below).

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<sup>5</sup> Land classified as Forest follows the definition as outlined in the Marrakech Accords (UNFCCC, 2001)

3. Technical guidance on, inter alia, the preparation of the VMP; the process to establish the Oversight Group; the MRVS; and C-MRVS.
4. Guidance on how forestry related activities including forestry and mining would be addressed.
5. Guidelines on minimum acreage and forest type to allow for cost effectiveness in an Opt-In arrangement.
6. Creation of an Opt-In Expert Group to engage the community in detailed communications. GoG should ensure that a clear channel of communication is established to allow the village easy access to the Expert Group.

#### *b) Transaction and Implementation Costs*

Transaction and implementation costs will be shared between the GoG and Village Councils. The GoG will provide technical support to the villages to develop capacities at the initial stage to Opt-In and implement the requirements for routine monitoring as a one-off initial support. Implementation/running cost thereafter would be covered by the funds earned by the village through “Opting-In.”

#### *4.1.3 Stage 3: The Village makes a final decision on Opting In*

Villages that meet the requirements of Stages 1 and 2 (Phase 1) should consult with members to make the final decision to Opt-In. The village consultation process outlined under Stage 1 should also be followed here. Following the completion of this meeting, the Village Council, on behalf of the village should formally indicate its final decision to Opt-In, by writing, to the GoG through the MoAA.

## **4.2 Phase 2: Establishing the Agreement to Opt-In**

### *4.2.1 Stage 1: Establishment of the Financial Model*

Payments will be determined according to a set of pre-defined indicators (Figure 3), and stipulated through an Agreement between the GoG and the village.

Villages will be paid for performance through an incentive structure that rewards them for keeping deforestation below an agreed reference level, as well as designing a clear plan/outline on monitoring forest degradation with an aim of maintaining this at a low level. Reference levels will not be village specific and, as such, the national reference level that is being applied at time of the Opt-In Agreement will be used.

#### *a) Calculation of annual pro-rata payments*

*Pro-rata* payments will be determined using the model established under the Guyana-Norway agreement<sup>6</sup>, and will be applied as follows:

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<sup>6</sup> This will be further elaborated as the National MRV System develops

Annual Payment = (R.L - D.F) x Forest Area x Carbon Stock (tonsCO<sub>2</sub>/ha) x Carbon Price

Where: DF – actual deforestation rate (at the village level)

RL – Reference Level

Carbon Stock = 367tonsCO<sub>2</sub>/ha (based on JCN (2013))

Carbon Price = U.S.\$5 per ton

### Reducing Payments for Exceeding Baseline Deforestation

As a second tier of the reference level, for any deforestation rate at the village level that exceeds the baseline deforestation rate, the following deductions will be instituted:

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

Note: Reproduced from the JCN (2012), page 11

**Figure 2: Mechanism for reducing results based payments if deforestation rate exceeds the agreed maximum level (0.056%)**

It should be noted that this model may be adjusted to include considerations for changes in the approaches to MRV and the reference level, inter-alia.

### Forest Degradation

This total (based on the computation above) will then be subject to deductions emanating from forest degradation which includes forest harvest, infrastructure, loss of intact forests, illegal logging, and forest fires. The benchmark for forest degradation indicators will be the same as those used at the national level.

#### b) Disbursement Mechanism

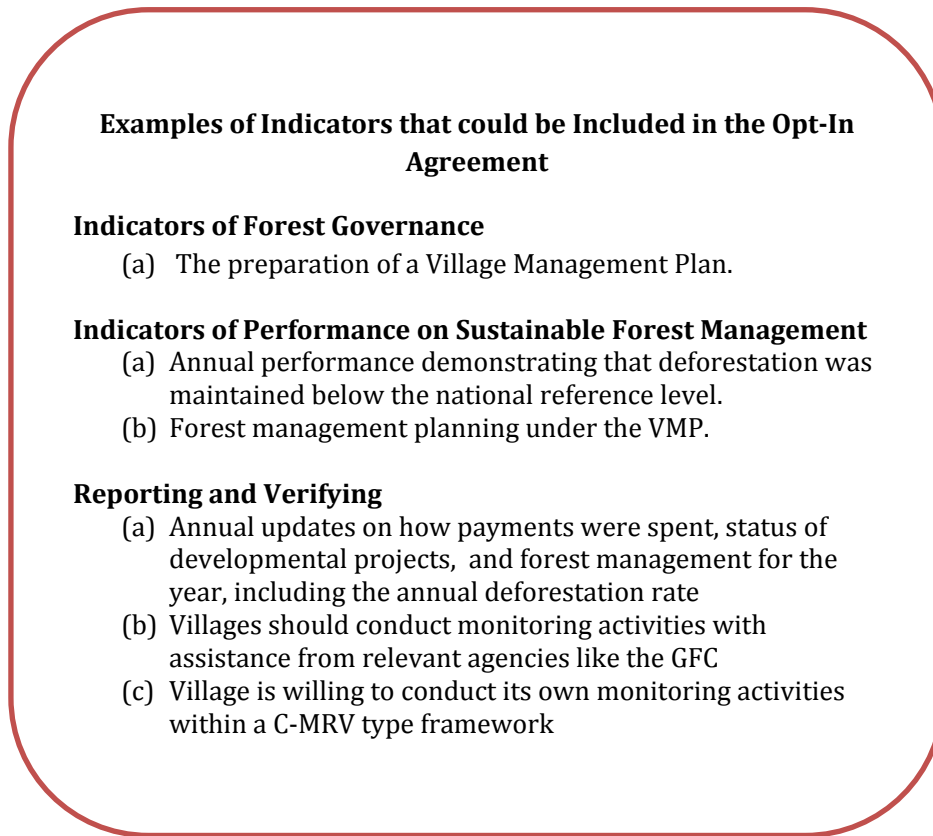
An Opt-In Mechanism Fund will be created to disburse funds to the Villages. The Fund will be designed to appropriately and flexibly meet the needs of villages that Opt-In. Administrative and operational details on the Fund will be determined during the pilot. Performance based payments to each village will be made in a single annual disbursement on an *ex-post facto* basis following performance measurement.

#### 4.2.2 Stage 2: Preparation of Legal and Technical Note

Opting-In is officiated by the signature of a legal agreement called an Opt-In Agreement, and an accompanying Technical Note. The following statutory arrangements are proposed for the OIM:

1. The Opt-In Agreement and an accompanying Technical Note. There must be agreement from the village to meet its obligations and to satisfy the required performance indicators.

2. Signature from the Toshao, on behalf of the village, on the Opt-In Agreement.



**Figure 3: Examples of Indicators for the Opt- In Agreement**

### **4.3 Phase 3: Operationalizing the Agreement**

When the OIM is operationalized several activities would have to be done and are likely to include the following, inter-alia:

***Activity 1: Annual MRVS***

Monitoring of forest cover change and deforestation will help to determine, on an annual basis, the compliance by the village with the Opt-In Agreement. The results of the MRV will also be used to calculate payments due.

***Activity 2: Independent Review of the Opt-In Mechanism***

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.

## **Governance Framework**

Existing Village Council structures will support the implementation of the OIM. A fully articulated governance framework will be developed in the OIM.

## **5: Social and Environmental Safeguards**

The GoG has had a longstanding commitment to ensuring that REDD+ activities are grounded in social and environmental safeguards that reduce risks and facilitate resilience building among the most vulnerable people.

In keeping with this commitment, under the OIM, the following safeguards will be implemented:

1. Villages would have the option of Opting-Out of the Agreement.
2. Villages would have the ability to manage projects.
3. Villages would have financial management ability.
4. Opting-In would not lead to conversion or degradation of forest or areas important to traditional livelihoods and biodiversity.
5. A mechanism will be developed to facilitate independent third party mediation of any conflict that may arise between the GoG and Village Council.
6. Mechanism to be tested before national implementation.

## **6: Next Steps**

1. The Draft Opt-in Mechanism Strategy will be circulated to the MSSC and the NTC for review and comments.
2. The pilot will be developed and launched.
3. Results of the pilot will help to inform the development and operationalization of the Mechanism at the national stage.