



Case Study:  
***Costa Rica: National Forestry  
Financing Fund (FONAFIFO)***

Second meeting of the AD Hoc EG on Forest Financing  
Vienna, Austria  
14-18 January 2013

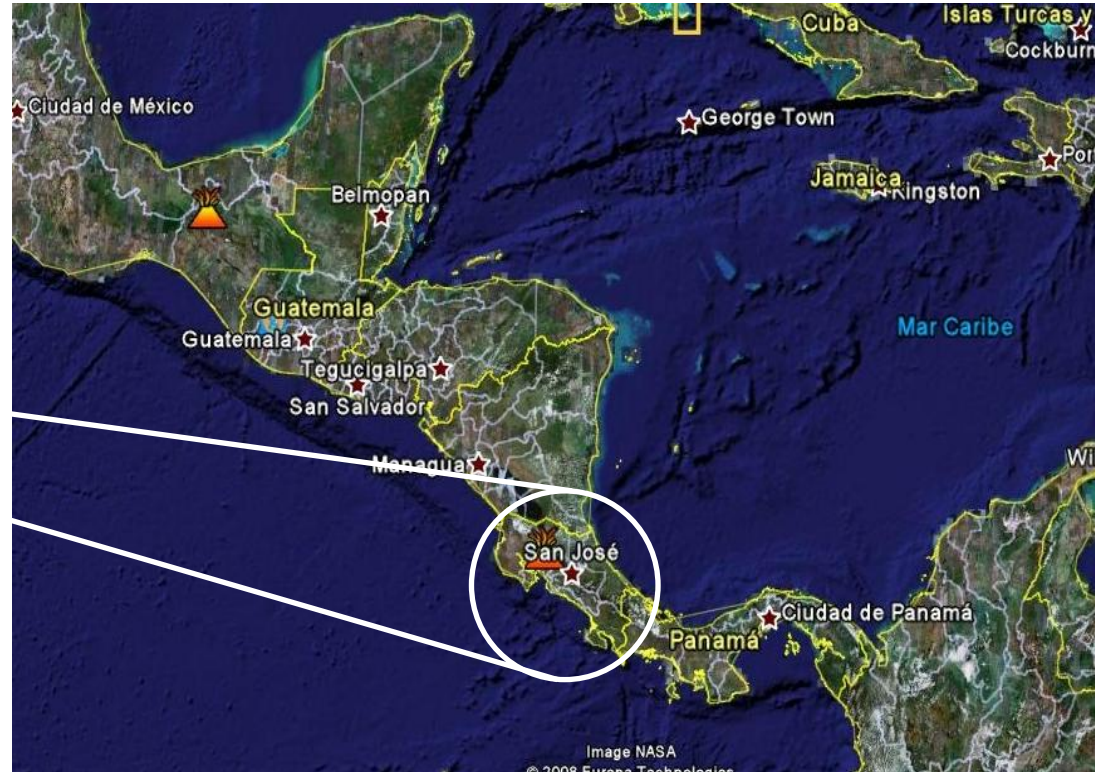


Panellist: Ing. Laura Rivera Quintanilla, MAP  
SINAC-MINAET



# Location

Costa Rica is located in the heart of Central America, between latitudes  $8^{\circ} 02' 26''$  and  $11^{\circ} 13' 12''$  north and longitudes  $82^{\circ} 33' 48''$  and  $85^{\circ} 57' 57''$  west.



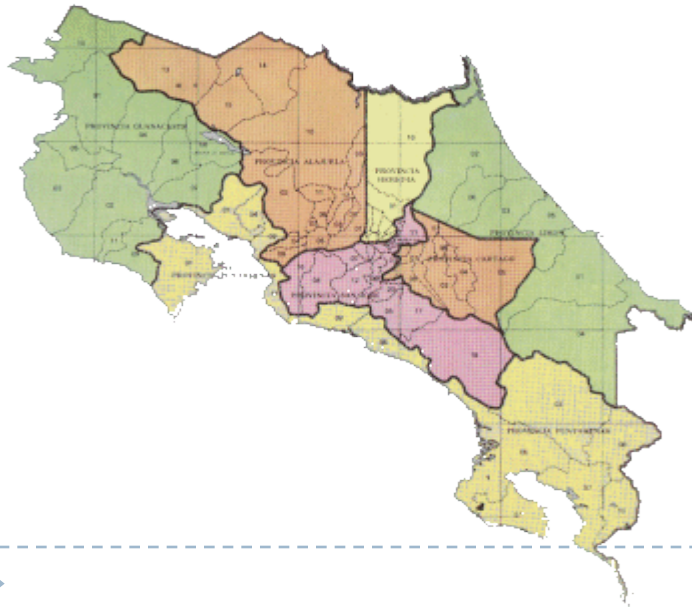
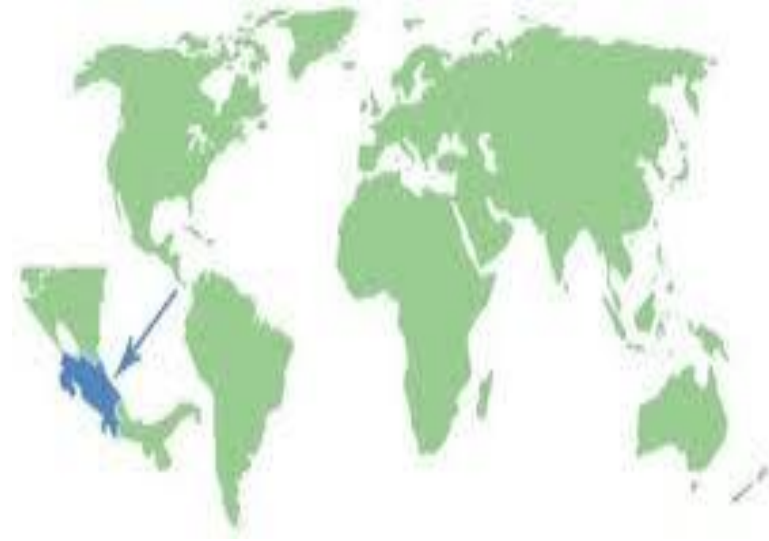
Bounded on the east and northeast by the Caribbean Sea, to the west and south by the Pacific Ocean, to the southeast with Panama and Nicaragua to the north.

# General Information

Land area: 51.100 km<sup>2</sup> and 589.682 km<sup>2</sup> of territorial sea

Costa Rica Population: 4.579.000

- **7 Provinces**
- **81 Townships**
- **463 Districts**



- **Average schooling 8.8 years**
- **Life expectancy is 80.1 years**
- **The GDP growth rate is 5.9%**
- **7.8% unemployment**
- **Poor Households 18.5%**

# Background

## Deforestation Rates:

- ▶ Between 1940 and 1983, Costa Rica, lost approximately, 50% of its original forests.
- ▶ In the 1990s the country had one of the worst deforestation rates in Central America (45.000 ha/annually)

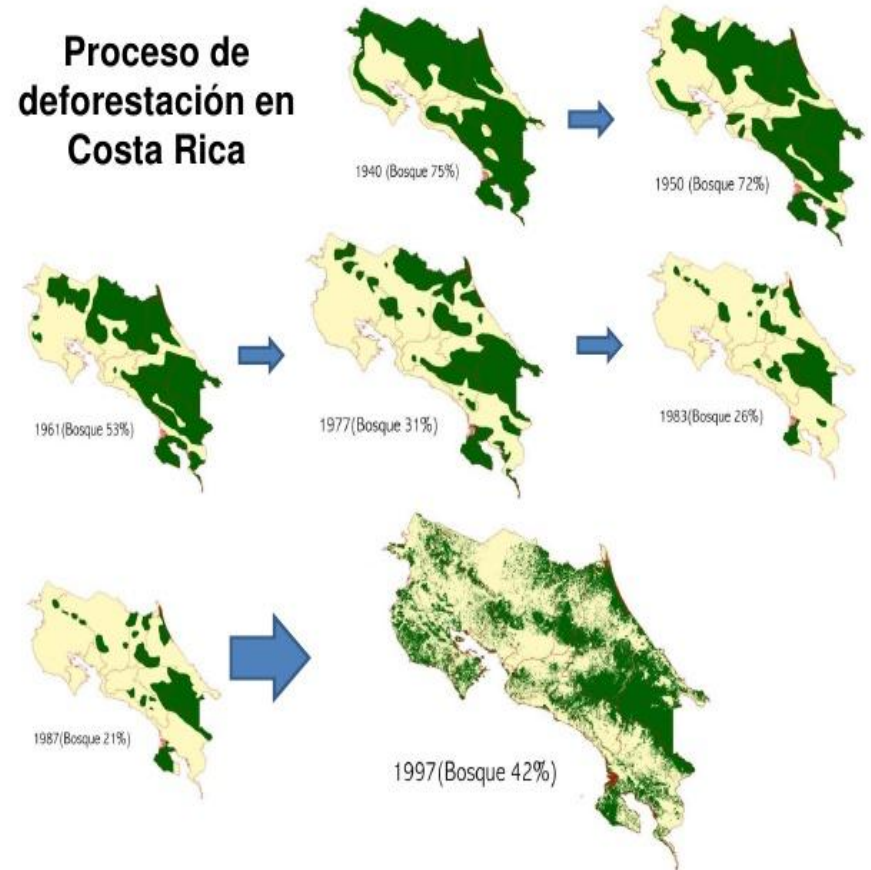
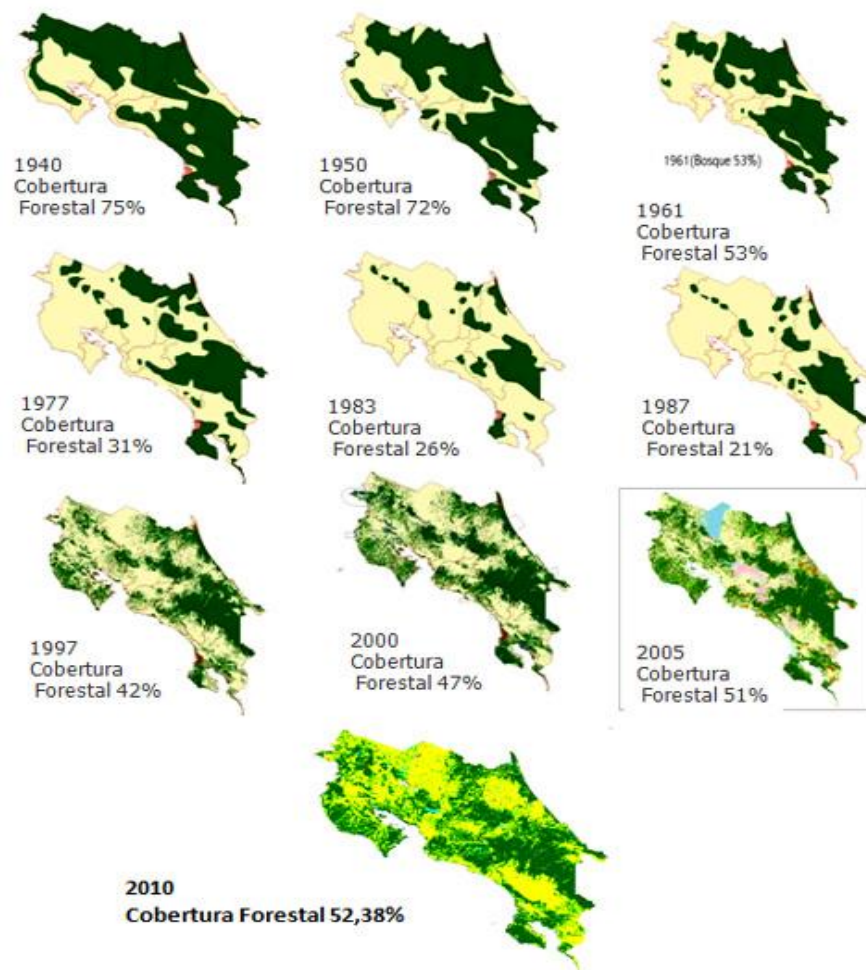


Figure I: Deforestation and recovery forest in Costa Rica.

Source: FONAFIFO and MINAE.

# Contribution of the new forestry public policies

- ❑ Changes in forest of Costa Rican law, resulted in the creation of a financial mechanism (FONAFIFO) recognized worldwide in order to:
  - ✓ Mobilizing resources for the conservation and protection of forests and ecosystem services.
  - ✓ Being an alternative to face the threat of deforestation on private properties.
  - ✓ Increase the country's forest resources.
- ▶ Contribution: The forest area reached in 2010 a 52.38%, which means that "the country remains virtually the percentage of forest reflected in 2005, when it recorded a 51.44%". According to the report made with the support of the German Government and technical support from the University of Alberta (Canada) and the Technological Institute of Costa Rica (ITCR).



Fuente: Estudio de cobertura forestal de Costa Rica 2009-2010 -FONAFIFO

Figure 2: Deforestation and recovery forest in Costa Rica.

Source: FONAFIFO and MINAE.

# FONAFIFO: *a financial mechanism for the recovery and conservation of forest cover*

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- ▶ **Environmental legal:** is a fully decentralized body within the organizational structure of the State Forestry Administration.
- ▶ **Background:** Dating back to 1990 with the publication of the Forest Law No.7174 and its Regulations in order to finance development forest.



# FONAFIFO: *a financial mechanism for the recovery and conservation of forest cover*

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- ▶ **Consolidation:** In 1996, and, from 1997, we began implementing the PPSA, for the benefit of (as) small (as) and middle (as) owners (as), whose lands are having forest or forest recovery, in order to promote the maintenance of forest cover in the country.



- ▶ **Administration:** is done with the participation of a Board, composed by five members (two from the private sector representatives and three from the public sector), and the appointment is for a period of two years.



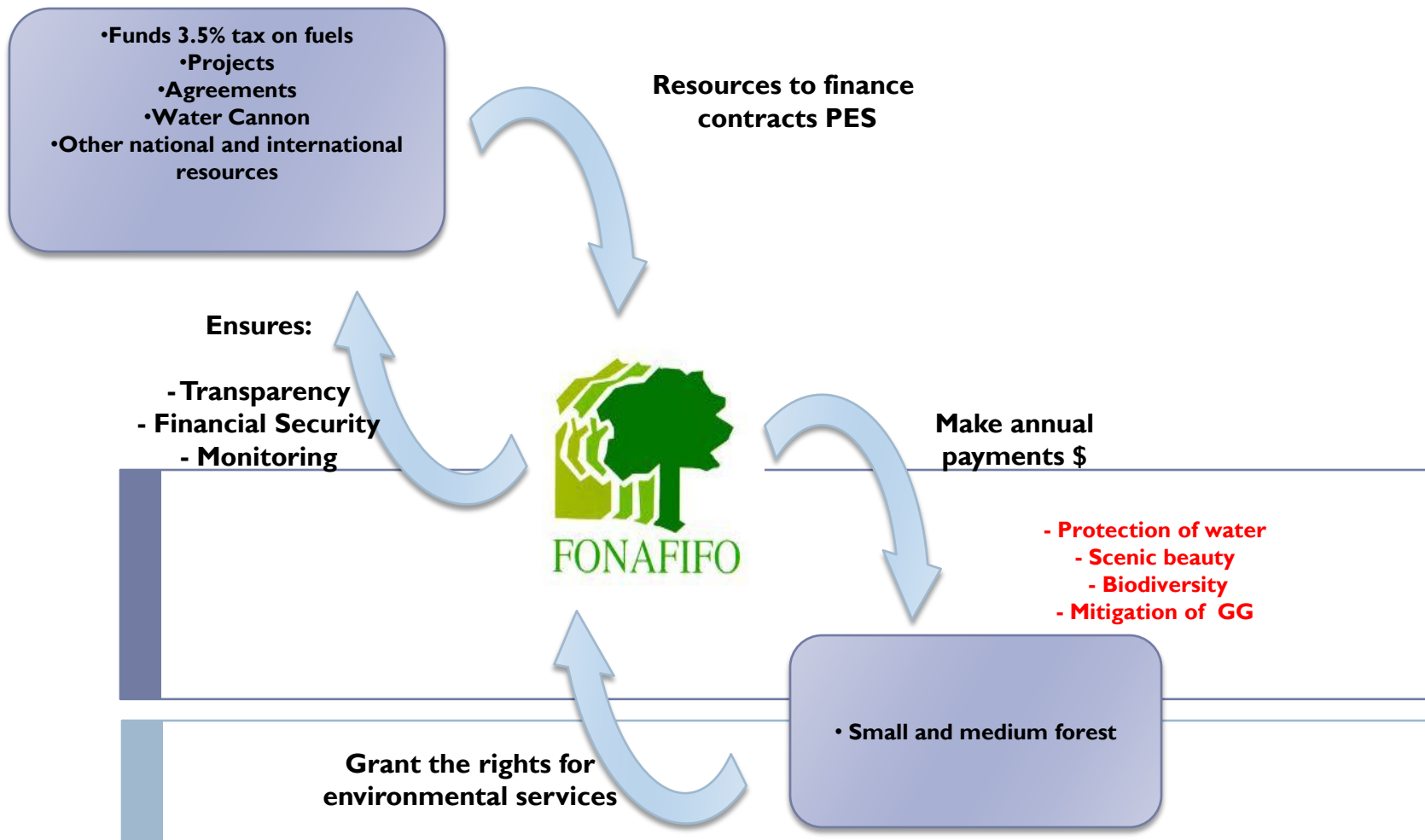


Figure 3: Program flow of payments for environmental services.

Source: FONAFIFO, 2012.



# Payments for environmental services modalities



<b>Natural Regeneration</b>	<p>\$205/ha distributed in five years \$41/ha/year 2 ha min-300 ha max Contracts for 5 years</p>
<b>Reforestation</b>	<p>\$980/ha distributed in five years 1-50%, 2-20%, 3-15%, 4-10%, 5-5% 1 ha min-300 ha max contracts for 15 years</p>
<b>Agroforestry Systems</b>	<p>\$1,3/tree distributed in three years 1-65%, 2-20%, 3-15% 350 trees min-3500 trees max Contracts for 5 years</p>
<b>Forest Protection</b>	<p>\$320/ha distributed in five years \$64/ha/year 2 ha min-300 ha max Contracts for 5 years</p>
<b>Water Resource Protection Forest</b>	<p>\$400/ha distributed in five years \$80/ha/year 2 ha min-300 ha max Contracts for 5 years</p>
<b>Protection of Forest Conservation Gaps</b>	<p>\$375/ha distributed in five years \$75/ha/year 2 ha min-300 ha max Contracts for 5 years</p>
<b>Forest Management</b>	<p>\$250/ha distributed in five years \$50/ha/year 2 ha min-300 ha max Contracts for 5 years</p>



Source: FONAFIFO, 2012.

# Environmental Services Certificate (ESC):

An example of forest financing mechanism

- ▶ Is a financial instrument from which we can conserve existing forests and regenerate new ecosystem and ensuring environmental services to a growing population.
- ▶ With ESC, FONAFIFO raises funds from companies and institutions benefit from environmental services, to give back to the owners (as) of forests for conservation.
- ▶ All resources entering the FONAFIFO for selling ESC, are managed through a trust with the National Bank of Costa Rica.



# Main benefits of ESC

- Ensure environmental services necessary for the development of its business, both of their specific area of interest of the country's forests in general.
- As an investor, you have the possibility to use the image of ESC in marketing your organization, as a promoter of environmental conservation.
- Ensures, through the verification of the use and application of resources, that the funds actually reach the small and medium producers and areas of interest.
- Your investment is deductible from gross income as an expense.



# Modalities ESC

## ▶ "Clean Trip":

People or companies that generate emissions of greenhouse gases by use of air, road, rail or sea, this contamination can make a payment for it.



CSA / Viaje Limpio / Inversionista

El cálculo de la emisión de CO2 se estima en vuelo directo sin escala a Costa Rica

Costo por Tonelada de CO2 \$ 5

Pais Origen

- ARABIA SAUDITA
- ARGELIA
- ARGENTINA
- ARMENIA
- ARUBA
- AUSTRALIA
- AUSTRIA
- AZERBAIYAN

Estimación de CO2 a Emitir

6 No Pasajeros 1 \$30

Pais Destino

San José, Costa Rica, Juan Santa Maria

Nuestros Socios Donantes

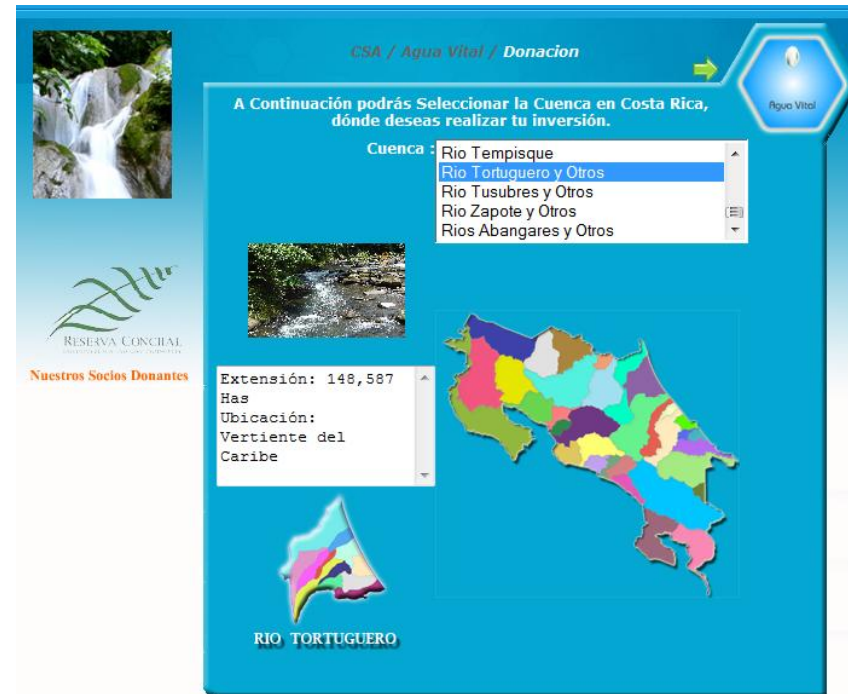
Viaje Limpio

# Modalities ESC

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## ▶ “Vital Water“:

Individuals or companies interested in helping restore and protect the diversity of water sources located in the territory of Costa Rica.



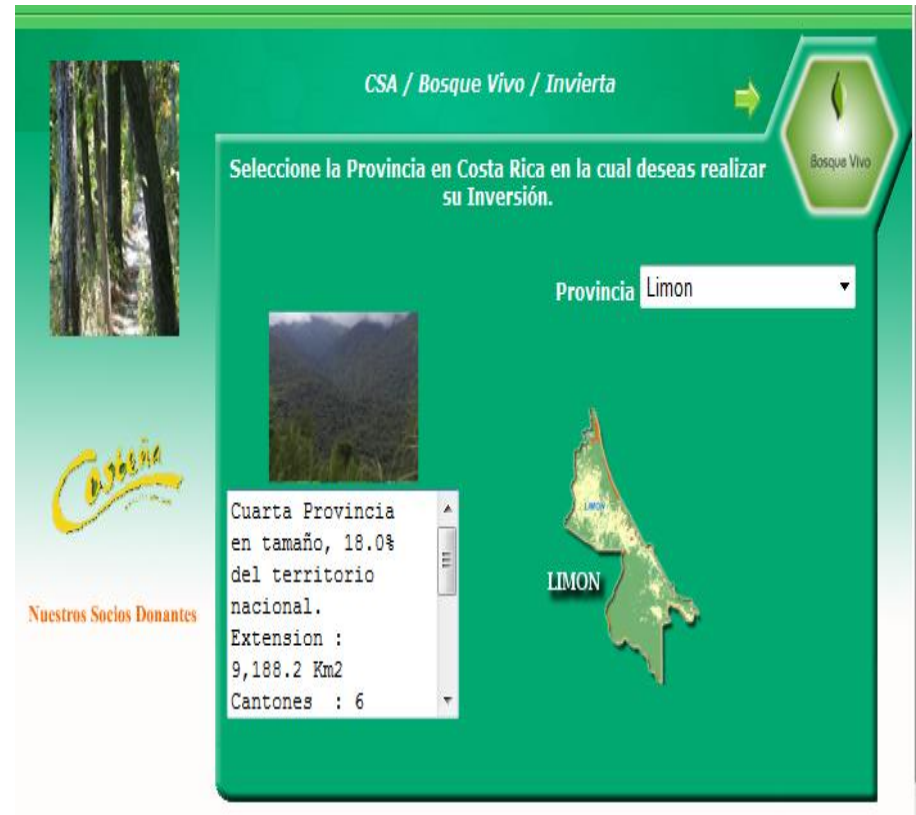
The screenshot displays the 'Agua Vital' website interface. At the top, it reads 'CSA / Agua Vital / Donación'. Below this, a navigation arrow points to a 'Agua Vital' logo. The main heading states: 'A Continuación podrás Seleccionar la Cuenca en Costa Rica, dónde deseas realizar tu inversión.' A dropdown menu labeled 'Cuenca:' lists the following options: 'Rio Tempisque', 'Rio Tortuguero y Otros' (highlighted), 'Rio Tusubres y Otros', 'Rio Zapote y Otros', and 'Rios Abangares y Otros'. To the left of the dropdown is a small image of a river. Below the dropdown, a text box provides details for the selected watershed: 'Extensión: 148,587', 'Has', 'Ubicación: Vertiente del Caribe'. To the right of this text is a map of Costa Rica with various watersheds color-coded. At the bottom left, there is a small map of Costa Rica and the text 'RIO TORTUGUERO'. On the left side of the interface, there is a logo for 'RESERVA CONCIAL' and the text 'Nuestros Socios Donantes'.



# Modalities ESC

## ▶ "Living Forest":

Individuals or companies interested in helping restore the forest, protect biodiversity, water and ecosystems .



The screenshot shows a web application interface for 'Bosque Vivo' investment. The header includes the text 'CSA / Bosque Vivo / Invierta' and a 'Bosque Vivo' logo. The main content area prompts the user to 'Seleccione la Provincia en Costa Rica en la cual desea realizar su Inversión.' A dropdown menu is set to 'Provincia Limon'. Below this, there is a small image of a forest and a map of Costa Rica with the Limon province highlighted. A tooltip window provides details for the selected province: 'Cuarta Provincia en tamaño, 18.0% del territorio nacional. Extension : 9,188.2 Km2 Cantones : 6'. The interface also features a 'Cadena' logo and the text 'Nuestros Socios Donantes'.

# Achievements PPSA

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- ▶ It's an effective tool to combat deforestation.
- ▶ Partnerships with private entities and international investment reduces the cost of the State.
- ▶ It's a replicable instrument.



# Challenges PPSA

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- ▶ Legal limitations of some beneficiaries to enter the program.
- ▶ Better measure of the impact of PPSA.
- ▶ Failure to register accounts in GDP, PSA and the importance of the forestry sector in general.
- ▶ More resources are needed to meet the demands.

