



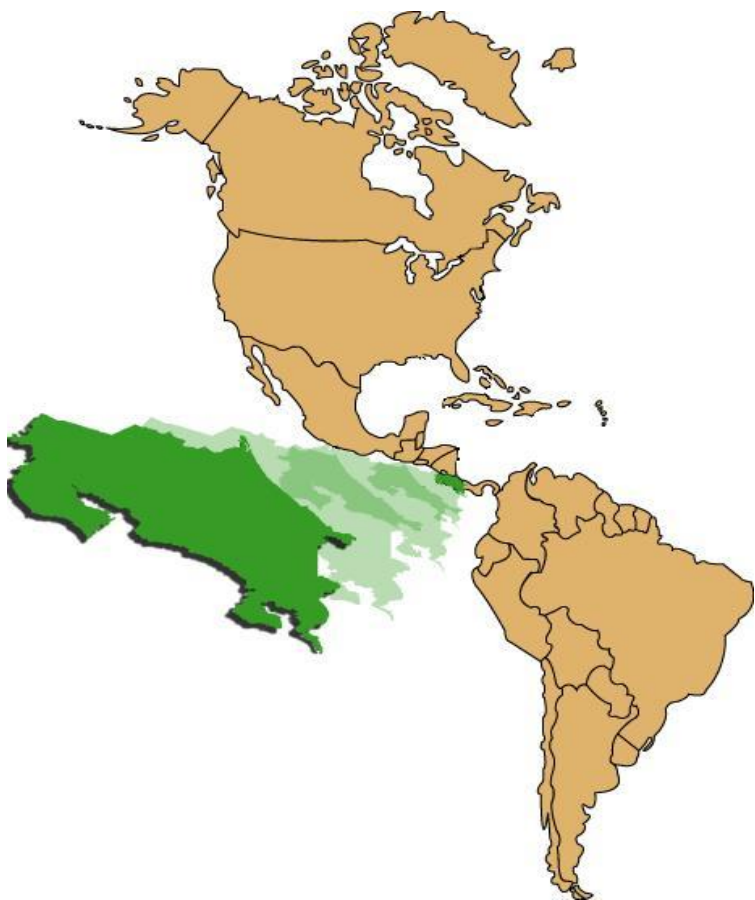
Payment for Environmental Services in Costa Rica: Key institutional and Policy features

Ing. Jorge Mario Rodríguez Zúñiga
Executive Director, Fonafifo

July, 2016



Features of the country



- Medium income and high human development index country (20% population in poverty)
- 51.100 Sq. Km of continental territory
- 52% forest cover
- 4.6 million people (2.3% indigenous peoples distributed in 24 territories)
- Mixed land-tenure regime (public and private lands, including communal lands in indigenous territories) with predominance of small and medium size farms (less than 50 Has.)
- 26% of the territory in Protected Areas (but still many farms to be paid to owners)
- Historic land-rights disputes remaining
- Modern legal framework that recognizes the value of natural heritage (biodiversity, forestry, environment and conservation of soil laws enacted in the 90's)

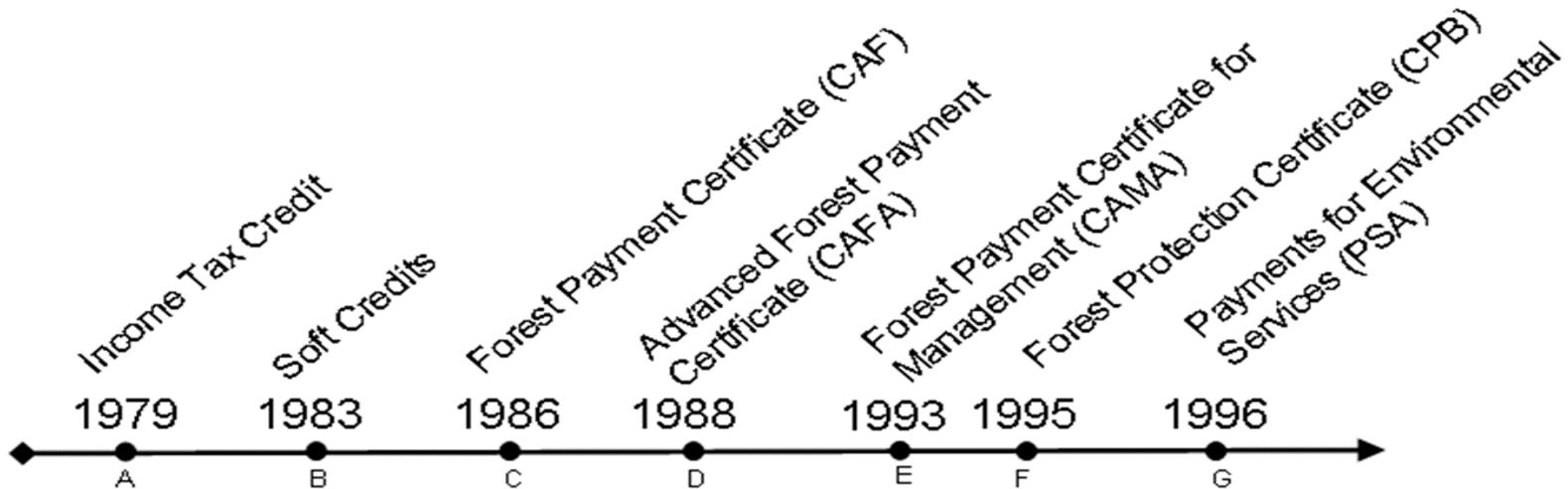
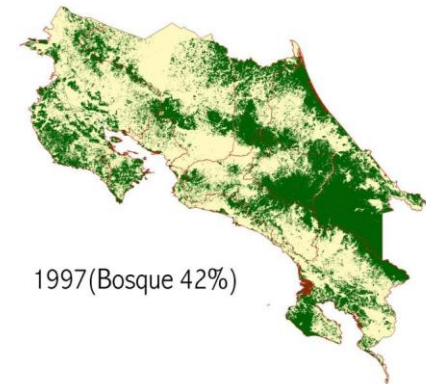
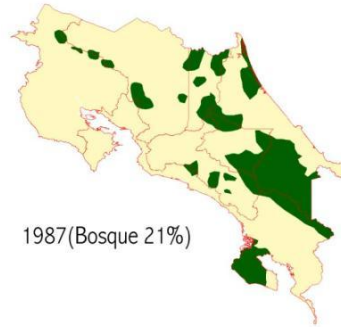
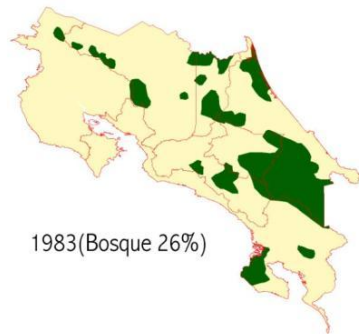
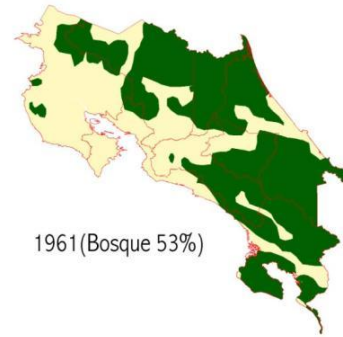
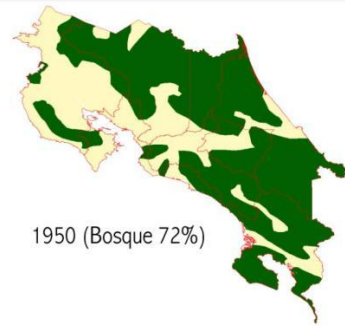
Legal and policy framework

- National Constitution (1994) recognizes the right to of all citizens to a healthy and ecologically balanced environment
- Main environmental and sustainable development agreements ratified (Biodiversity, Climate change, desertification, pollutants, etc.)
- Environment Framework Law clarifies the principle for high level political guidance as a responsibility of the Ministry of Environment (biodiversity, energy, water, forestry and geological resources; environmental quality and impact assessment)
- The National Forest Development Plan as the main strategic planning tool (10 year periods)

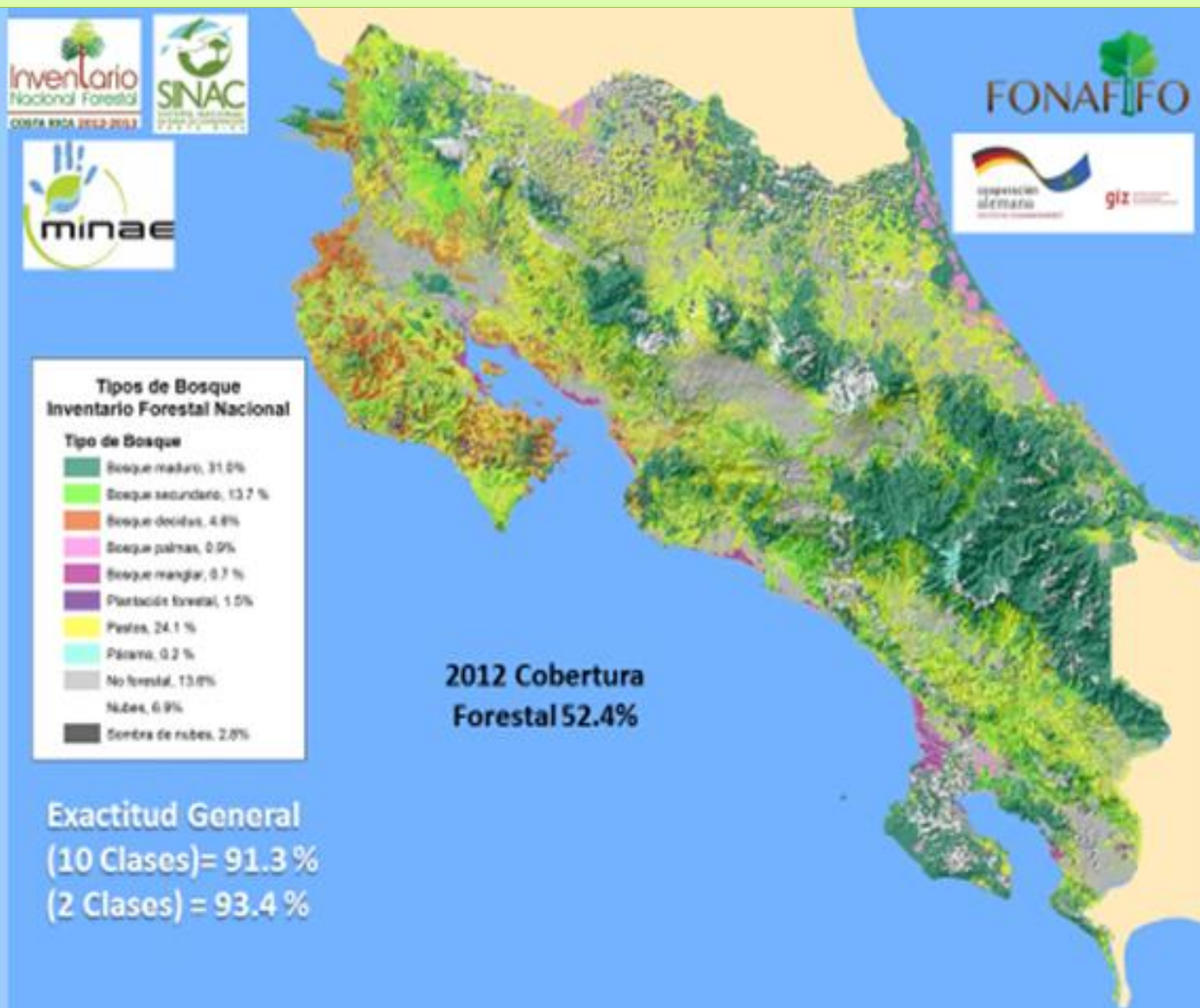
BACKGROUND

- During the 80's and early 90's Costa Rica experienced the lowest levels of forest cover (20-25% of the territory)
- Forestry Laws enacted in the 70's and 80's included the first packages of financial incentives to enhance sustainable forest management and reforestation, however impacts in forest cover recovery were limited
- In 1996 a new legal framework was developed to address main challenges in the forestry sector. Key elements:
 - Ban on forest-land use change
 - No commercial concessions but management plans
 - Creation of a new governance scheme: State Forestry Administration (AFE: FONAFIFO and SINAC), National Forestry Office (Stakeholders engagement in policy planning)
 - Legal role for Forestry Engineers (Regents) as public-faith depositaries for forest projects
 - Creation of the Payment for Environmental Services and a permanent source of funding (carbon tax)

Evolution of Forest Cover and Fiscal instruments



BACKGROUND



FONAFIFO: The National Forestry Financing Fund

Institution of the Ministry of Environment and Energy, with legal capacity to establish agreements and do businesses national and internationally.

Main Objective

Raise funds to finance the forestry sector and the payment of environmental services provided by forests and forest plantations for the benefit of small and medium forest producers.

What is the Payment for Environmental Services Program (PES)?



**IS A FINANCIAL MECHANISM FOR THE
CONSERVATION AND RESTORATION OF
FOREST COVER AND ITS RELATED
ENVIRONMENTAL SERVICES**

Environmental Services Payments Program

Key pillars



Legal Framework



Institutional framework



Financing sources



Policy

A circular inset image showing a lush green forest landscape with a river or stream in the foreground.

National Legal Framework

- ✓ National Constitution (Article 50)
- ✓ Framework Environmental Law (1995)
- ✓ Forestry Law of Costa Rica and related regulations (Law No 7575)
- ✓ Law of the Regulatory Authority of Public Services (Law No 7593)
- ✓ Biodiversity Law (Law 7788)
- ✓ Main global Conventions (Biological Diversity, Climate Change and Combat of Desertification)
- ✓ Regional Conventions (Climate, forests, protected areas)



International Legal Framework

- ✓ United Nations Framework Convention for Climate Change.
 - Kyoto Protocol.
 - Paris Agreement (National Determined Contribution)
- ✓ Conferences of the Parties (COP).
- ✓ COP Bali 2007 REDD.
- ✓ Rio Declaration on Environment and Development (1992), Rio +20
and Sustainable Development Goals

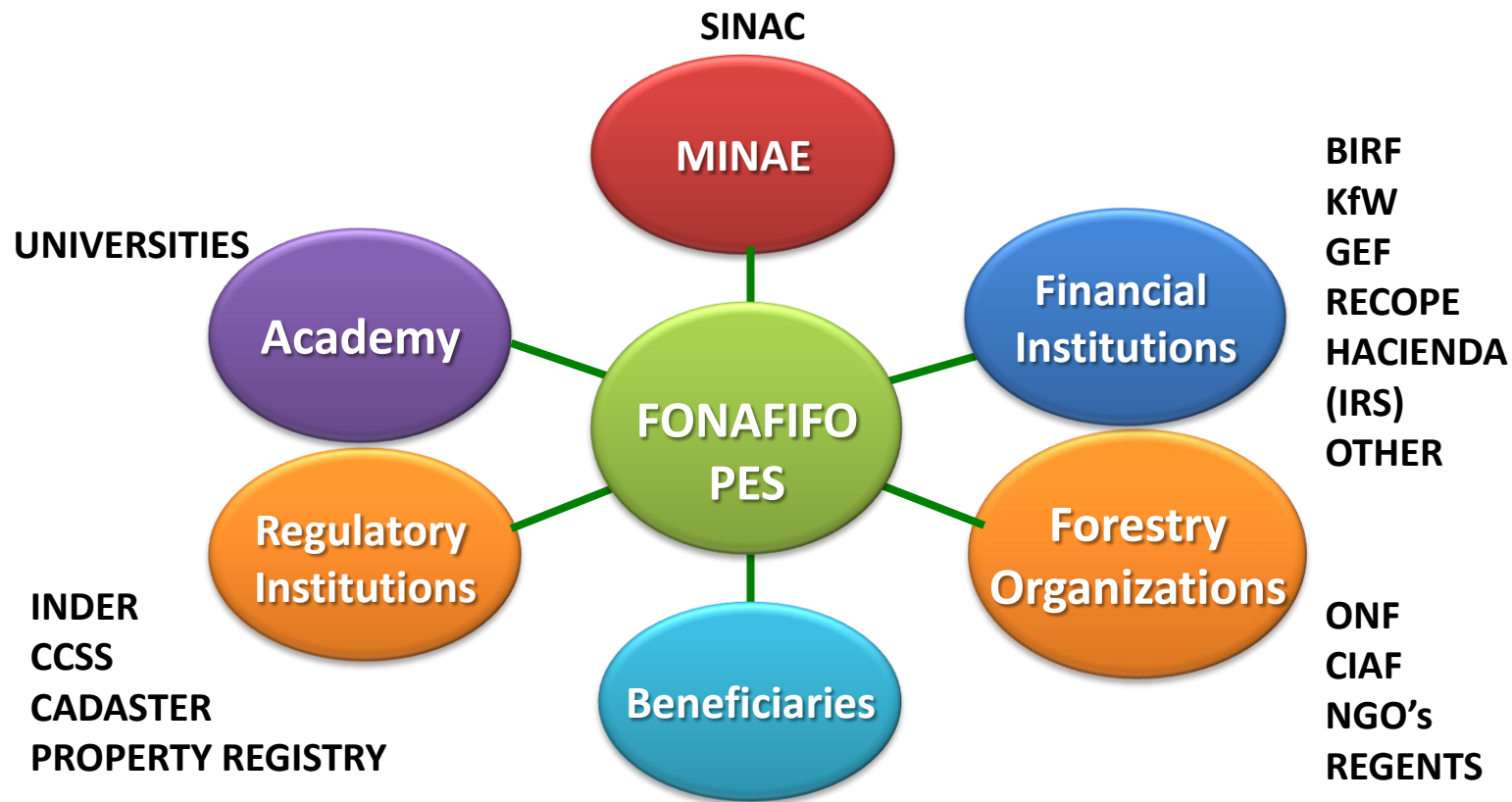
Forestry Law No.7575

- Art 3, paragraph k. Environmental Services
 - Greenhouse gases mitigation.
 - Protection of the Water.
 - Protection of the Biodiversity.
 - Landscape Beauty.
- Art 46, FONAFIFO's creation.
- Art 47, FONAFIFO's patrimony.
- Art 69, Financing sources.





PES Institutional Framework





Reforestation

- ✓ Reforestation with fast-growing species
- ✓ Reforestation with medium-growth species
- ✓ Reforestation with native species
- ✓ Reforestation with other species

Distributed in 5 years

1-50%, 2 -20%, 3 -15%, 4 -10%,
5 -5%

1 ha min - 300 ha max

\$1197/ha/5 years
Contracts of 10 years

\$1410/ha/5 years
Contracts of 16 years

\$2116/ha/5 years
Contracts of 16 years

\$1197/ha/5 years
Contracts of 10 years



Agroforestry Systems

\$1.73 /tree distributed in 3 years
1- 65%, 2- 20%, 3-15%
350 trees min - 10000 trees max
Contracts of 5 years



Agroforestry Systems with native species

\$2,56 /tree distributed in 3 years
1- 65%, 2- 20%, 3-15%
350 trees min - 10000 trees max
Contracts of 5 years



Forest Protection

\$317/ha distributed in 5 years
\$63,4/ha/year
2 ha min - 300 ha max
Contracts of 5 years



Forest Protection in identified biodiversity Conservation Gaps

\$371 /ha distributed in 5 years
\$74,3/ha/year
2 ha min - 300 ha max
Contracts of 5 years



Water Resource Protection

\$396/ha distributed in 5 years
\$79,2/ha/year
2 ha min - 300 ha max
Contracts of 5 years

PES Modalities



Natural Regeneration

\$203/ha distributed in 5 years
\$40,6/ha/year
2 ha min - 300 ha max
Contracts of 5 years



Forest Management

\$247 /ha distributed in 5 years
\$49,5/ha/year
2 ha min - 300 ha max
Contracts of 5 years

A circular icon of the Costa Rican flag, showing horizontal stripes of blue, white, red, and blue, with the national coat of arms in the center.

Policies

- ❑ Consolidated in National Development Plans
- ❑ Main National Planning frameworks: National Forestry Development Plan, National Biodiversity Strategy, Protected Areas Policy, Climate Change Strategy
- ❑ Regularly Updated priority investments areas (Executive Decree)



PES Financing sources



Fuel Tax: 3,5%



Water Tax: 25% of
the total collected



**International
Financing:** World
Bank Loans



**Agreements and
Contracts:** Public
Sector and Private
Sector (carbon
neutrality)



Local and International Strategic Partners by sector

Hydro-power



Industrial



Commercial



Plásticos para el desarrollo



Agricultural



Agroindustrial



Azucarera El Viejo S.A.

Corporación Cooperativa



Agrícola Tayutic S.A.

Publicity and marketing



TRIBU / NAZCA
SAATCHI & SAATCHI

Sports



Services



CONSULTORIA TECNICA BIOFISICA ASA

Tourism



NGO's and Association



COSTA RICA “Carbon NEUTRAL” initiative

- Costa Rica made a commitment to be carbon neutral or "C-Neutral" by 2021 and a long-term goal of reaching -0.27 CO₂ eq. per capita emissions by 2100 (NDC, 2015)
- Ambitious goal that will require for implementation, support of all citizens and future governments
- Costa Rica seeks to promote a voluntary market
- Many companies and organizations currently participating



Our great challenge: Landscape Sustainable low carbon and resilient development

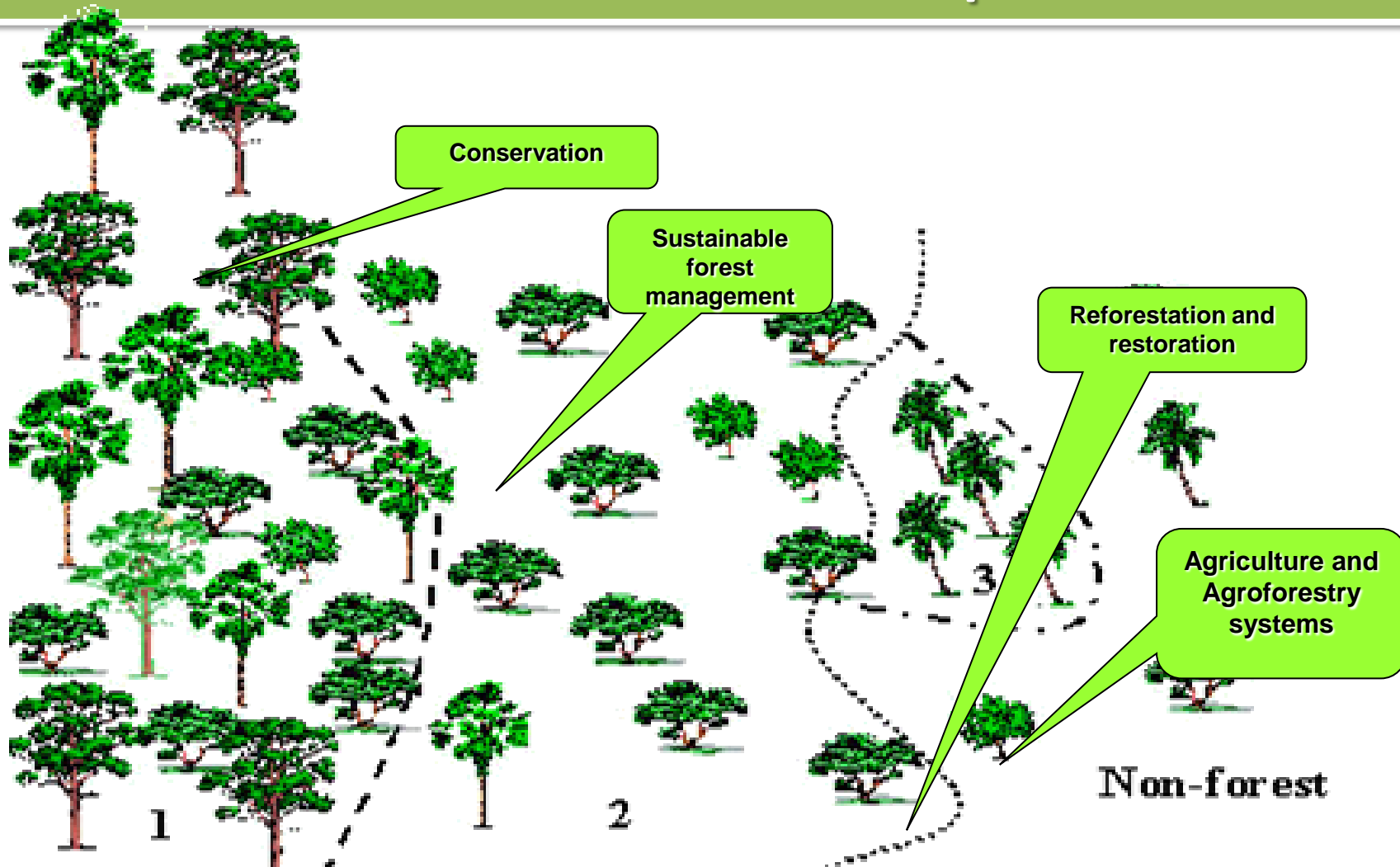
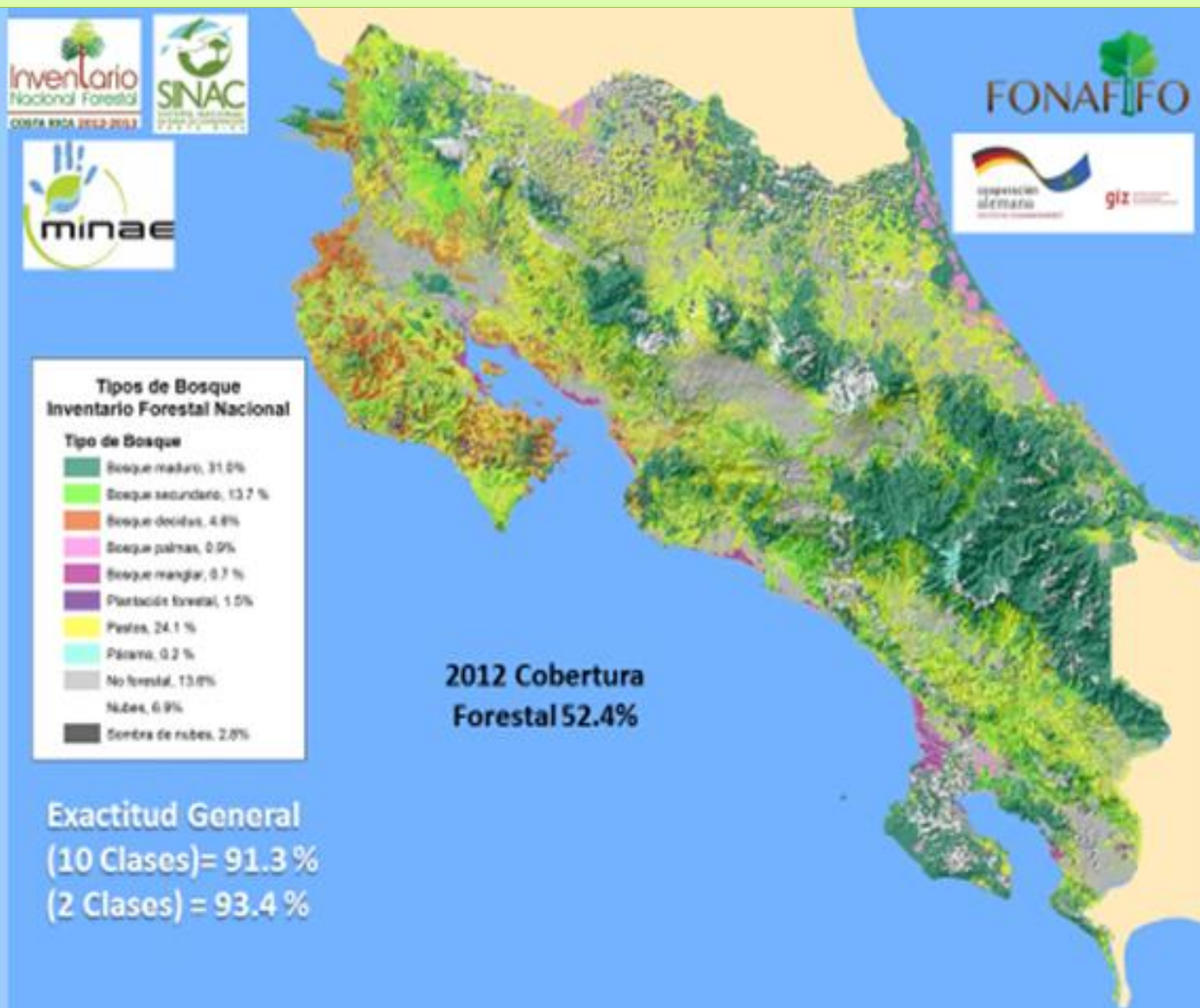


Figure: Gyde Lund 1999

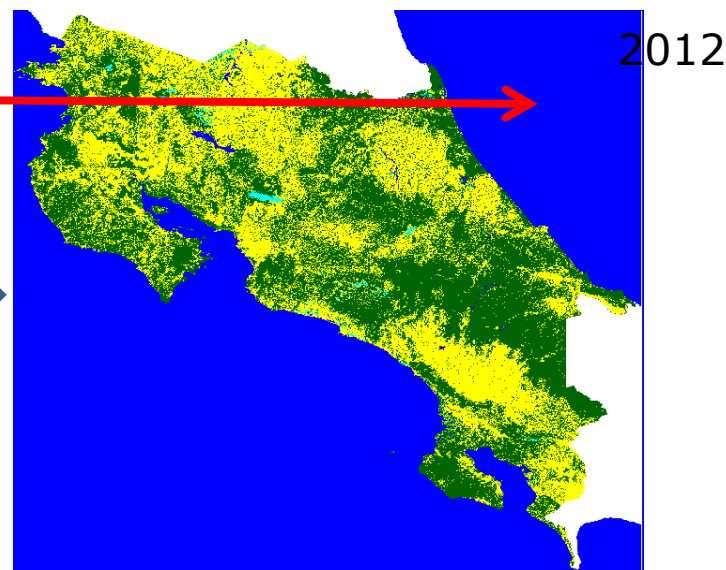
PES impacts

- About 1.100.000 hectares in the program, from 1997 to 2015, 87% under Forest Protection, the remaining 13%, under Reforestation, Forest management, Natural regeneration and Agroforestry systems.
- Over 6,5 million trees planted
- Around 14,000 families involved in the program.
- More than \$420 million on Investment
- Employment generation
- More than 120 000 hectares of indigenous territories in PES

BACKGROUND



Natural Capital and Development



GDP /pc : \$3,574.19

21% Forest cover

Population: 2.7 million

Energy: 80% Hydro, 20% fossil fuel

GDP /pc : \$9,219.00

52% Forest Cover

Population: 5 million

Energy: 95% Hydro,
Wind & Geothermal,
5% fossil fuel

Barriers for upscaling PES

- Unfortunately, conservation has not been seen as contributing to economic and social development.
- Hard to assign monetary value to nature's services/public good
- Short-term benefits outweigh long-term value
- Legal Limitations of some beneficiaries to enter the program (land-tenure rights).
- Enhanced capacity to monitor the impact of different dimensions of PES (co-benefits)
- More financial resources are needed to meet the demand and increase the competitiveness of the instruments vis a vis other land-uses

Final remarks

- 1.Support policies that recognize and reward ecosystem services provision/cover opportunity costs
- 2.Support policies that ensure private sector decisions account for non-market impacts and benefits in operations and site choices
- 3.Support policies that identify and reduce perverse incentives
- 4.Include green economy low carbon development concepts / assessments at the highest possible level of development policy planning and
- 5.Improve measurement: GDP does not account for key development issues – need to account for the green economy via credible, existing metrics



Thank you

More information

- <http://www.fonafifo.go.cr/>