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## **TRANSFORMING GUYANA'S ECONOMY WHILE COMBATING CLIMATE CHANGE**

Global Witness submission on the draft Low-Carbon Development Strategy (June 2009 draft)

October 2009

### **Introduction to Global Witness and its work on natural resources**

Global Witness ([www.globalwitness.org](http://www.globalwitness.org)) is a London-based NGO that works for good governance and transparency in the natural resource sector. We were the first organisation that sought to break the links between the exploitation of natural resources, and conflict and corruption; and the results of our investigations and our powerful lobbying skills have been not only a catalyst, but a main driver behind most of the major international mechanisms and initiatives that have been established to address these issues. Global Witness' work on conflict timber was responsible for shutting down the timber companies that provided the funds that funded the Khmer Rouge in Cambodia, and Charles Taylor's regime in Liberia, and saw the partial closure of the Chinese/Burmese border to the illegal timber trade in 2006. We were nominated for the Nobel Peace Prize in 2003 for our work highlighting the role of conflict diamonds in funding civil wars across Africa. We helped start the Publish What You Pay Campaign ([www.publishwhatyoupay.org](http://www.publishwhatyoupay.org)) to improve the transparency of oil revenues worldwide and are active participants in the Extractive Industries Transparency Initiative (EITI).

Global Witness has over a decade of experience in various parts of the world implementing Independent Forest Monitoring (IFM) to monitor logging, legal compliance and forest law enforcement. Through cooperation with governments, civil society and the private sector in timber-producing countries, IFM projects focus on providing objective information on forest concession allocations and infractions, capacity building in forest monitoring techniques and case-tracking for legal processes, in order that the populations of the countries concerned equitably benefit from the sustainable use of their natural resource base.

IFM has been implemented in Cambodia, Cameroon, the Republic of Congo, Honduras and Nicaragua. In four of these countries, Global Witness was involved in establishing and implementing IFM and is currently the independent monitor in Nicaragua. IFM-related work has also been carried out in other countries, including capacity building workshops in Liberia, Indonesia and Nicaragua and informative workshops in Central America and Peru, while feasibility studies and pilot missions have been conducted in a number of other countries.

Forests are a particularly important natural resource: millions of people worldwide live in and depend on them; the poorer the people, the greater the dependence. Forests are reservoirs of biodiversity and are of immense ecological importance. They are also one of the last bastions against climate change.

Despite the importance of keeping natural forests standing, the almost automatic response from the international community has been to regard industrial export-based logging as a key economic driver that can kick-start the economies of poor countries. The major problem with this approach, however, in tropical forests at least is that it demonstrably does not work. In virtually every country where this has been tried, illegal logging and corruption have triumphed over economic theory, resulting in vast revenue loss and environmental destruction.

We are working to change international thinking on forest exploitation, to ensure that natural forests are not only conserved but are a benefit to the communities that depend on them, and are regarded as an international ecological and social asset.

Global Witness believes that Guyana's tropical rainforests are one of its most valuable assets. We believe the world cannot afford to put this global asset at risk by subjecting it to tried and tested theories that do not work. In this regard, we support the Government of Guyana's approach to ensure avoided deforestation is a key plank in its Low Carbon Development Strategy (LCDS).

## **Commentary on the LCDS**

We were encouraged by a number of comments made by His Excellency President Jagdeo, expressing his government's strong support for accountability and transparency in the development of its LCDS.

Transparent and accountable management of revenues received from the LCDS is essential to ensure that such money is used effectively to promote national development. It will greatly increase the chances that Guyana will escape the 'resource curse' of weak growth, corruption, authoritarian government and instability that has afflicted so many resource-rich developing countries.

In this spirit, we would like to offer some comments on the draft LCDS, which we hope will be a useful contribution to the discussion.

- The government's commitment to transparency and accountability in the development of the LCDS has to date been exemplary. We would like to see that continue to be strengthened, embedded and sustained throughout further development stages of the LCDS and its subsequent implementation.
- We believe the government should confirm its commitment to transparency and accountability through implementing a number of tangible demonstrations of these principles, including an open budget process<sup>1</sup>, publication of forest and other concession agreements, revenue earnings and distribution, and fines, penalties and payments for damages from forest sector infractions, and by joining the EITI. Further, we think an explicit commitment to revenue transparency should be embodied in national law at the earliest possible stage.
- Our experience in many other tropical rainforest countries has shown that the price of access to timber is often distorted through tax incentives or the lack of a competitive bidding process. Ensuring the transparency and accountability in the revenue flows – such as through an oversight committee modelled on that of the EITI – avoids the risk of skewing the calculations on the relative values of avoided deforestation and has the advantage of ensuring that donor assistance, in the form of carbon payments, is not used as an indirect subsidy to those benefiting from such distortions. The international partners to the LCDS who are providing funds should require, and be given, clear guarantees that funds, in particular for capacity building and institutional strengthening, are not a substitute for a 'level playing field' in the tax and regulatory regime whereby Guyana could generate its own funds to support such activities.
- Although we did not have the opportunity ourselves to directly observe the broader consultation process we have been impressed with the government's publicly stated commitment to community participation and broad consultation across all sectors of Guyanese society on the content of the draft LCDS. In particular, its national multi-stakeholder consultation process reflects very well on the government's commitment to transparency as it provides an opportunity for Guyanese citizens to seek further information and contribute to the government's strategy.
- We feel this consultation process should continue and be strengthened, particularly in relation to the options set out in the LCDS for development support. We also believe this consultation process should allow civil society, including indigenous groups and local communities, to engage in decision making. The consultation process should also be expanded beyond the forest sector to provide discussion on direct linkages and interdependences with other sectors.
- Continuing with this consultation process will ensure local contribution of ideas, ownership of the initiatives and will underpin free prior informed consent. The legitimacy and

implementability of any strategy depends on the 'buy-in' from the people it affects. The start made during the initial information sessions over the last four months must lead to a broad basis for ongoing dialogue on issues pertaining to Guyana's forests.

- The draft LCDS is based largely upon the receipt of payments for avoided deforestation. In our view, the LCDS would be strengthened if it provided further information on how the development strategy intends to address forest degradation. Emissions from logging activities, even from reduced impact logging, are substantial, and plans to reduce such emissions should be addressed and outlined in the LCDS. In particular, we recommend that it include and set out safeguards against conversion of natural forests to plantations, and steps to address the impacts of the mining industry and road construction on forest degradation.
- The LCDS makes reference to the practice of *sustainable forestry*. However, further information should be set out on how the government intends to improve forest governance. This should include monitoring the harvesting yield and forestry practices of all concession holders, ongoing monitoring of drivers of deforestation (see below) and publication of associated reports.
- The LCDS should provide further information on how it will address areas of forest that have not been allocated to concessions or are subject to dormant concessions. It should for example address the following: will Guyana seek to take back the current dormant concession areas?; will Guyana commit to keeping these forest areas and the 50% of State Forest that has not yet been allocated to concessions, unlogged in some form of "carbon reserve"? Committing to these actions would significantly strengthen the credibility of the LCDS by making a clear 'improvement on business as usual' statement regarding forest degradation and loss.
- Forest cover monitoring may be a cost-effective starting point to base performance-related payments on, but from the start this monitoring should differentiate and exclude mono-crop plantations from any calculations for payments. Otherwise, a perverse incentive exists that may encourage clearing of "degraded forest" in favour of plantations. Whilst Guyana may not have (and may not have the soil types for) tree plantations, it is in the country's interest to set a precedent, not least so that plantation-based credits in other countries do not become more attractive than payments to Guyana for avoided deforestation.
- Simple forest cover monitoring is an appropriate starting point given the current technological and institutional capacity, and we anticipate more sophisticated systems will be developed. These should enable analysis of forest cover types, and of environmental services in addition to carbon storage, and must clearly differentiate natural, unlogged forest from degraded forest and plantations.
- Monitoring, however, needs to go beyond forest cover and 'carbon' and extend to other information needs such as biodiversity, ecosystem services and social impacts. The Update on Readiness Preparation Activities<sup>2</sup> recognises this by referring to the need for any MRV system to consider the drivers of deforestation and degradation. These obviously include social, economic, and institutional factors, and rights to tenure, participation, representation and information, and other governance factors. The ongoing MRV system should not stop at an initial diagnosis of the drivers of deforestation but must monitor ongoing progress against indicators covering these factors and should not be limited to exclusively measuring carbon. There are a number of starting points for developing this more inclusive type of monitoring, including the World Resources Institute's Governance Indicators,<sup>3</sup> and the Millennium Development Goals (MDGs). Thus in addition to assessing the environmental and carbon impacts of any development strategy, there needs to be a clear strategy, together with monitoring and reporting, regarding social and equitable development. Otherwise, there is a risk of 'growth without development', where Guyana might enjoy higher macro-economic gains at the cost of social justice.
- Any *low carbon development strategy* must fully acknowledge, and include in a calculation of carbon balances, the risk and the impact of all the proposed development activities. In Guyana, roads, energy, fossil fuel extraction, mining, agriculture and urban development (in the coastal

belt) all have the potential to undermine reduced emissions from avoided deforestation. A 'carbon impact assessment' should be made of all such development options and the LCDS should address how it intends to manage any high carbon impacts of these activities.

- In particular, draining wetlands for conversion to agriculture will have its own carbon impacts. In general, and especially in the tropics, wetlands store a tremendous amount of carbon; mainly in the form of soil carbon. In the case of peat-lands, this is on average 130 kgC/m<sup>3</sup> and for other wetlands 60 kgC/m<sup>3</sup>. This is comparable to and may, in fact, be more than the carbon stored in tropical forests<sup>4</sup>. A carbon impact assessment should be carried out as part of any selection process prior to choosing which areas of non-forested land are to be converted to agriculture.
- Social and environmental impacts should also be assessed before each of the proposed development activities. Mining and oil extraction, and development of the hydro plant at Amelia Falls will all have their own localised social and environmental impacts. Further, many people are directly or indirectly dependent on the savannah lands for their livelihoods, which should be assessed prior to any decision to convert those lands to large scale agriculture. Draining a wetland may also have hydrological impacts on areas downstream, thus reducing their agricultural viability by removing water-stores, resulting in flows drying up in dry seasons and/or flows becoming more extreme after heavy rainfall.
- For the LCDS to work, Guyana will need to build sound and equitable national implementing mechanisms, through multi-stakeholder processes, that include comprehensive and robust monitoring systems. IFM, would be an effective monitoring tool that would also improve forest governance and transparency, and build investor confidence. An independent monitoring system, ultimately relying upon local civil society participation, and based on the IFM model should be implemented at the earliest possible opportunity as part of the design and implementation of the LCDS.

We thank the Government of Guyana for affording us this opportunity to comment and look forward to seeing a revised LCDS which demonstrates how the government will address these issues in the implementation of the strategy.

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<sup>1</sup> Guyana is not currently covered by [www.internationalbudget.org/](http://www.internationalbudget.org/). The Government would do well to study the methodology and be a step ahead of the independent assessment of budget transparency this initiative undertakes for over 80 countries.

<sup>2</sup> Prepared by the Guyana Forestry Commission and presented to the MSSC Meeting 12 (25 August 2009)

<sup>3</sup> See [www.wri.org/project/governance-of-forests-initiative](http://www.wri.org/project/governance-of-forests-initiative)

<sup>4</sup> <http://csite.esd.ornl.gov/faq/faq.html>