



# Capacity Building Program for the development of a system of **Payment for Environmental Services** in Rwanda

## THE PROGRAM OF PAYMENT FOR ENVIRONMENTAL SERVICES IN COSTA RICA: OVERVIEW OF KEY ELEMENTS

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## Outline

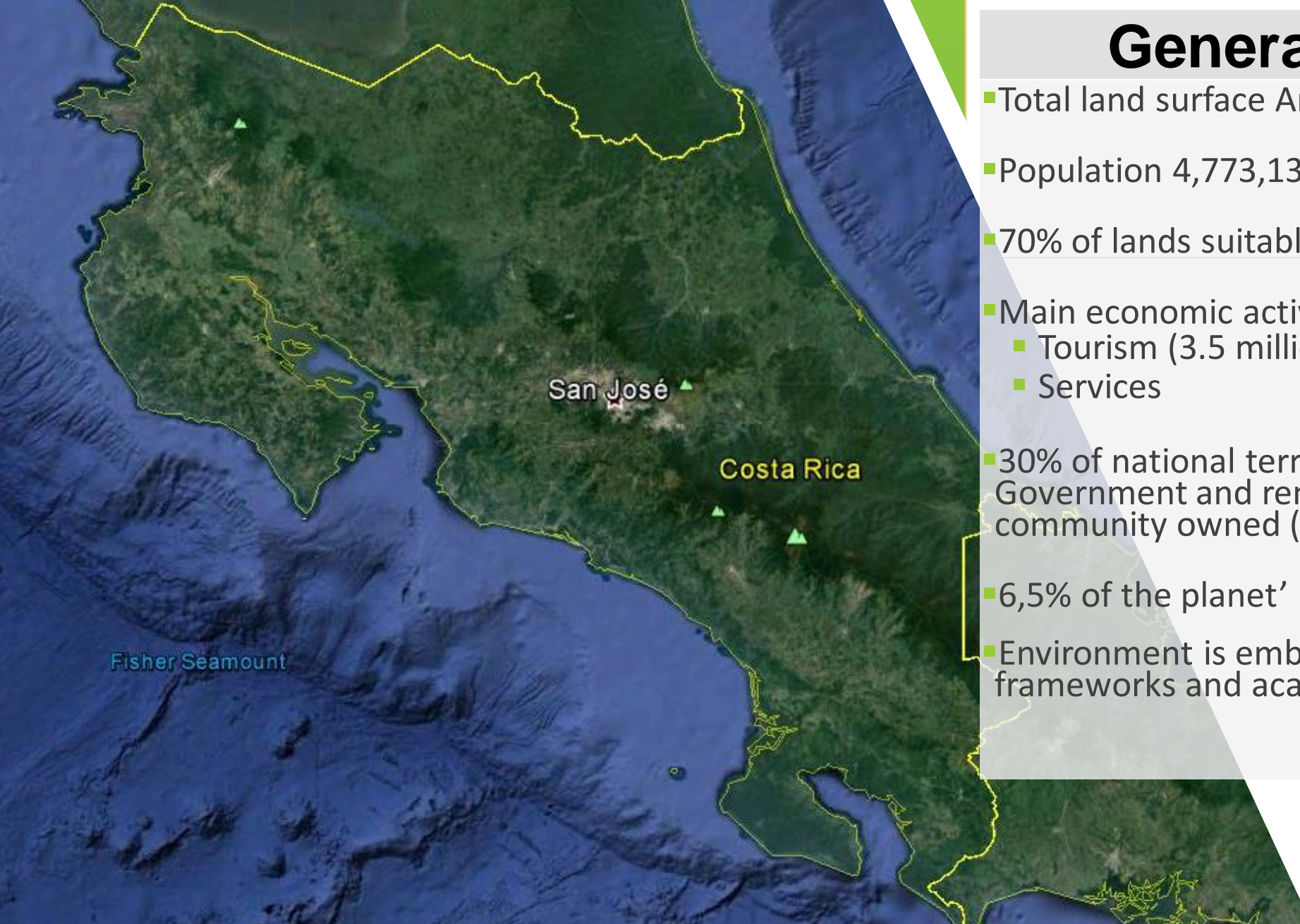
1. Country overview
2. Forestry Policy drivers
3. Key PES pillars
  - a) Legal Framework
  - b) PES Operational elements
  - c) Strategic planning
  - d) MRV of PES

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- e) Finance and accountability
- f) Stakeholders participation
- g) Sustainable Agriculture
- h) REDD+ and PES

# General information

- Total land surface Area 51,100 km<sup>2</sup>
- Population 4,773,130 hab.
- 70% of lands suitable for forestry
- Main economic activities
  - Tourism (3.5 million visitors/year)
  - Services
- 30% of national territory is managed by the Government and remaining 70% is private and community owned (Indigenous Territories.)
- 6,5% of the planet' biodiversity
- Environment is embedded in national policy frameworks and academic programing.





## Building a success story on sustainability: the beginnings

- 1948-49 Consolidation of the democratic system
  - ▣ New Political Constitution
  - ▣ Abolition of the army
  - ▣ Former military budgets allocated to education, health and social welfare programs
  - ▣ Independent electoral body (Supreme Electoral Court)
- ▣ Creation of the National Electricity Institute (95% clean electricity / hydropower, geothermal, wind)
- ▣ 6 % national budget allocated to education



## Historic features: 60's to mid 80's:

- Rapid economic growth
- Government promoted the clear-cutting of forests to provide “value” to the land
- Land use change: Lands required for cattle, coffee, sugar cane and banana plantations (agro-export activities)
- High deforestation rates (TOP # 1)
- Loss of 70 -75 % of the national forest cover
- Growing awareness on the need for conservation and management policies

# Forestry Policy drivers / approaches

**1950 -1970** : Clear-cutting of forests for agriculture linked to global markets

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**1970- 1985:** Reforestation (wood for local market) National Protected Areas System (protect the remaining forested areas)

**1985 – 1995** Forests + wildlife: protected areas, Forest and wildlife conservation in private lands

**1995 on:** Environmental protection, Biodiversity Conservation, Integral resource management. FONAFIFO and PES as a key policy tool

# National Forestry Financing Fund

## FONAFIFO



**We are** a public  
institution

**Responsible of  
financing** small and

medium/size producers of forestry  
goods and services, managing  
financial resources from national  
and international sources to  
support the development of the  
forestry sector.

# Program of Payment for Environmental Services

A financial mechanism for conservation and recovery of forest cover

✓ Voluntary

✓ ORIENTED TO LANDS UNDER PRIVATE PROPERTY REGIME







# LEGAL FRAMEWROK OF PES ACCORDING TO THE COSTA RICAN LEGAL SYSTEM



Political Constitution of the Republic of Costa Rica. Article 50.

Forestry Law No. 7575. Arts. 46-50.  
Ley 8640.

Regulation of the Forestry Law. Arts. 38-39 y 54-65.

Ministerial Resolution Ministerial.

Procedures Handbook for the PES program.



# LEGAL FRAMEWORK

## Forestry Law Nr. 7575, 1996

- Absolut ban on forest land use change
- Defines the Environmental Services produced by forests and forestry plantations.
- Creates the National Forestry Financing Fund.
- Define the source of funding of the del PES Program.
- Through a tax on fossil fuels



# LEGAL FRAMEWORK

- Forestry Law No. 7575, April 1996
  - Article 3**, Para K, Definition de Environmental Services
    - Greenhouse gas emissions mitigation.
    - Water resources protection.
    - Biodiversity protection.
    - Scenic beauty.



“Provided by **forests and forestry plantations** and have a direct impact in the protection and improvement of the environment ”

- Regulation of the Forestry Law No.7575
- Executive Decrees
- Ordinances
- Operational Guidelines for the PES Program



# IMPLEMENTATION of the PES program

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- Legal assessment
  - Registered properties
  - Unregistered properties (Possession)
  - Indigenous Territories
- Contract formalization
- Registry Annotation



# OBJECTIVE of the Legal assessment

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Verify legal feasibility of the Project.

- Legal capacity of the applicant: Natural Person – Juridical/Legal Person/entity.
- Legal condition of the property: Article 8 of the Procedures Handbook for the PES program. (Registered or unregistered property).
- EXAMPLE: The property and the plan are registered, can not contain annotations, have no pending obligations with previous PES Projects, can not demonstrate legitimate possession.



# ¿How the legal assessment finalizes?

## ➤ Legal authorization

Regional Office requests a study of the forestry professional.



## ➤ Notification of non-conformities



ARTICLE 10 of the Procedures Handbook for the PES Program.



# Contract formalization Stage

- ¿What is a contract?
- Article 40. Regulation of the Forestry Law and Art.15 of the Procedures Handbook for the PES program.
- Essential elements of the PES contract: Presential, description of the property, (farm), Project area, commitments by the beneficiary and amount to be paid.



# MAIN CONTRACTUAL COMMITMENTS

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- Do not develop any felling/cutting, extraction or use/harvesting that may impact the natural development of Forests.
- Implement any required activity to protect Forests from any harm by third parties.
- Do not develop or allow hunting or capture wildlife species.
- Do not develop agricultural or cattle activities in the forested areas. \*\*
- Follow all technical and/or administrative provisions duly recommended by the Forestry Regent or FONAFIFO, which will always be in writing.
- Transfer to FONAFIFO the rights of the Environmental Services subject of the contract.





# Registry Annotation Stage

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Registration of the PES contract in the NATIONAL PROPERTY REGISTRY in Costa Rica

- Article 49 of the Forestry Law.
- Article 59 of the Regulation of the Forestry Law.
- Article 16 of the Procedures Handbook for the PES program.



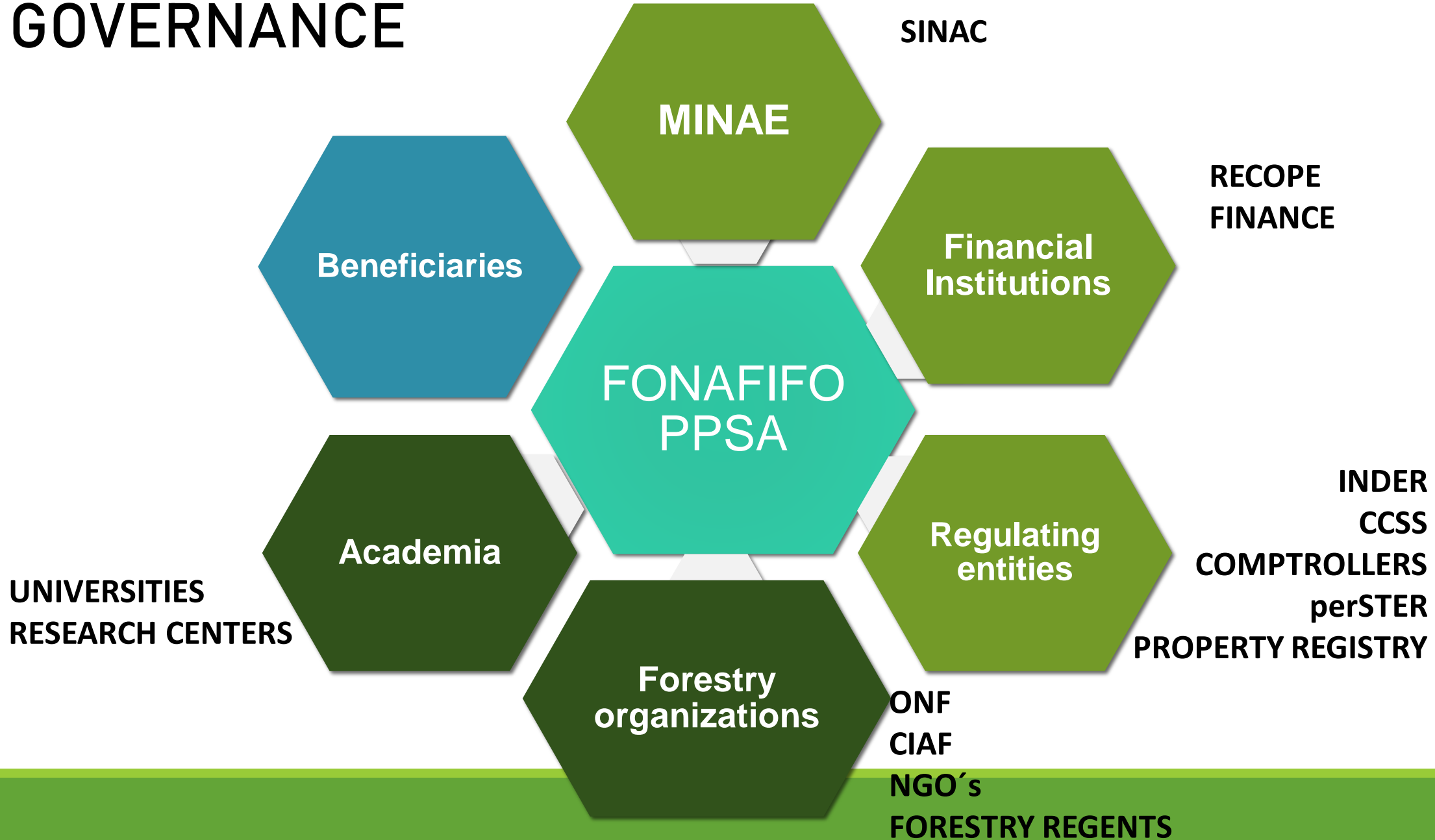


# POLICY

- Institutional strengthening during each Government transition.
- Activities included in Government Plans of political Parties.
- National Development Plans
- National Forestry Development Plans.

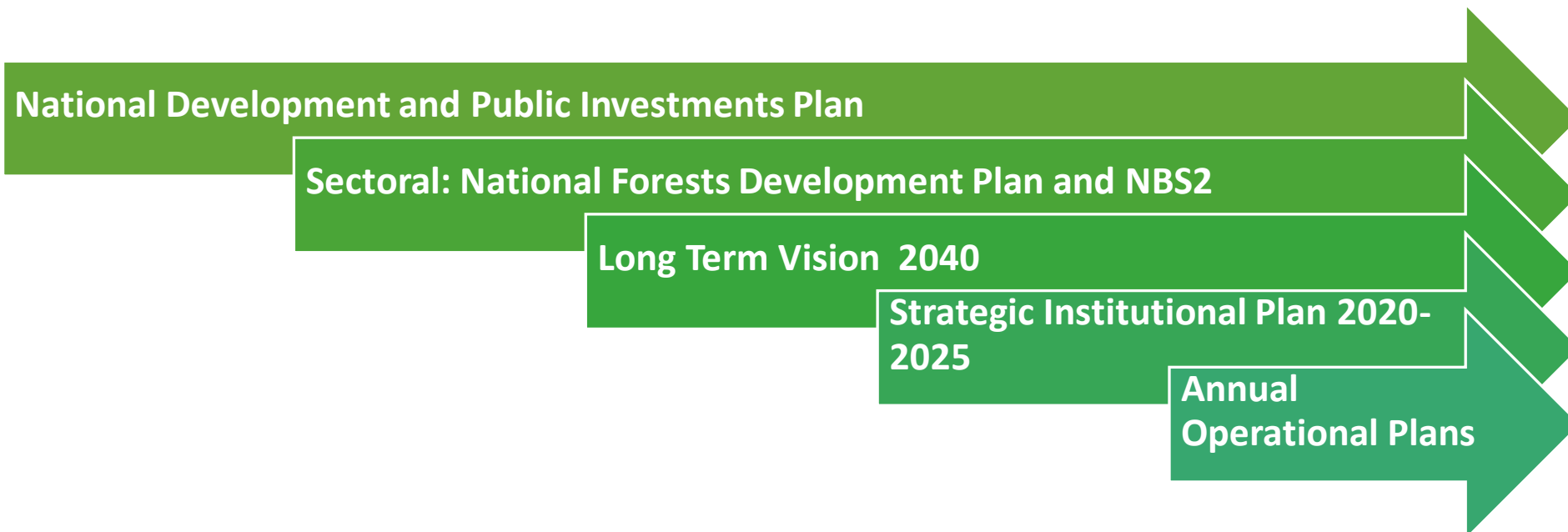


# GOVERNANCE





# Institutional strategic planning





## National Development and Public Investments Plan

Art. 4 of Law 8131. The National Development and Public Investments Plan (NDPIP) represents the **global framework that guides the Operational Plans of institutions** according with the level of autonomy of each public entity. **All public budgets should respond in principle, to the Operation Plans;** more specifically, the Government resources should be budgeted in consistency with the **global macroeconomic planning and reflect the priorities and strategic activities of the Government...**



## FONAFIFO's Commitments in the NDPIP

**4 million tones** of net CO<sub>2</sub>e reduced.

**Maintain 115 million tones** of CO<sub>2</sub> eq. stored through PES contracts per year.

**200 projects** on Mixed agroforestry under PES payments.

**448 projects** financed through the Program of Plantations and Forestry harvesting (PPAF)

The institution is the leading Costa Rican entity in the administration of financing mechanisms for ecosystem services associated with Forests and agroforestry systems in any type of ecosystem.

Vision for the future....





## Mission

Contribute to sustainable development through providing finance to those providing environmental services within an innovative public Management approach.

## Vision

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Leading institution in the implementation on financial mechanisms for environmental services from Forests and other ecosystems for the improvement of life quality of people.







## Impact

- Contribute to sustainable development through the provision of environmental goods and services that improve the quality of life of the Costa Rican population.

## Effects

- Improve livelihoods of providers of environmental services
- Increase the volume of available environmental services
- Design, promotion and consolidation of environmental services markets.
- Conservation of the ecological functions of ecosystems.
- Mitigation of greenhouse gas emissions that contribute to climate change.

# Strategic Activities

Maintain current coverage of environmental services

- Explore new instruments for other productive activities.

Generate new financial instruments for PES

- Identify new financing sources

Develop strategic alliances for the implementation of new financing mechanisms

- Measurement and valuation of environmental services.

Transform environmental services into tradeable products.

- Identify potential purchasers and markets for environmental services.

Strengthen the knowledge of providers of environmental services for the management of environmental services.

- Provide technical support to providers of environmental services.

## What to measure?

### Effectiveness

- Number of hectares under Payment for Environmental Services by modality
- Number of new hectares under Payment for Environmental Services by activity
- Volume of CO2 contained in Forests under active PES contracts
- Volume of CO2 mitigated under current PES contracts in modalities of reforestation, regeneration and SAF.

### Targeted population

- Number of women beneficiaries of PES
- Number of contracts in mixed compensated systems (Small producers in less than 10 has)
- Number of hectares paid in indigenous territories by activity
- Number of new PES contracts by regional offices.

### Use of resources

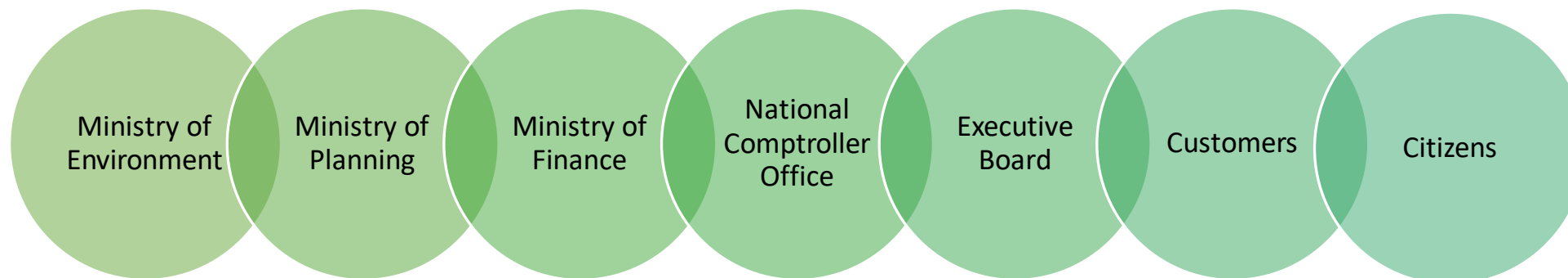
- Percentage of PES Budget execution.
- Amounts of PES Budget execution in contracts with expired allocations.

### Monitoring and Control

- Percentage of contracts evaluated that fulfill criteria for provision of timely and quality of environmental services
- Percentage of PES projects visited

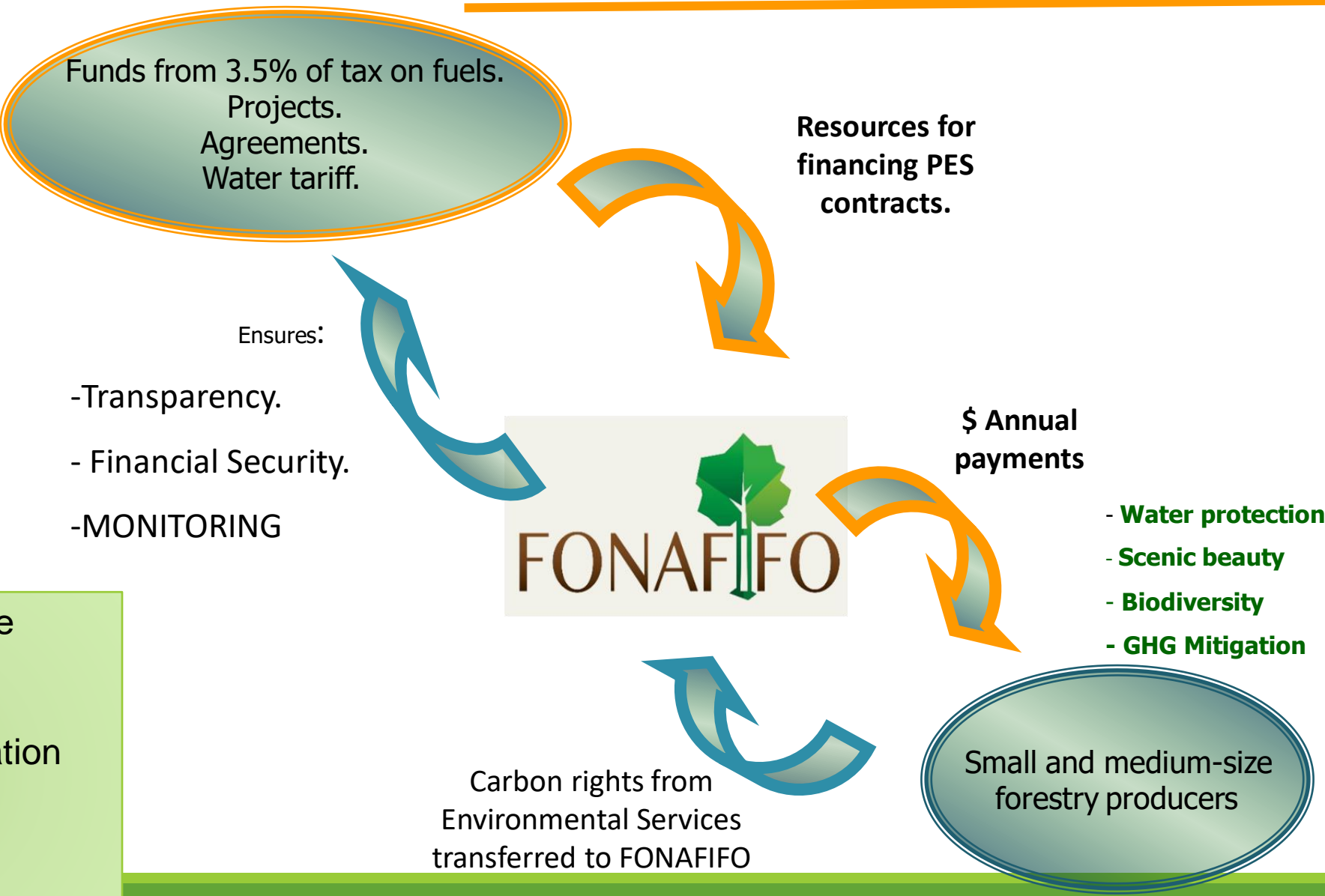


# Transparency and accountability: Public value





# Program of Payment for Environmental Services



Funds from 3.5% of tax on fuels.  
Projects.  
Agreements.  
Water tariff.

Resources for financing PES contracts.

Ensures:

- Transparency.
- Financial Security.
- MONITORING



\$ Annual payments

- Water protection
- Scenic beauty
- Biodiversity
- GHG Mitigation

Small and medium-size forestry producers

Carbon rights from Environmental Services transferred to FONAFIFO

- Comptroller's Office
- Audits.
- Regents.
- Profession Association
- SINAC
- RECOPE
- FINANCE
- Universities



# PAYMENT MODALITIES

MODALIDAD	ACTIVITY	Amount US\$/ha	Distribution of Amount	Duration of Contracts
1. Forest Cover Recovery	Reforestation	1.147 1.293 1.940	50%, 20%, 15%, 10%, 5%, first 5 years	10 a 16
	Natural regeneration	187	20% per Year	5 Years
	*Agroforestry systems	1,6 2,3	50%, 25%, 25% , Years 1-3-5	5 Years
2. Maintenance of Forest Cover	Forests Protection	582	10% per Year	10 Years
	Water resources protection	727	10% per Year	10 Years

\* Payments on Agroforestry systems are by planted tree.

Present application,  
copy of cadastral plan  
and ID document in the  
Regional Offices.

In or outside  
Priority areas

Legal  
Analysis

Application sent  
For signature by the  
FONAFIFO  
representative

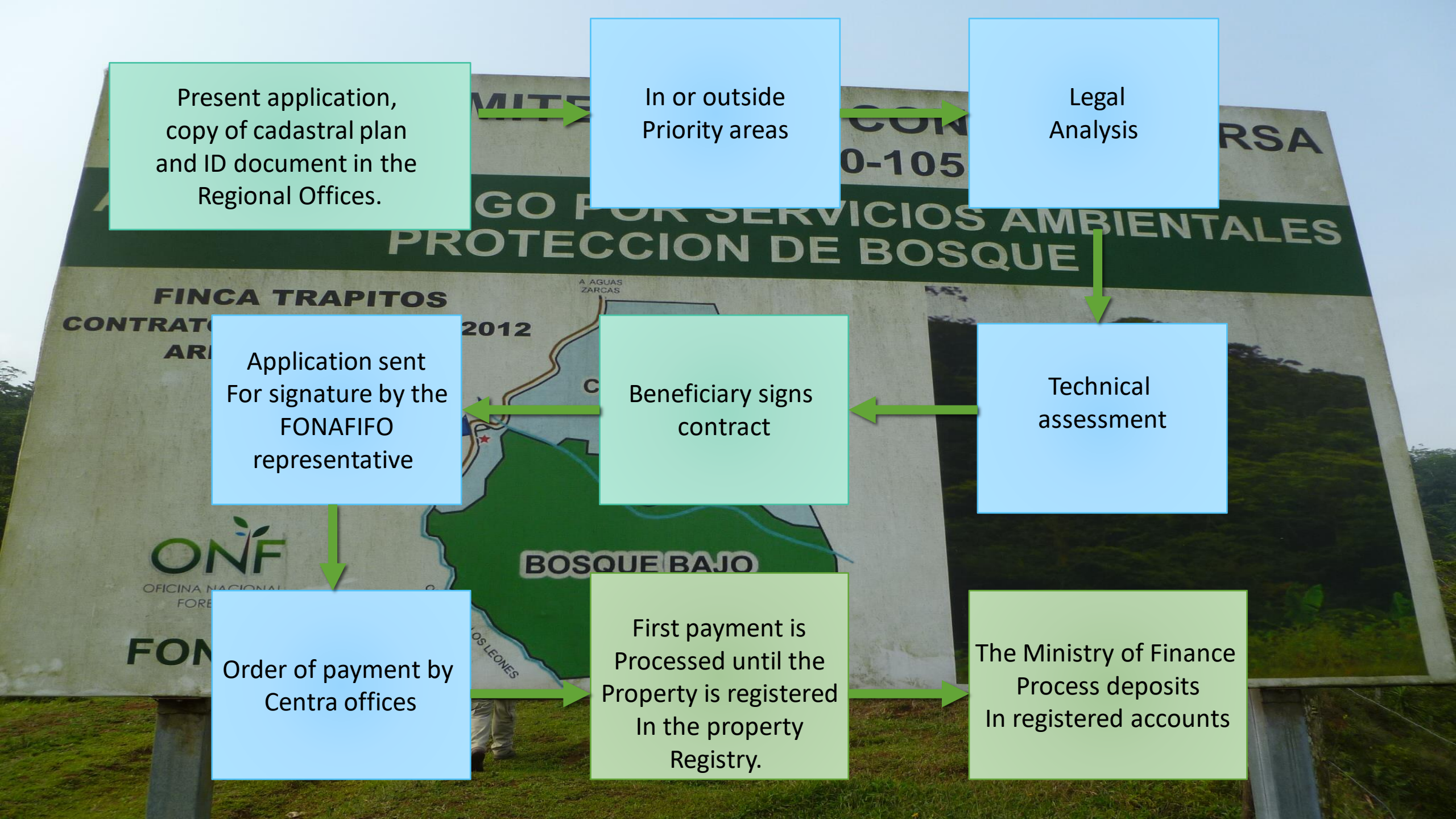
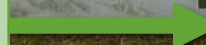
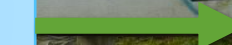
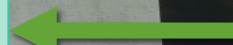
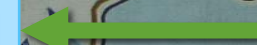
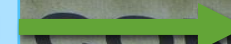
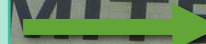
Beneficiary signs  
contract

Technical  
assessment

Order of payment by  
Centra offices

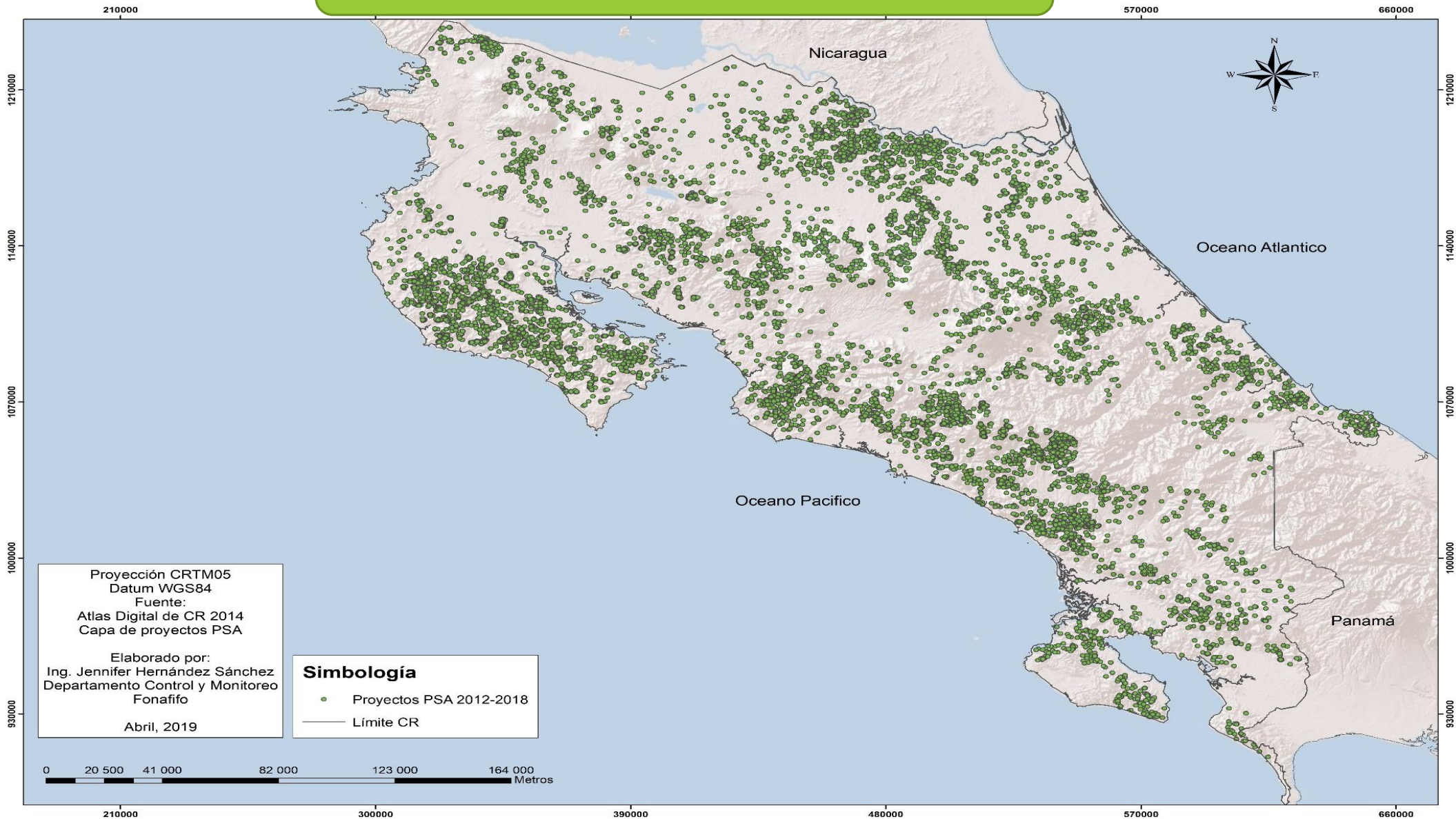
First payment is  
Processed until the  
Property is registered  
In the property  
Registry.

The Ministry of Finance  
Process deposits  
In registered accounts





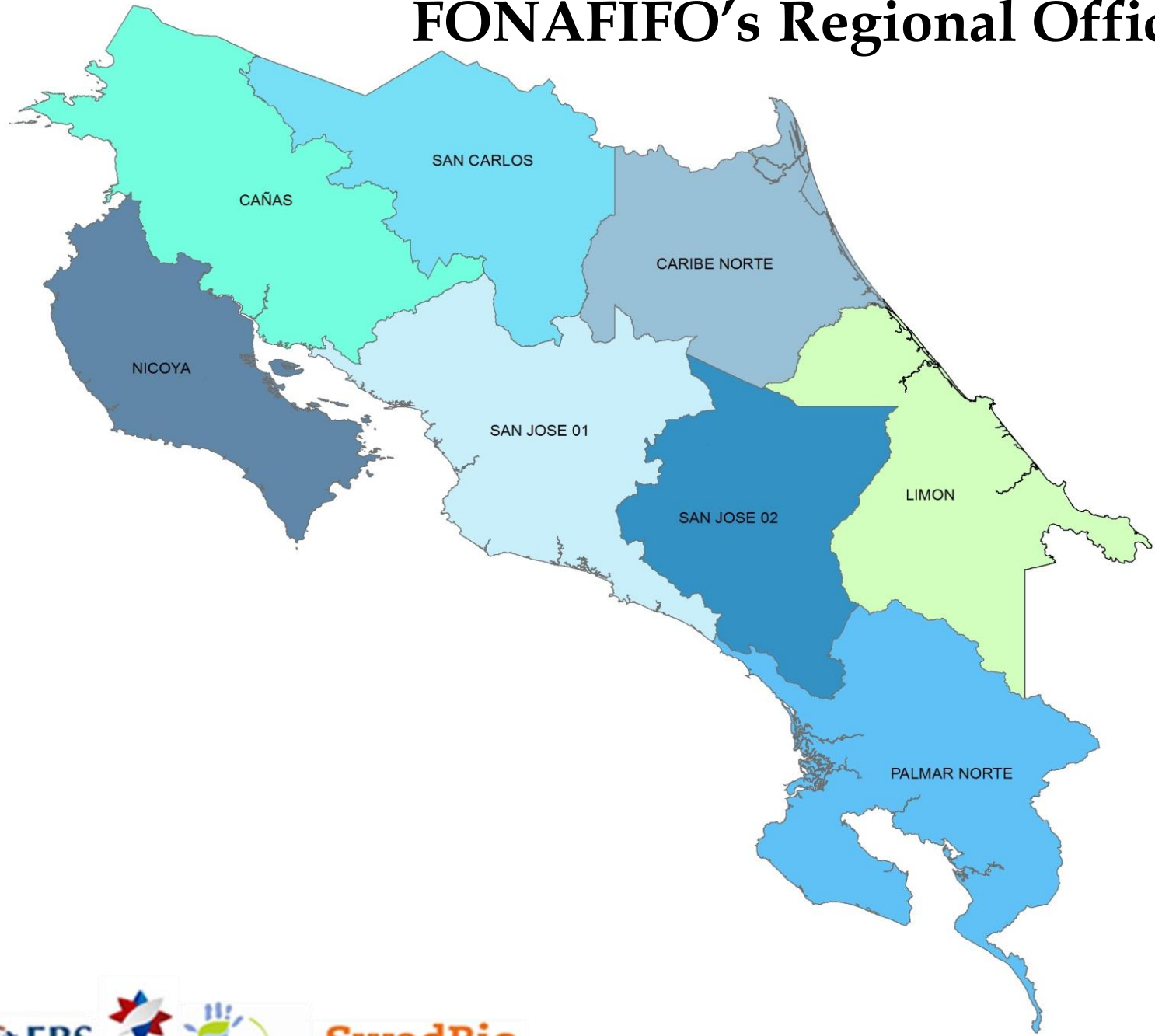
# Active PES contracts 2012-2018





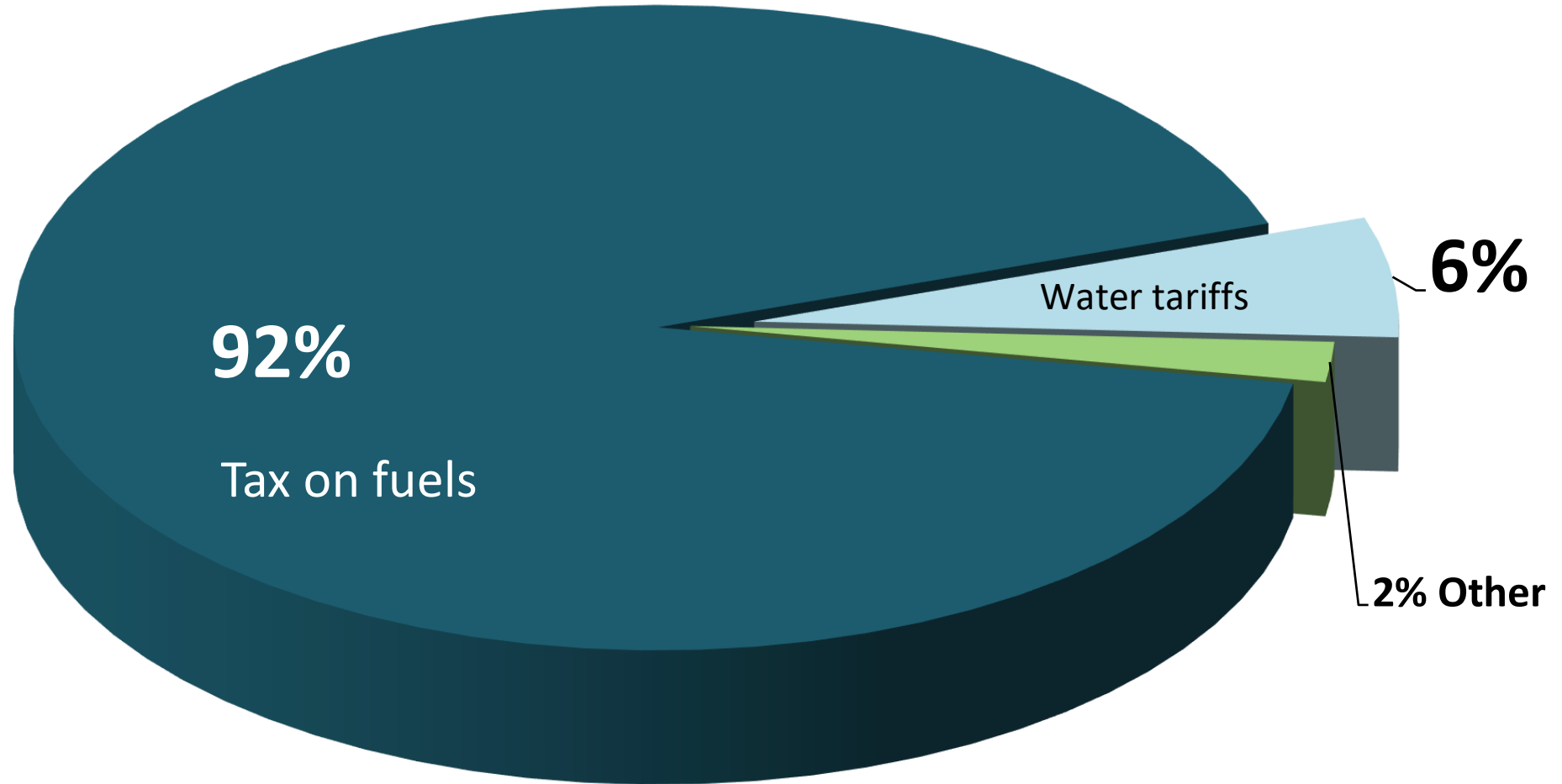


# FONAFIFO's Regional Offices





# FINANCING



# Financing generating Instruments

## PES Program

Purchasing agreements of Environmental Services with Public entities and Private Businesses.

- Hydroelectricity, Public Services , Brewing Company, Agroindustry, Hotels, Municipalities (different type of contributions)
- National Tourism Board,

## ICT-FONAFIFO Agreement

<https://ticotimes.net/2020/10/29/costa-rica-bets-on-carbon-offsets-to-conserve-environment-support-eco-tourism>

Photo. Signing of the ICT-FONAFIFO Agreement, Mr. Gustavo Segura, Minister of Tourism and Mr. Franklin Paniagua, Deputy Minister of Environment. 28.10.2020



# Financing generating Instruments

## PES Program

Carbon projects both for the regulatory and voluntary markets.

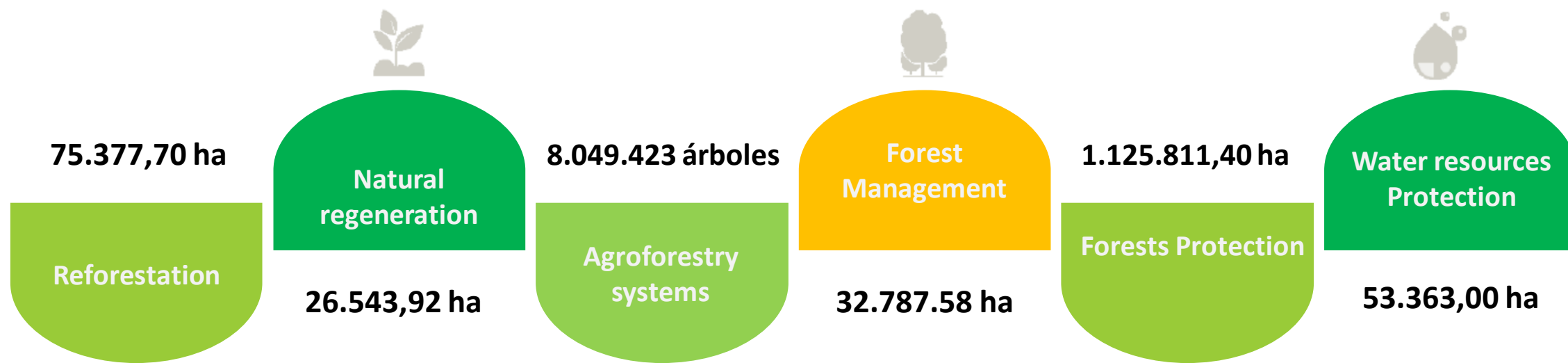
- Project registered under UNFCCC-CDM selling Certified Emission Reductions from forestry projects. Registry Nr. 7572.

- Only seller of Costa Rican Compensation Units (UCC) for the domestic carbon market.

- **CR REDD+ Strategy**
- **Environmental Bank Foundation**
- **Sustainable Biodiversity Fund**

# HECTARES under CONTRACT. 1997 - 2019

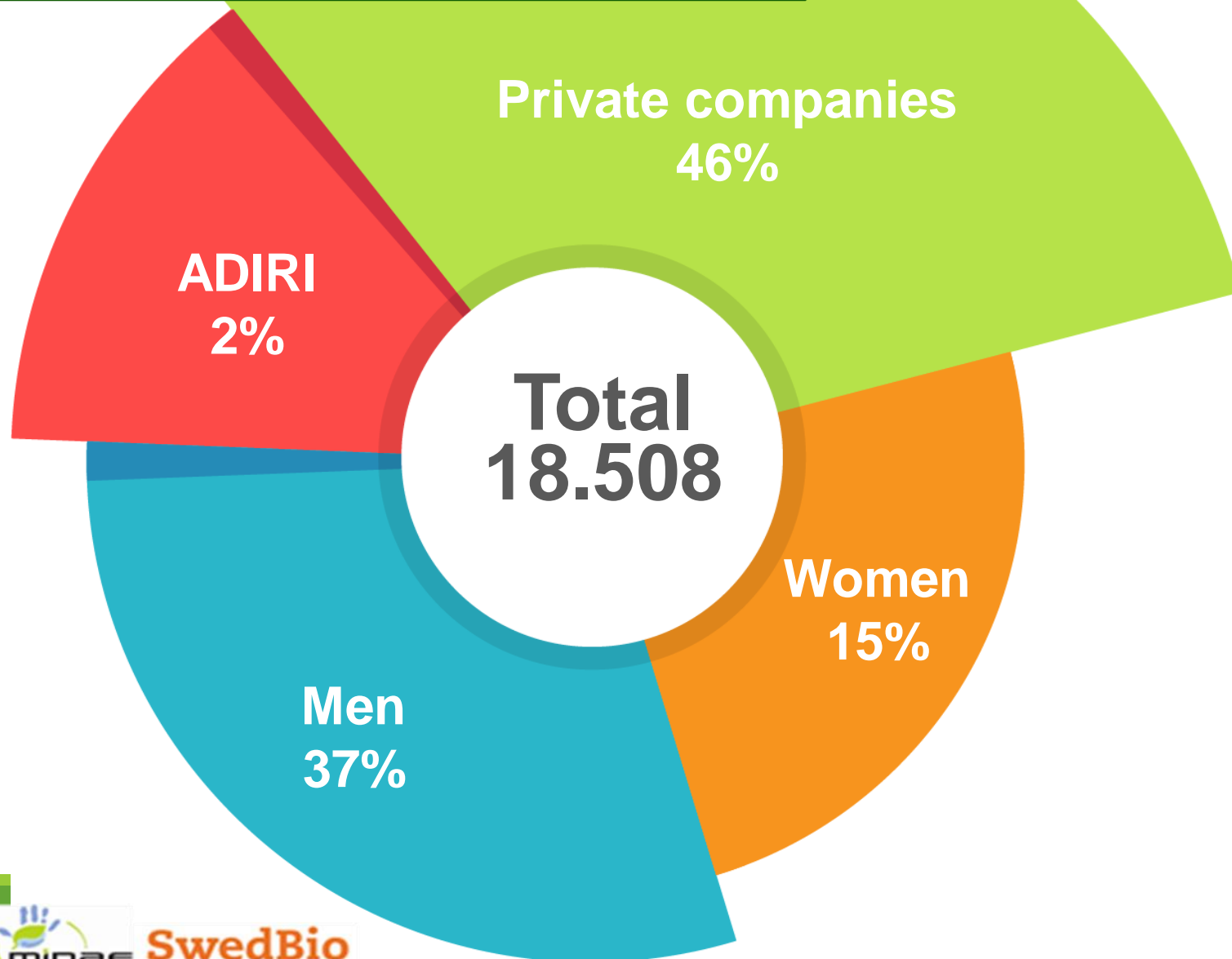
1.313.883,6 HA





# Program of Payments for Environmental Services

**Number of contracts  
Signed  
1997-2019**





# Program of Payment de Environmental Services

PES investments in indigenous territories:

**Forests Protection**  
154.105 Ha.

**TOTAL**  
161.200 Ha.

**Other activities**  
7.095 Ha.

**Amount  
disbursed**  
\$35.000.000



# PES Program Results

- 88% of contracts are dedicated to Forest Protection activities and the remaining 12% includes a variety of Reforestation, Agroforestry systems, Natural regeneration and forests management activities.
- Near 330.000 Has are managed annually under contracts distributed among near 6.000 contracts signed.
- Accumulated investments of near US \$525 millions
- The program is funded through local resources
- The program as a financial instrument has contributed to maintain and recover forest cover in the country.





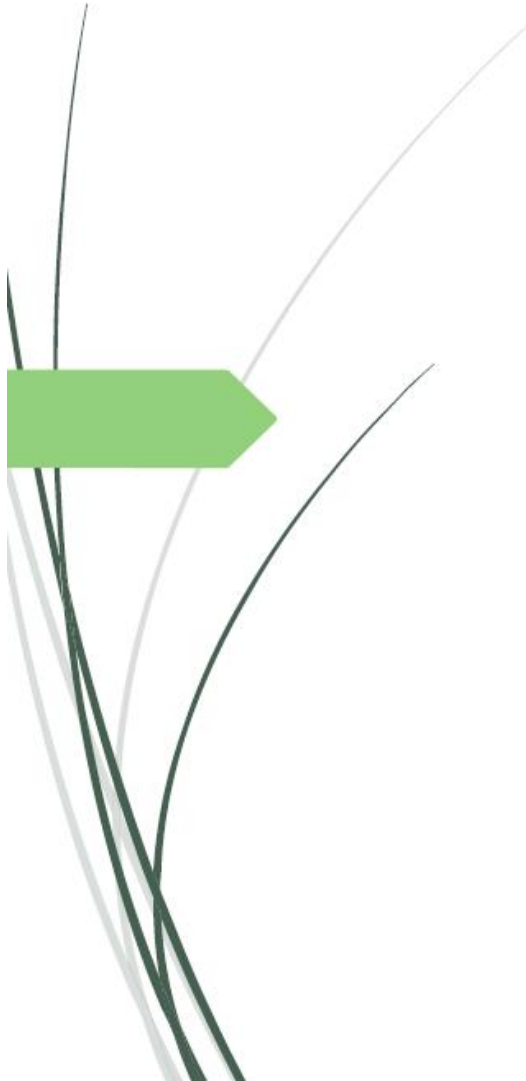
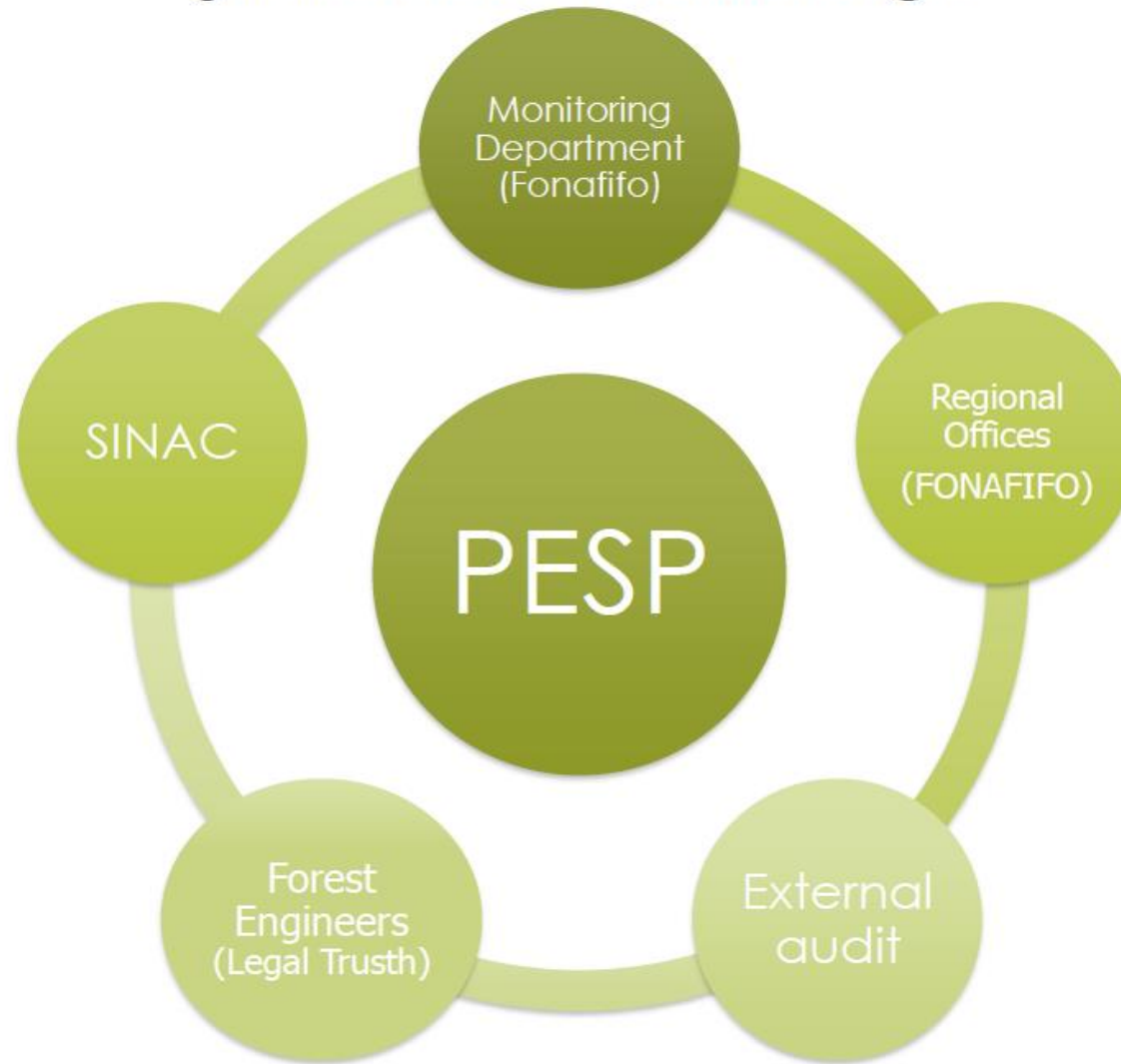
# MONITORING

- PES Contracts formalization
- Annotations to property
- Forestry Regents (Public Faith)
- Dept. of Control and MONITORING (FONAFIFO)
  - Field inspections
  - Geographic Information Systems (GIS)
  - High resolution imagery, Drones
- SINAC's MONITORING Strategy
- External Audits





# ¿Who make monitoring?





# Monitoring tools



- ✓ Management of data.
- ✓ (by a File of farm's owner or by information on line)
- ✓ Field Visit by sample.
  - Geographic Information System (GIS)
  - Satellite images
  - Sampling Plots
  - UAV (Unmanned aerial vehicle) or Drones
- ✓ Other activities: geographic data base management & forest cover layer.
- ✓ The next year: Monitoring Web App & mobile App for Android.



# Management data:



## Sistema de Control de Gestión Institucional ( SCGI )



**Citas PSA**

Reservar entrega de doc.



**siPSA**

Gestión de PSA



**OGC**

Servicios Espaciales



**moCYM**

Módulo Control y Monitoreo



**ediPSA**

Expediente PSA



**siGAFI**

Gestión Admin - Financiero



**geNOTI**

Gestión de Notificaciones



**siCAD**

Solicitud de Información



**PCB**

Conserv. de Biodiversidad

CONSERVATION  
INTERNATIONAL



**FUNBAM**  
Fundación Fuerza Ambiental



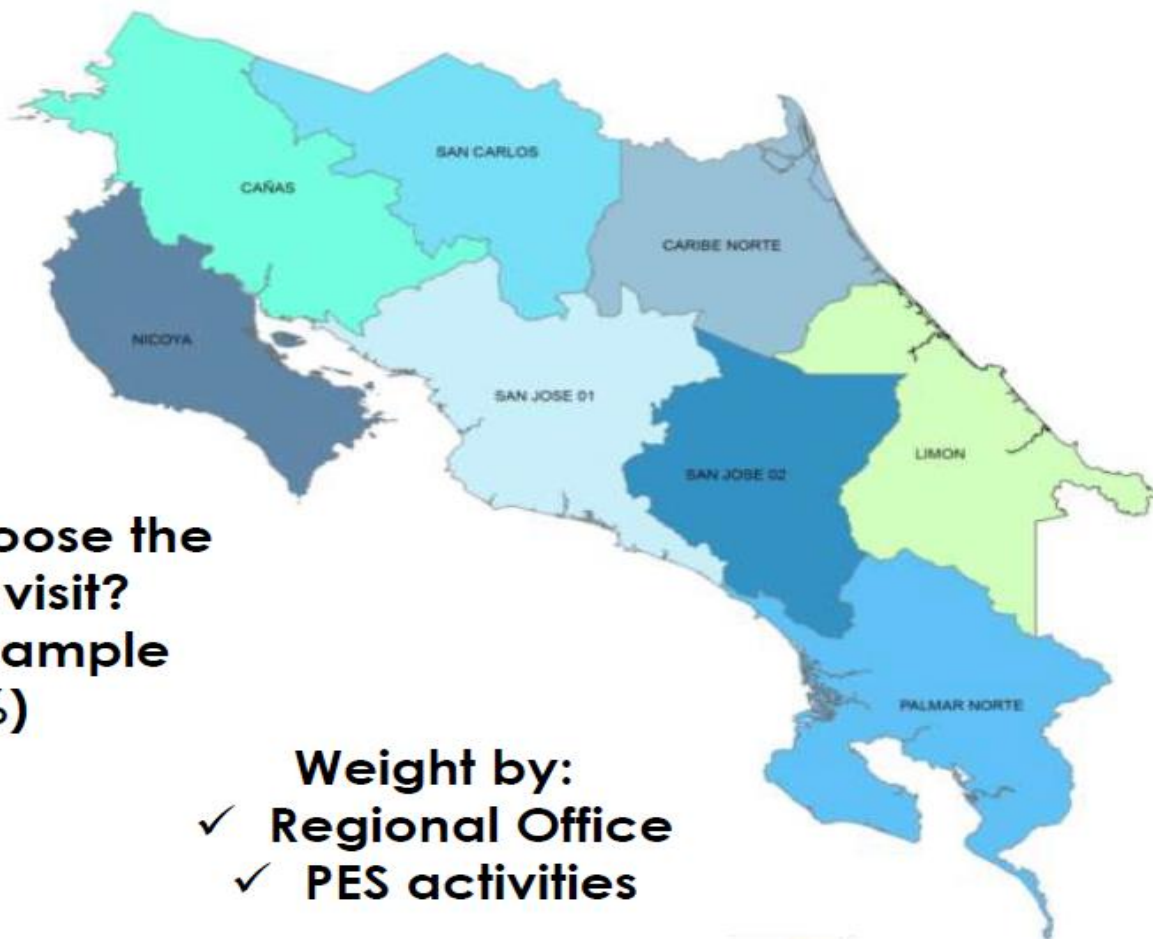
**FBS**



**SwedBio**  
El programa de Investigación Biomédica Costarricense

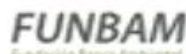


## Field Visit (by sample)



How we choose the farms to visit?  
Random sample  
(10%)

- Weight by:
- ✓ Regional Office
  - ✓ PES activities





## Field Visit

- Check the file of each project
- Upload data to GPS
- Check Access roads (GIS)
- Check geolocation of the farm and additional farms (neighbors)

Data Preview

Before in office

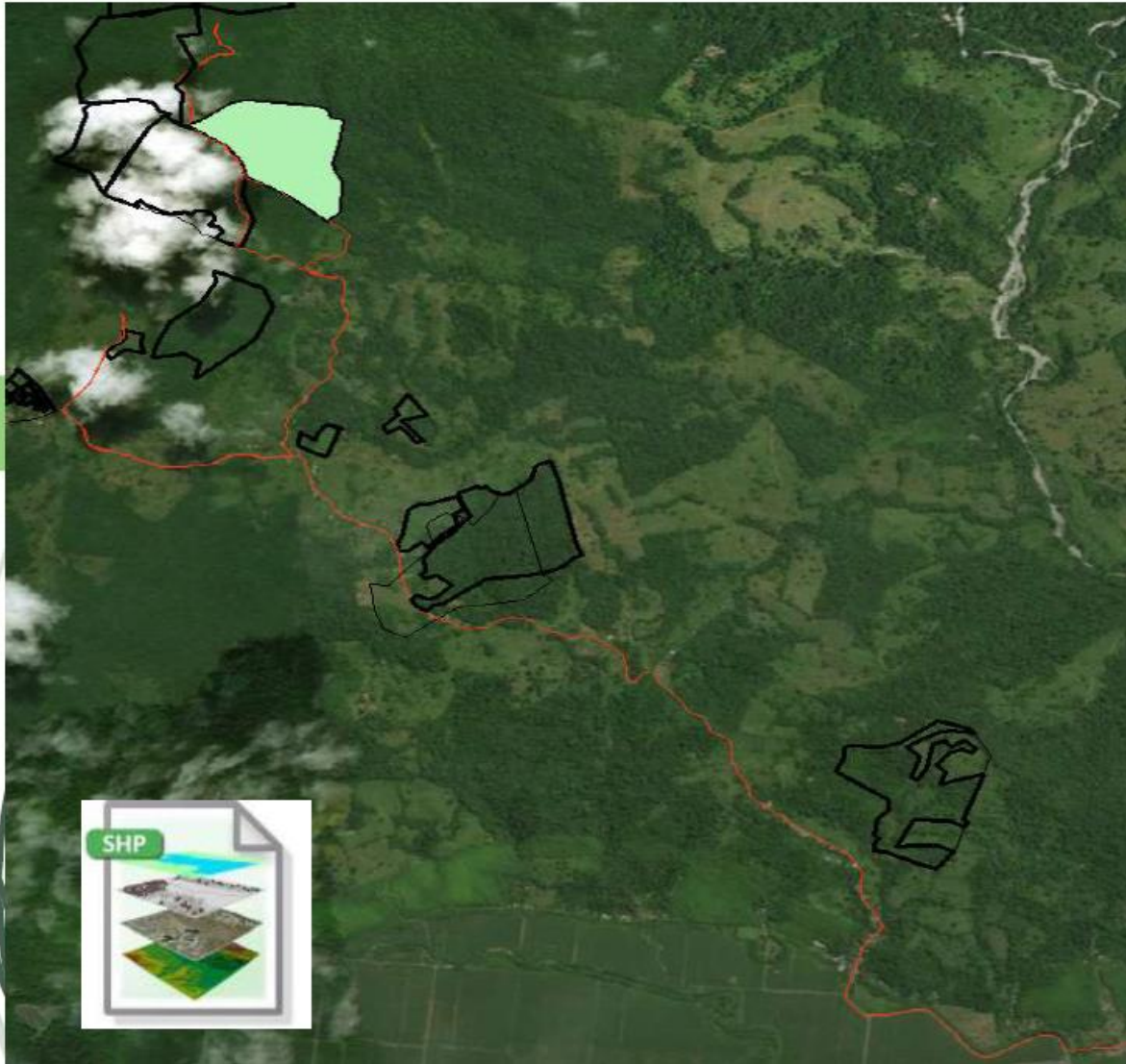
- Announce 8 days before our visit to owner or forest engineer. (email or call)

- Take GPS Waypoint
- Walk by limits of farms
- Confirm activity
- Take Pictures
- Make measurements (plots)
- Drone view

Field visit



# Field Visit: Use of Geographic Information System (GIS)



- ✓ Strategic Planning to save human and economical resources.





## Field Visit: aerial images







# Key elements for the Financial Management of the PPES



## 1. Legal framework

- Forestry Law No 7575 and its regulation.
- Law No 8131 ``Law for Financial Management and Public Budgets``.
- Law 8114 "Fiscal simplification and efficiency".
- Regular Budgets Law for each economic exercise.
- Executive Decree / Administrative guidance for PPES every year.
- Executive Decree N°32868 ``Water use tariffs``
- Procedures Handbook for PES.
- Regulation for the operation of the sole cash principle
- Guidance from National Comptroller's Office.
- Guidance from Budget Authority.
- Guidance from National Directorate of Public Budgets.
- Guidance from National Treasury.
- Guidance from National Accounting.



# Key elements for the Financial Management of the PPES



## 2. Information Systems

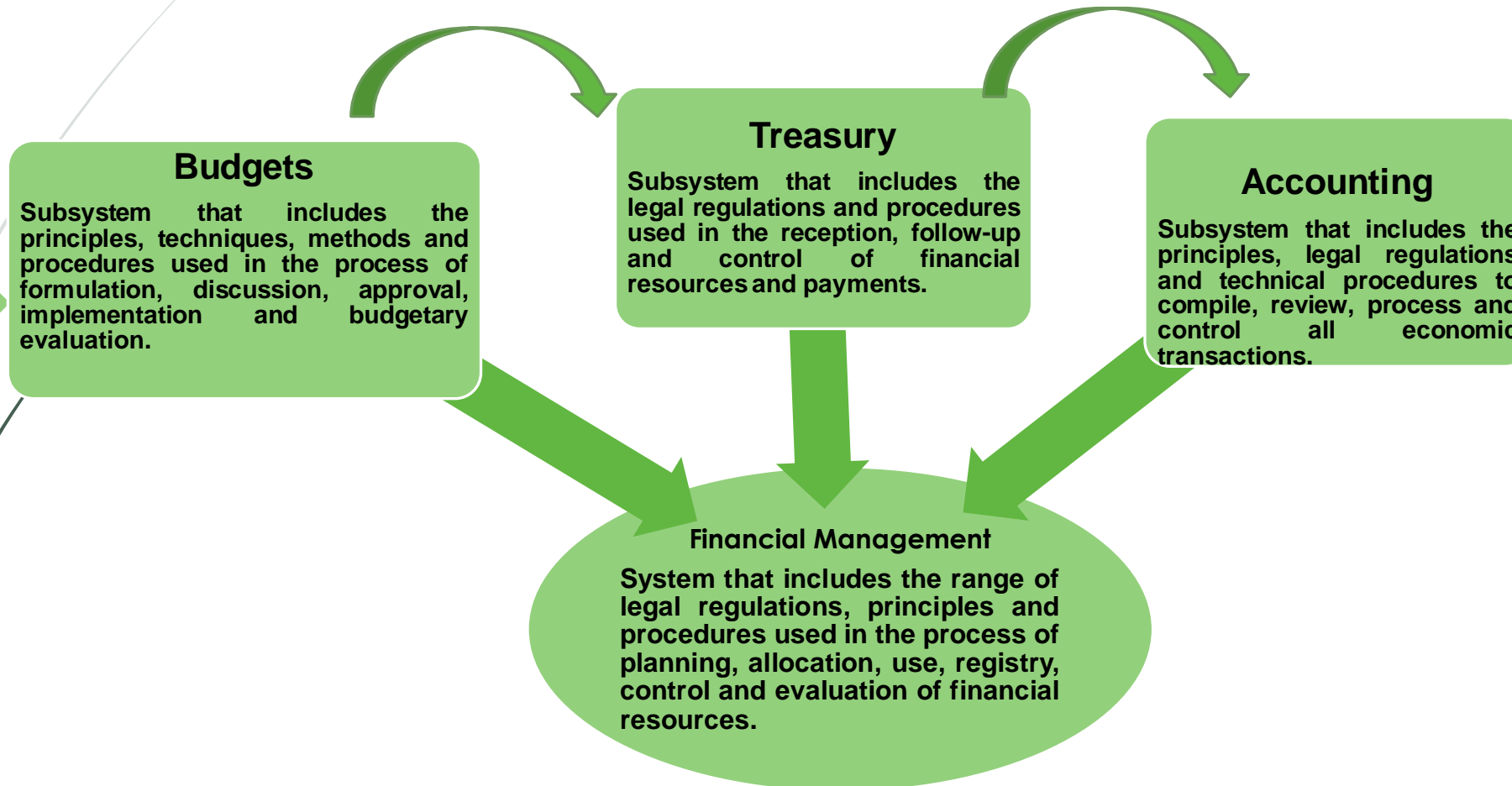
### MANAGEMENT OF ENVIRONMENTAL SERVICES CONTRATS

- Contracts
- Disbursement Programming
- Amounts to be paid
- Payment Modalities
- Expiration dates
- Beneficiaries
- Banking Accounts



# Key elements for the Financial Management of the PPES

## 2. System for the Financial Management



# Environmental policy and governance

- Environmental policy and capacity building are one of the youngest areas of public policies (80's – 90's Rio Summit)
- Differently to industrialized countries, where emphasis is placed on pollution control and water protection , in Costa Rica adopted a highly concentrated “green” approach focusing on forests and protected areas.
- A Constitutional Amendment included Art. 50 (Right to a healthy environment) and the Environmental Law (1995) marked a shift and providing a broad scenario for public policy and action but did not allocated required resources to fully accomplish the desired goals ( Land-use planning, Impact Assessment Evaluation, Law enforcement, etc.)

# Environmental policy and governance

- 75% of overall institutional effort of the Ministry of Environment and Energy (waters, biodiversity, forests, protected areas, geological and mining resources, marine protected areas, energy) is devoted to the green agenda and some areas continue to deserve more attention and investments (environmental degradation -water, soils and air)
- Growing official recognition of critical environmental problems (waste management, air pollution, increase of healthcare system costs due to environmental related diseases , degradation of basins, disordered housing and urban growth, over-exploitation of soils and overuse of agrochemicals, transportation and more recently gas emission in the sectors of transportation and energy).

# Environmental policy and governance

Last 5 governments included an environmental agenda into the National Development Plans but clear political will is still needed to politically and financially support measure to fully address those problems (green economy and fiscal reform).

The main environmental problem is the lack of managerial capacity in the public sector to design and implement integrated policies: sectoral approaches continue to beat cross-sectoral planning: traditional planning sectors continue to deserve the bulk of political and financial interest and support. ODA plays a role

**Still: Lack of clear understanding of the role of environmental policy within sustainable development strategies.**

# 1986 -1995

- Sustainable forest management was introduced into the legal framework based on “principles, criteria and indicators” (Management plans to reduce ecological impact of harvesting)
- Creation of the Ministry of Natural Resources (1982)
- Several local, regional and national organizations created: DECAFOR, CODEFORSA, AGUADEFOR, ETC...
- Package of financial incentives for reforestation and forest protection

**Main political objective: Consolidation of Protected Areas, Reforestation/Natural regeneration to increase forest cover.**

# 1986 -1995: Incentive trends: Reforestation, SFM and Forest Conservation

## A new generation of incentives:

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- The FIC (Forest Investment Certificate) tax exempt titles that were used to pay future taxes. (The farmers were expected to finance the total costs for the first year of the plantation).
- The FICA (Forest Investment Certificate in Advance) provided to small and medium scale owners, starting with 50% of the total cost the first year. (Reforestation)
- The FMIC (Forest Management Investment Certificate ) Bonds issued by the government distributed in 5 years; verification of the accomplishment of the Management Plan requirements. (Sustainable Forest Management)
- The CFP (Certificate of Forest Protection): oriented to the protection of water resources, biodiversity, the buffer zones of the wildlife protected areas and other forest related services (Forest Conservation)



# From 1996 on (Renewed Environmental legal framework)

- The National System for Conservation Areas (Wildlife, Forestry and Biodiversity) is created to promote the integral management of the national territory

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- The National Forestry Financing Fund –FONAFIFO- legally consolidated
- Land use change legally abolished
- A National Forestry Office created to promote dialogue between the Government and private sector
- Creation of the ESP concept and a funding source (tax on fuels to compensate GHG emissions)
- CES and other instruments (Clean trips, SBF)
- National Forest Development Plan (2<sup>nd</sup>)
- Broader “Environmental Policy” concept applied: sustainability

# Instruments: National Protected Areas System

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## Protected Areas System

- Since 1970 more than 150 PA created
- Many PA have no official administration capacity on the ground
- Several management categories: National Parks and Biological reserves (Absolute protection), Forestry Reserves and Protection Areas (Sustainable forest management), Wildlife Refuges (limited activities allowed)
- 26 % of the land surface protected and -10% marine area (1.2 Million Hectares)
- Land-planning for conservation as baseline (recently updated)
- Need to enlarge current PA, create new ones and link them (biological corridors strategy)
- Need to improve biodiversity conservation in private areas outside PA (SBF)
- Need to address integrated resources management (Socio-ecologic management, adaptation to CC)

# Ensuring policy coherence

## **Development policies:**

- National Development Plan (2018-2022) and National Decarbonization Strategy (2050)
- National Decarbonization Plan 2050

## **Environmental policies:**

- National Forestry Development Plan (2011-2020) and its REDD+ Strategy
- National Biodiversity Strategy (Biodiversity Gap Analysis, Protected Areas and water resources conservation, fire prevention and management strategy, Illegal logging control)
- Sustainable Development Goals Action Plan
- Climate Change Strategy and National Determined Contribution to the Paris Agreement

## **Socioeconomic policies**

- Poverty reduction strategies
- Energy
- National Budget/Financing plans



# Additional Information and materials

1. Special mechanisms: FUNBAM and FBS
2. Sustainable agriculture
3. Stakeholders Participation
  - a) CODEFORSA
  - b) FUNDECOR
  - c) NATIONAL FORESTRY OFFICE
4. REDD+ process and PES
5. FONAFIFO: A DECADE FOR ACTION

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Thank You  
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