



**Finance of the
Payment for Environmental
Services Programme**

THE NATIONAL FUND FOR FOREST FINANCING, FONAFIFO

- **The Payment for Environmental Services Programme** is a State financial credit through FONAFIFO to owners and possessors of forests and forest plantations for the environmental services that those resources provide, and which have direct impact in the protection and improvement of the environment.

Costa Rica Map



Total surface: 51 100 km² Population: 4.3 Million

70% of land has forest capacity

Background

- 1996 enters into force the **Forestry Law 7575**. Article 19 states: *"in the land covered by forest is not permitted to change the land use to establish forest plantations"*
- Same Law creates FONAFIFO.
- It states FONAFIFO will be the entity responsible, for among other things: "Attract funding for the **payment of environmental services** from forests, forest plantations and other activities necessary to strengthen the natural resources development sector ."
- These environmental services established by law are: **greenhouse gas mitigation**, protection of aquifers, protection of biodiversity and scenic beauty.

Background

In principle, Article 69 of the Forestry Law reads as follows:

- *“From the amounts collected by the selective tax consumption of fuels and other hydrocarbons, annually will be allocated: a third for compensation to the owners of forests and forest plantations programme, for the environmental services that generate activities of protection, conservation and management of natural forests and forest plantations.” These programmes will be promoted by the Ministry of Environment, Energy, and Telecommunications.*

Financing

- In year 2001 enters into force Law No. 8114 on “Simplification and Efficiency Taxation “ which states in its Article 5 that *"annual product revenues from the collection of the tax on fuels, a three point five percent (3.5%) will be allocated in favour of FONAFIFO exclusively for the Payment of Environmental Services”*,

There are also other financing mechanisms such as:

- Income from loans between the International Bank for Reconstruction and Development (World Bank) and the Government of the Republic of Costa Rica;
- Revenues from the financial support contract from the German Government through KfW Bank , and
- from agreements carried out by FONAFIFO nationwide.

Basis for financing a Payment for Environmental Services Programme

Definition of the Env. Services

- Mitigation of Green House Gases emissions, GHG, (reduction, absorption , fixation, and carbon storage).
- Protection of water for urban, rural or hydroelectric use.
- Protection of biodiversity for conservation and sustainable use for scientific and pharmaceutical research, genetic improvements, protection of ecosystems and other forms of life.
- Protection of the natural scenic beauty for tourism and scientific purposes.

Principles

- Increase the value of the forest.
- **"The polluter pays"**
- Environmental sustainability with social impact.
- Promote development in areas with lower indexes of social development.
- Protecting water sources and biodiversity.
- Advancing REDD + to achieve environmental integrity.

Detail of resources transferred to FONAFIFO by tax on fuels

Year	Annual income in million of CR Colones
1998	1 269
1999	2 406
2000	2 098
2001	2 345
2002	3 067
2003	1 399
2004	1 511
2005	1 511
2006	5 600
2007	6 160
2008	6 529
2009	6 921
2010	11 218
2011	11 779
2012	12 831*

*By year 2012 the value represents around **24.9 million U.S. dollars** at the **exchange rate of March 12, 2012.**

Main achievements of the Payments of Environmental Services Programme as per 2011

- More than 860,000 hectares have been included to the Programme from 1997 to 2011, 87% under protection of forests. This represents approximately a 16.8 per cent of the national territory that has been protected under the System of Payment for Environmental Services.
- 10,000 families are involved in the programme.
- An investment of over \$250 million in rural areas.
- Job creation mainly in rural areas.
- More than 82,000 hectares of PES are placed in indigenous territories with an investment of close to \$21 million.