



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

Experiences in the development of innovative financial instruments to generate additional funding to PES.

Lic. Alberto García Arguedas
agarcia@FONAFIFO.go.cr

December 9, 2020





Content



- ❖ FONAFIFO
- ❖ Legal framework for the attraction of financial resources
- ❖ Business pillar: Environmental Services
- ❖ First steps in the commercialization of Environmental Services
- ❖ Mechanisms and instruments developed
- ❖ Results
- ❖ Carbon business in the domestic market



1996 / Forestry Law #7575



Entity of maximum decentralization, attached to MINAE, holding **instrumental legal capacity** that allows it to develop business and commercial relations with public and private actors at the national and international level.



Channel resources **and funding** for the **substantive programs** implemented to benefit the development of Natural Resources Sector, with particular focus on Forestry..

- Program of Payment for Environmental Services (PPSA) →
- Program for Credit and Forestry promotion

Mechanism that allows to channel financial resources (taxes and any other national or international source), to private landowners, through the recognition of the Environmental Services provided by forests and forests plantations to the society in general.

Forests and plantations are recognized as a value higher than just the timber.





Main source of finance for PES



3,5% Selective Tax on fossil Fuels (ISC)





Legal framework for the attraction of resources



Article: 47 / LF # 7575

The Patrimony of the National Forestry Financing Fund is constituted as follows:

- a) State assigned funds, through ordinary and extraordinary budgets and any other mechanism.
- b) Grants and loans received from national or international entities.
- c) Credits obtained by the National Forestry Financing Fund as well as funds obtained through the emission and allocation of titles of credit.
- d) Resources from external debt conversion and payments for Environmental Services promoted and received from national and international public and private organizations.
- e) Resources from the payment or recovery of credits provided.
- f) Financial returns from investments.
- g) A forty per cent (40%) of the amount generated by the tax on wood.
- h) Emission of forestry bonds issued or to be issued in the future. These bonds can be used to pay any kind of taxes with the exception of the forestry tax itself.





Forestry Law # 7575 / Issued in the Official Gazette N ° 72 (April 16, 1996)



Article 46: *.....also to channel financial resources for the payment of Environmental Services as described in the Regulation of this law.....*

Article 49: *.....the Fund is authorized to engage in any legal business needed for the proper management of its patrimony.....*

Regulation of Forestry Law N ° 7575, Executive Decree N ° 25721 – MINAE / Issued in the Official Gazette N ° 16 (January 23, 1997)



Article 63: *.....FONAFIFO assumes the management and distribution of financial resources for the payment of environmental services by local private and public organizations...*

.....those public and private organizations that benefit from the utilization of Environmental Services provided by forests and forests plantations and generate the related payments.....



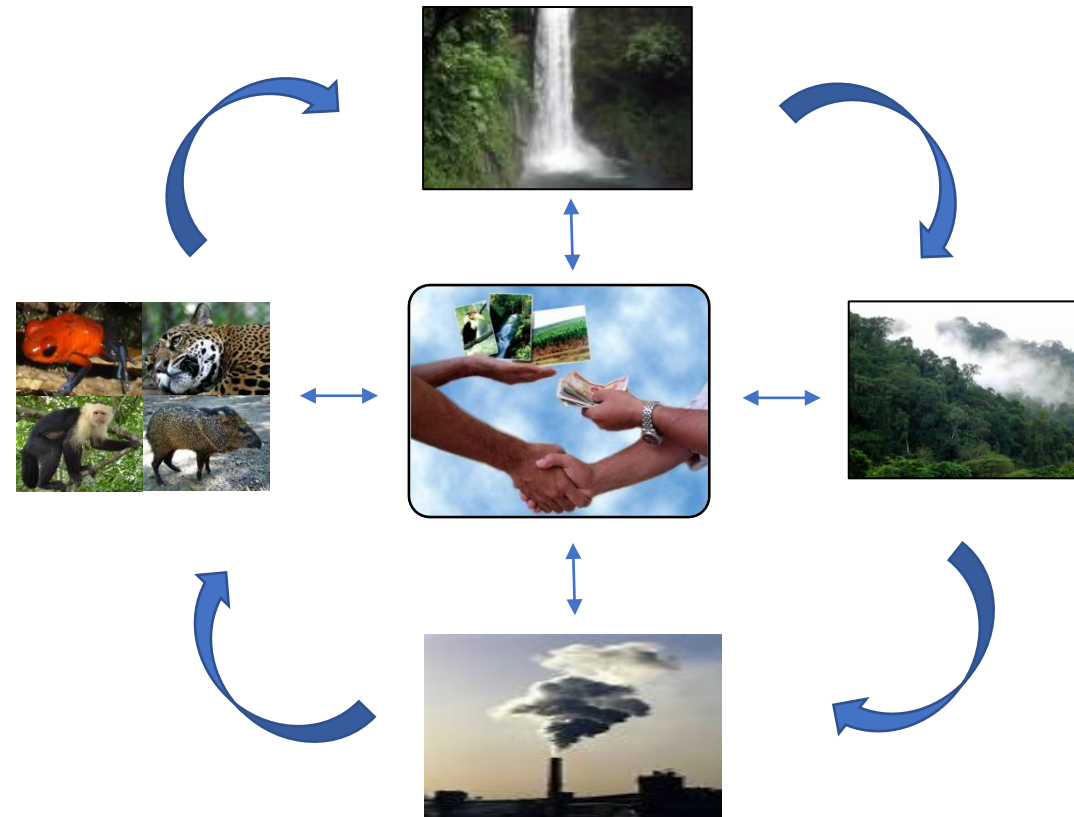


Pillar for our business

Article 3, Para k, Forestry Law N° 7575

ENVIRONMENTAL SERVICES

Those provided by Forests and forest plantations that have a direct impact in the protection and improvement of the environment.



Art. 50 CPRCR
«the State should promote a healthier environment to its citizens»

← Forest Protection / Reforestation / SAF / Natural Regeneration / others →



First steps for Management of business

PES

3,5%
ISC

Year	Has paid PES
1997	102784
1998	64781
1999	59916
2000	29040
2001	27907



Important reduction of PES allocation resulting from the dependence of the tax on fuels and absence of other funding mechanisms.

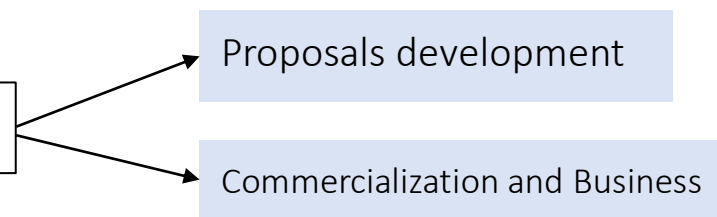
2002: Executive Board creates the Resource Management Department (RMD)- 2



2004: The Board reinforces the RMD - 5



2009: RMD transformed into the Department of Commercialization of Environmental Services - 8





Consideration for the negotiation



Guiding principle:

“Polluter pays”

- Principle of Corporate Social Responsibility (CSR) + Environmental.
- Market analysis (consumers willing to contribute to environmental programs).
- Potential for the development of attractive products and instruments (with benefits).
- Need to move towards financial self-sufficiency on PES.
- Outreach and awareness rising among actors/sectors benefitting from environmental Services.



Initial Negotiation 2000 / 2004 (first mechanism)



COMPANÍA NACIONAL DE FUERZA Y LUZ, S.A. CNFL





Other instruments developed 2005 / 2019 (Second and Third mechanism)

Environmental Services Certificate (2005 / 2011)

Bosque Vivo program (2012 a la fecha)



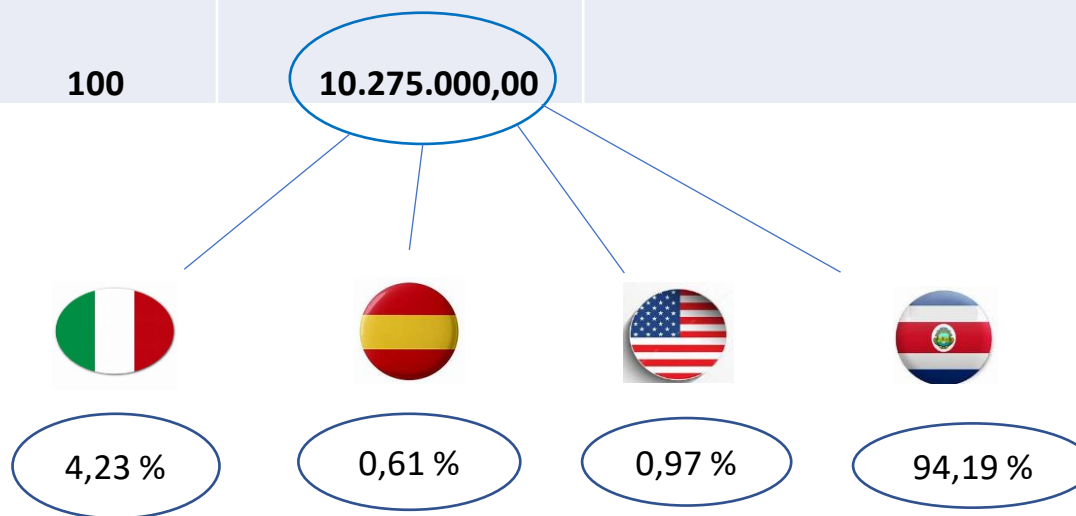
- Strategic megadiverse areas
- Protection guaranteed for 10 years
- Amount invested is deducted from the general income tax. (35%)
- Companies can use it for marketing purposes.
- Investments are allowed in areas with sustainable development index below 40%.





securing resources (Agreements / CSA / BV)

Customers	US\$	%	US\$	Related environmental service
9	10.275.000,00	82,779	8.505.564,00	Ater resources protection
83		17,221	1.769.436,00	Biodiversity protection/ Scenic beauty
Totals		100	10.275.000,00	





CO₂ Commercialization

(Since July, 2012)



Projects location	Hectares	PES Contracts	Specie (s)
A - Guanacaste Region	1.387,00	36	Teak
B - Northern region	2.391,00	62	Acacia - Melina - Teak - Terminalia – Botarrama - Chancho
C - Caribbean region	1.250,00	53	Acacia - Melina - Cedar - Terminalia – Pilón - Pine – Chancho
Total	5028	151	



Metodologías de cuantificación de la UNFCCC
AR - AMS 0007
AR - TOOL 14



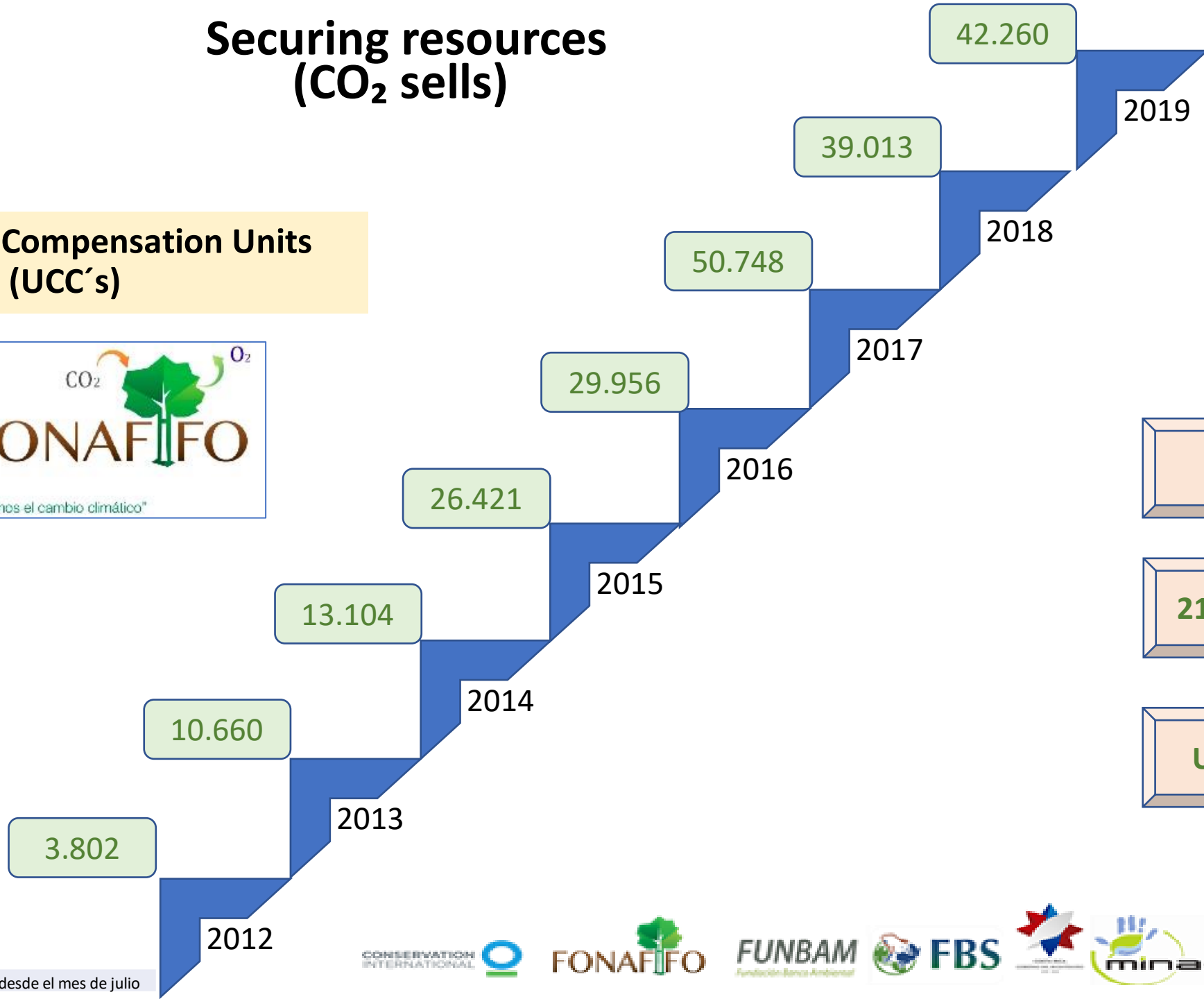
Securing resources (CO₂ sells)



Costa Rican Compensation Units
(UCC's)



2012, desde el mes de julio



US\$
7,50

202 customers
(Multi-sectoral)

215.964 tons UCC's

US\$ 1.619.730,00





Incomes (2000 – 2019)

Source	US\$	Customers
Agreements/ CSA / BV	10.275.000,00	92
CO ₂	1.619.730,00	202
Totals	11.894.730,00	294





THANK YOU

CONSERVATION
INTERNATIONAL



FUNBAM
Fundación Banco Ambiental



FBS



SwedBio
A programme at Stockholm Resilience Centre