

Guyana – Norway partnership on climate and forests: A model arrangement?

The question: How can predictable financial flows from developed countries incentivize reduction in deforestation rates and forest degradation in developing countries, while ensuring that concerns of developed countries regarding mitigation performance, transparency, governance improvements and proper use of payments are addressed?

The challenges and the solutions proposed in Guyana-Norway partnership:

- **Results based payments?** Payments are based on results achieved in keeping deforestation rates below an agreed reference level, supplemented by indicators for forest governance, biodiversity and forest dwellers safeguards as well as transparent and inclusive multi-stakeholder strategy design and implementation. The reference level is explicitly temporary in nature, and will be revised immediately when climate and forest negotiations under the United Nations Framework Convention on Climate Change leads to an agreed methodology on this issue.
- **How are results monitored, reported and verified?** Establishing an adequate temporary system focused on area change supplemented by interim indicators on forest degradation and conservative assumptions to reward emission reductions to calculate emissions whilst a more complete system for monitoring, reporting and verifying results of deforestation efforts is agreed upon and set up.
- **What are payments spent on?** Money spent on projects identified through the recipient country's low carbon development strategy (LCDS), created through a transparent and inclusive multi-stakeholder process.
- **How does one prevent undesirable side effects?** Safeguards apply to the projects to ensure environmental and social sustainability.
- **Transparency?** Full transparency from recipient country on each step of spending the available funds. This means that standards mirroring those of the Extractive Industries Transparency Initiative (EITI), Forest Law Enforcement, Governance and Trade (FLEGT) initiative as well as independent forest monitoring should apply, in addition to accepted norms for financial transparency.
- **How to pay?** A recipient-executed trust fund under a multilateral financial institution, such as the World Bank, with a special unit in Guyana's Ministry of Finance acting as executing body. Oversight and capacity building supervision provided by the institution, which also act as trustee.

The applicability of the Guyana – Norway MoU

The Guyana-Norway partnership on climate and forests provides a model for how the key challenges of performance based climate change mitigation support may be addressed, and could prove relevant for other developing countries with ambition to reduce their emissions from deforestation and forest degradation and determination to develop low-carbon economies.

It is a good example of how the needs of both recipient and donor countries may be met whilst ensuring effective implementation at all levels. The model may not fit all, but could be applied with minor adjustments to several other countries with success. The model may also be converted into a broader climate change approach, building on the same principles, including results-based payments.

Further information may be found at:

<http://www.regjeringen.no/en/dep/md/Selected-topics/climate/the-government-of-norways-international-.html?id=548491>