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**A LOW CARBON DEVELOPMENT STRATEGY (LCDS) FOR GUYANA:**

**THE REALISTIC (NON PIE-IN-THE-SKY APPROACH)**

**(An Alliance for Change Perspective on the Draft LCDS released by**

**The Office of the President, Guyana)**

This paper seeks to pull together the issues that need to be considered if we are to implement a low carbon development strategy (LCDS) that is sustainable and in the long term interest of all Guyanese. A key component is that this LCDS should not be held hostage to the global climate negotiation process nor the policy decisions of any particular donor country or international financial institution. This paper would not go into all the details of a development blueprint for Guyana. Indeed the LCDS needs to be put in the context of a revised National Development Strategy (NDS) for Guyana which comes out of a broad multi-stakeholder process. In such a consultative process the Guyana 21 road map for development of Guyana's infrastructure also needs to be considered.

The LCDS really needs to be seen as making explicit that as a responsible member of the global community Guyana acknowledges that as it seeks to pursue a sustainable development path it understands that such a path should take a low carbon trajectory. This paper thus only seeks to highlight the flaws in the LCDS approach outlined by the President of Guyana on June 8, 2009 and contained in the draft document released by the Office of the President (OP). [3] Therein President Jagdeo formally presented his scheme

to get the international community to pay Guyana for maintaining the low level of deforestation of Guyana's rainforest because of the valuable ecosystem services provided by that rainforest, including its value to the world as a carbon sink.

However in critiquing the LCDS offered by OP some of the issues that need to be considered in a non pie-in-the-sky development agenda for Guyana should become clear. Such a development agenda would be a low carbon development model because that is in Guyana and the world's best long term interest. A sustainable LCDS for Guyana needs to be driven by a governance process that is inclusive, transparent, incorporates a lead role for private sector investment, and a government that acts as a facilitator of entrepreneurship and investment. Guyana is a nation that needs to come together and focus on creating opportunity for all its people. Historically Governments of Guyana have used the resources available to them to divide the country. This is why a comprehensive LCDS must minimize the role of government to those essential functions which only government can provide and allow the private sector, NGOs, and the wider civil society within a framework of the effective rule of law to maximize employment and economic activity.

The LCDS consultation draft uses valuations of the value of Guyana's rainforest based on the December 2008 McKinsey Report. In relation to critiquing the McKinsey Report it is relevant to note that the issue of payments for Avoided Deforestation (AD)/ Reducing Emissions from Deforestation and Degradation (REDD) activities is the subject of serious and complex negotiations and that any proposal that is poorly written and

technically flawed [as is the December 2008 McKinsey Report] is very likely to be dismissed as being less-than-serious.

In addition when you review the December 2008 document released by McKinsey Consultants on behalf of the Government of Guyana (GOG) there are serious questions about the assumptions made in that document in relation to projected economic activity in Guyana's rainforest as well as methodological issues which make it hard, if not impossible for other interested parties to replicate the results produced by McKinsey in order to independently assess their assumptions and findings (see for example the work of the Meridian Institute [2]). This is critical as the findings of Mckinsey form the basis of the payments which the Jagdeo LCDS propose that the rest of the world (ROW) should make to Guyana for preserving its rainforest beyond a business as usual scenario.

According to the draft LCDS document REDD funding will be handled through the Office of Climate Change within the OP. This leads to the question of what due diligence measures have been put in place to ensure transparency, accountability, and inclusiveness? The Norwegians envisage a process that is transparent, inclusive, and contains the elements that we consider part of a good governance framework which includes an independent climate change fund. The approach to governance by the current People's Progressive Party (PPP) government is the opposite of a good governance model. There are many examples: Lotto funds not paid over to the Consolidated Fund as required by law (Auditor General Reports, various issues); Amendment of Laws to give retroactive cover to illegal actions (sale of Sanata Textiles Ltd.); the disappearance and

murder of hundreds of Guyanese citizens by a “Phantom Squad” widely know to be linked to government officials and know drug lords (see the transcript of the recently concluded case against Robert Simels of witness tampering in United States Federal Court in Brooklyn). In addition one can point to the government’s control of the media, the murkiness in the award of contracts, the arbitrary and discriminatory way in which funds are allocated to the regional governments, and the challenges with implementing the British funded Security Sector Reform project, etc.

At the launch of the LCDS on June 8, 2009 Guyanese had the first opportunity to understand in a comprehensive way the current thinking of the OP on Guyana’s future development path. It was announced at the launch that Guyanese stakeholders would get a three month period to engage in a consultation process so that their views on the LCDS could be considered for possible incorporation into the draft issued by the OP. Rainforest issues are no abstraction for Guyanese. The country is divided into ten administrative regions and of those ten the following five regions contain rainforest: Regions 1, 7, 8, 9, 10.

There are 30+ REDD schemes underway globally and in a serious deliberative process these all need to be considered within a best case development framework for Guyana. However based on the track record of the PPP government this is not going to be the case. The PPP government over the sixteen plus years that it has been in power has not shown a willingness to entertain viewpoints which differ from those it supports and proposes. Opposition to its agenda is commonly characterised as obstructionist, anti-national,

subversive. In addition PPP government policy is often widely seen as designed to further a divisive agenda designed to garner votes for the PPP based on entrenching racial discord in Guyana. In summary the PPP is not known for working with other stakeholders in Guyana in a cooperative manner.

The Norwegian financial commitments to Guyana's LCDS to date that we know of are for capacity building, and training, not for major capital projects like the Amaila Falls hydro-electricity scheme or repair/strengthening of Guyana's coastal Drainage & Irrigation (D&I) works. Thus two important questions to be answered are (i) what additional funds is the Norwegian government willing to commit to Guyana, and (ii) in order to get what? Norway has enormous international reserves (largely from its petroleum exports, consumption of which is a major contributor to global carbon emissions), part of which it intends to invest outside of Norway by buying carbon offsets. By purchasing these carbon offsets, and also by spending on reducing deforestation in developing countries rainforests Norway hopes to meet its goal of becoming carbon neutral by 2030.

If Norway is not committed to funding the OP proposed LCDS on the scale envisioned therein what is the appetite of the rest of the world to get out of free rider mode and pay countries like Guyana to do what they are already doing, i.e. in Guyana's case, maintaining relatively low deforestation and forest degradation levels? A caveat on this last point is that Guyana's monitoring of activities in its rainforests is not a process which has a high level of confidence for the relevant stakeholders. The Forestry Stewardship

Council (FSC) has delisted a Guyanese company that had been certified as being compliant with FSC standards (see REDD-Monitor, 12 June 2009 [5]) and the Guyanese government agencies charged with enforcing Guyana's forestry, mining, and environmental laws which impact on stewardship of the rainforest are undermanned and underpaid as is the rest of the Guyanese public service. Additionally large-scale illegal immigration, especially of Brazilians and their unrecorded economic activities in Guyana's rainforest make measuring baseline activity in the rainforest fraught with uncertainty, and provides on going challenges to controlling and monitoring activities in the Guyana rainforest. Unsustainable (not environmentally friendly) mining and logging practices contribute to deforestation and forest degradation. This releases carbon dioxide as does fossil fuel use in all areas of the economy. This is of course problematic for Guyana's participation in carbon markets and compensation schemes.

The process of seeking to understand the rationale behind the LCDS proposed by the OP is dynamic and there are many questions to be answered. As we seek to answer these questions it is useful to mention some answers provided in a presentation by President Jagdeo at the Guyana Festival in Toronto, Canada on June 21, 2009.

The President's remarks were basically a summary of the points he made at the public launch of the LCDS on 06/08/2009. These included reference to the fact that the expiring Kyoto agreement lacked incentives for countries with good forest management practices/low rates of deforestation. This is the so-called perverse incentives to countries that had largely preserved their rainforest. The question following the President's remarks

reflected the skepticism audience members felt in relation to any funds flowing to Guyana out of agreements reached in Copenhagen in December 2009.

Notwithstanding what benefits the ROW is willing to provide to Guyana for at least business as usual in relation to its rainforest, Guyana is going to be better off pursuing a LCDS in its own self-interest. Two immediate reasons are that Guyana is a net importer of fossil fuel and its coast line is vulnerable to sea level rise occasioned by global warming. However Guyana pursuing a LCDS in the absence of contributions/payments from the ROW on the scale envisaged in the LCDS circulated by the OP depends on the quality of governance in Guyana. Transparent, inclusive, consultative governance in Guyana would lead to a framework where investment flows from all sources would be at a level which facilitates rapid sustainable development of Guyana.

In the period to December 2009 the President noted that the GOG would not accept any offer to participate in a carbon trade system based on carbon credits from Guyana's rainforest unless the carbon price was very high. The best hope for any funds flowing to Guyana within a REDD scenario was for Guyana to be chosen for a national scale pilot of a trading/payment scheme for carbon sequestered in rainforests. In this case an agreement on Guyana's preferred approach was not necessary at Copenhagen.

In the event of Guyana participating in a national scale pilot of the GOG approach to REDD the Clinton Foundation would be involved in monitoring of activities in Guyana's

rainforest of compliance with agreements entered into for payments under a REDD framework.

The President was asked about use of subsurface resources, the road from Lethem to allow access for Brazil to the Atlantic through Guyana, and the issue of Guyana as a potential oil producer.

In relation to subsurface resources in the Guyana rainforest the President noted that current mining activities would continue but subject to stricter enforcement to ensure that all mining operations reflected the best practice in terms of minimizing and mitigating damage to the environment. In relation to the road from Lethem to the Atlantic coast of Guyana the increased access to the rainforest which the road would provide would establish a new business as usual scenario in Guyana. While the road would improve access to the Guyana rainforest for economic activities it would also increase access for forest rangers and other environmental protection professionals.

The OP version of the LCDS is not clear on whether or not there will be economic activity in the pledged rainforest. We need to answer, for example, what rate of deforestation will be compatible with a Guyanese LCDS? If it is zero, then it could mean that Guyanese would not have access to 60 to 70% of the national territory, or access could be controlled by some agency (agencies) not accountable to the people of Guyana. Are we comfortable with this? Also how does population growth in Guyana factor into the LCDS? Pledging all or part of the Guyanese rainforest to international commitments

is a very long term commitment, an intergenerational decision which needs to be carefully analyzed for its varied ramifications.

In relation to Guyana becoming a potential oil producer the President basically took the position that Guyana was not an Annex 1 country, and thus with our allowable carbon credits being an oil producer was not inconsistent with a LCDS. This is a debatable position to be resolved in a robust internal debate in Guyana.

In relation to the question about potential REDD funding being handled by the Office of the President/GOG there is the question of due diligence measures being put in place to ensure transparency and accountability. The President suggested that asking about this was similar to discussing the conditionalities imposed by the multilateral financial institutions and bilateral donors on developing country spending. This is a false conflation as Guyanese stakeholders and observers are aware of the current misappropriation of GOG funds as well as biased government spending by the PPP administrations since 1992. Thus Guyanese stakeholders and observers expect that mechanisms be put in place which would enable government input into the management and spending of funds obtained on behalf of Guyana from a market or payments for terrestrial carbon, but which also controls for fraud and non-inclusive use of such funds.

Given the known issues with fiduciary oversight within Guyana any funds paid to Guyana for conservation of its rainforest should be managed by a body which comes under the oversight of the Guyanese Parliament and not OP. This body which would

manage the funds and capital expenditure from those funds for Guyana's LCDS should be so constituted that it does not suffer from a government veto. The government would have nominees on the board or commission which oversees the management and use of the carbon funds. There would also be nominees of the combined opposition as well as a representative of the Amerindians. The members of the board/commission would select their Chairperson. This is only a suggested model but whatever arrangement is finally established must in principle and practice be independent of both Executive and Parliamentary overreach. Over its post-independence history Guyanese have seen how various administrations have used their parliamentary majorities and Executive powers to effectively operate a dictatorship under the fig leaf of democracy. Whatever arrangement is agreed upon would be consistent with Guyana's constitution and would clearly demonstrate inclusiveness and transparency which both Guyanese stakeholders and the intentional community should desire.

The Norwegian government authorities, who at this point seem most likely ready to spend significant funds on some sort of forest preservation scheme in Guyana should not have any problems with Guyanese political and civil society groups insisting on inclusiveness and transparency with regard to the expenditure by the Guyanese authorities of any funds received from Norway to help Guyana protect its rainforest while advancing sustainable development. The Guyanese stakeholders only have to insist that the Norwegians apply the same standards to this potential funding as they do to how they invest unspent revenues from their oil and gas industry. *The Economist* notes that "[t]he fund in which the Norwegian state stashes unspent revenue from oil and gas has exacting

procedures to ensure it does not invest in firms involved in anything nasty, from human-rights abuses to environmental depravity.” [1]

Another consideration that should go into the management of any funds received by Guyana for the territorial carbon in its rainforest is that a portion be paid directly to each Guyanese taxpayer. This is a suggestion made because the Guyanese rainforest does not belong to the Executive branch of the GOG. The rainforest belongs to the people of Guyana which includes the Amerindians. Thus it is only right and fair that the people should get direct benefits from their patrimony. This is not an exotic arrangement. These types of payments already happen in other national and sub national jurisdictions. The US state of Alaska is one example (see Box 1).

**Box 1**

**ELIGIBILITY FOR A DIVIDEND FROM THE ALASKA PERMANENT FUND**

The Alaska Permanent Fund is a constitutionally established permanent fund, managed by a semi-independent corporation, established by Alaska in 1976. It is intended to be an investment for at least 25% of proceeds from some minerals sales or royalties. To be eligible for a permanent fund dividend, you must have been an Alaska resident for the entire calendar year preceding the date you apply for a dividend and intend to remain an Alaskan resident indefinitely at the time you apply for a dividend. There are other criteria for eligibility under Alaska Statute 43.23.005 and AS 43.23.008. For more information on the Alaska Permanent Fund see: [www.pfd.state.ak.us/index.aspx](http://www.pfd.state.ak.us/index.aspx)

Such an arrangement for direct payments to the Guyanese taxpayers would indicate a radical break from the democratic centrist governing style of the current government as well as expressing confidence in the ability of the Guyanese taxpayer to make rational choices within the context of the sustainable development framework which the GOG should be fostering.

Thus Guyana needs to retool its LCDS to fit with a national consensus on a development strategy developed with the involvement of all stakeholders, which is represented by the National Development strategy, and incorporating additional input such as the Guyana framework. In this way Guyanese would make a real contribution to reducing global carbon emissions rather than just serving as a tool for third party symbolism on global warming.

## REFERENCES

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