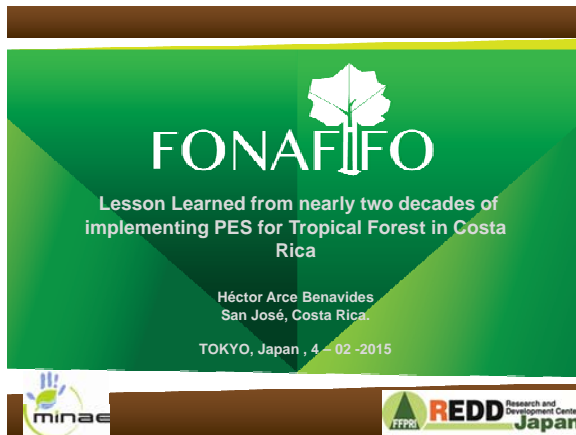


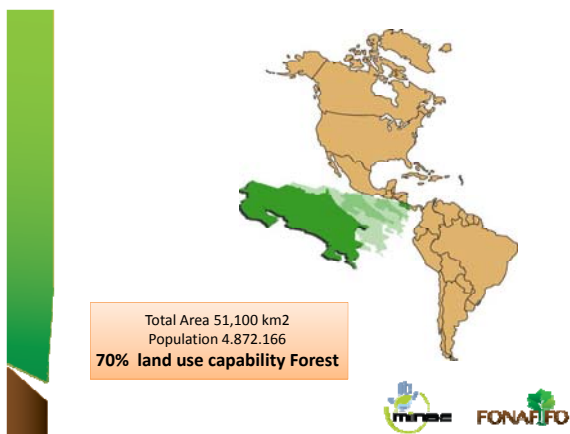
Lessons Learned from Nearly Two Decades of Implementing PES for Tropical Forests in Costa Rica

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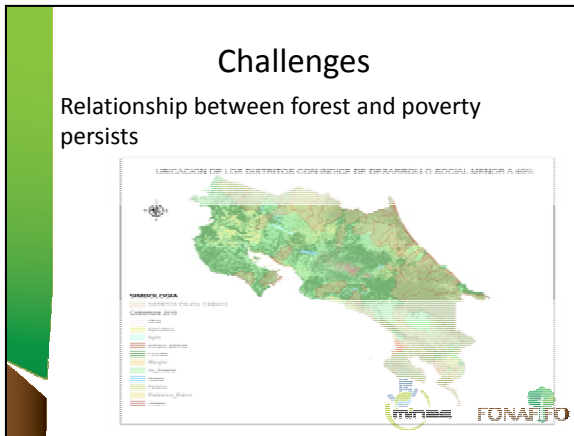


First, I would like to thank the organization for the kind invitation to participate in this important seminar. I am going to talk about the experience of Costa Rica in the development of financial mechanism in order to support the forest development and the recovery of forest cover.

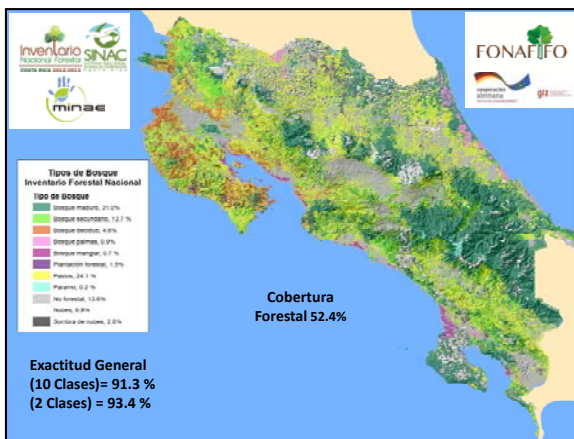
1. Overview of Costa Rica



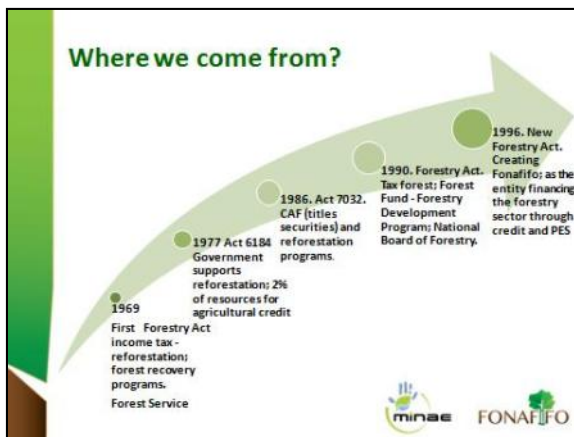
Just let me take a few minutes only to remark on some general information about my country. That is the country located in Central America close to the Panama Canal with a size of 52,000 square kilometers and a population close to five million inhabitants. In Central America, Costa Rica is the country with the lowest poverty rate, but still 18% of our households are below the poverty line and 4% of the households are below the extreme poverty line. Since 1999, tourism has become the main source of financial income to the country. Also, other important income sources are the exportation of traditional products like coffee, bananas, and recently pineapple. More recently we are in the service business, especially related with technology like the development of software and things like that. While you can see forest and lumber do not appear in the top income sources. However, we can say there is a deep relationship between forest and protected areas' vegetation, as the country is widely known as an eco-tourism destination.



Poverty, like other tropical countries, is concentrated in rural areas and unfortunately there is a deep relationship between forest cover and poverty. Where there are more forests, unfortunately, there is more poverty.

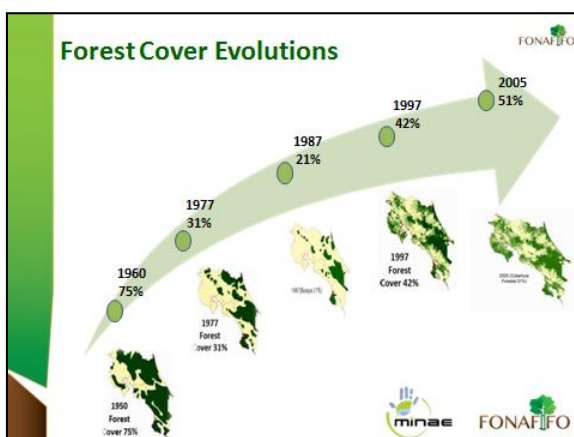


Talking about forestry, our current forest cover is about 52.4% of the total surface of the country according to the last forest inventory from 2013 and taking in consideration measured secondary and deciduous forest as well as mangrove and palms on forest plantations.



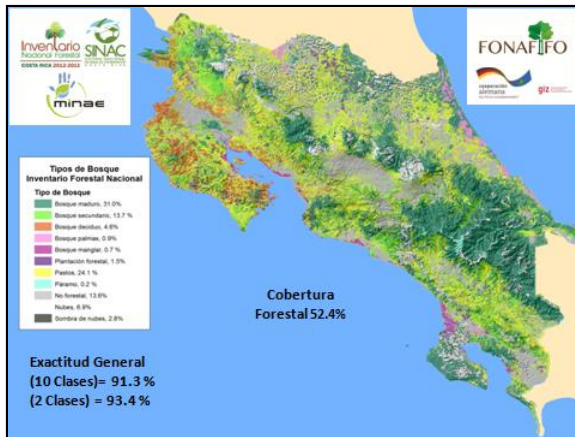
However, this current reality has not always been. During the '60s and '70s, in the past century, Costa Rica was a country with a high deforestation rate and our forest cover used to be about 22%. Concerned about this situation of the forest, civil society and the government produced some changes in the legislation and policies. In 1969, Costa Rica emitted the first forest law, and after that produced another important legislation like the reforestation law in 1977, also the creation of the first forest service and creation of the national park service in the '70s. This reforestation law in the '70s also created direct forest incentive systems to those people or those landowners and landholders to reforest it first, and later on to protect and make good practices of forest management.

Also, later on in the '90s, the statements and the declarations Rio de Janeiro summit also produced some deep changes in the environmental agenda in Costa Rica. Among others, three new laws were submitted: a new forestry act, a biodiversity law and also the framework, environmental law that created the Ministry of Environment. With the forestry act in 1996, also the Forest Finance National Fund and the Payment for Environmental Services Program were created.



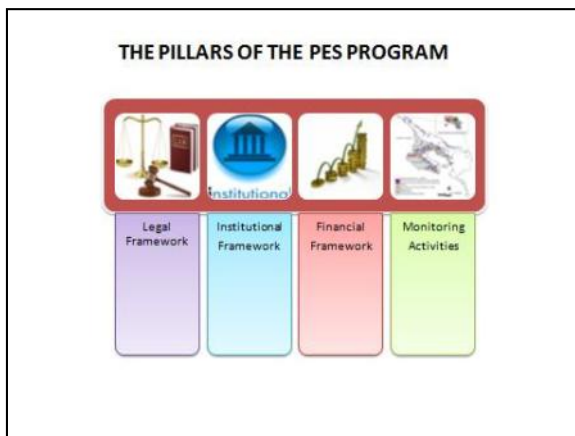
We can say that some decisions at the political legislative level also produced some changes in the landscape of the country. Those decisions, with market situations like a reduction of the price of the cattle, produced a recovery of the forest and in 2005 the forest cover was 51% of the total area. As a conclusion of this part, we can say that the forest recovery in Costa Rica is a phenomenon with multiple causes like different forest

incentives at the beginning, market situation of livestock products, the creation of protected areas, and, of course, since 18 years ago, the payment for environmental services program.




I will go to the forest cover survey in 2013. The result was 52.4% of forest coverage considering different types of forests.

2. Success of Payment for Environmental Services




The payment for environmental services, as I will tell later, has been a successful mechanism and, in our perception, has been caused by the assistance of these four pillars of the program. First, legal framework: this program was created by law. Second: Institutional framework, which is not only consisting of the forest finance national fund, but from other institution and organizations involved within the system. Third also, very important, financial framework: the payment for environmental services program budget comes from the fuel tax. 3.5% of the fuel tax in the country is coming to my organization in order to pay environmental services to the forest owners and forest holders. Fourth Another very important pillar is related to monitoring activities. We are using public resources, so we have to have a good monitoring system in order to meet the request from the authorities and also to fulfill the taxpayer demands.

PES Main Achievements



- More than 1,000,000 has under PES.
- More than 5 600 000 planted trees
- More 13 500 families.
- More than \$400 millions investment
- More than 130,000 has in indigenous territories with an investment of more than \$ 45 million.
- Generate employment




Now I will talk about some achievements of the program. Since 1996, more than one million hectares under the payment for environmental services program, more than 5,600,000 planted trees, more than 13,500 families involved in the program, more than 130,000 hectares in indigenous territories with an investment of more than USD\$45 million. I can say that this is the first place in transference from the government to the indigenous people. Also, the program has generated employment and eco benefits like mitigation of gas emissions, enhancement of the carbon stocks, protection of biodiversity, protection of hydrological resources, and also benefits to tourism as well.

3. Lessons Learned

Lesson learned

- Political will is required.
- Institutions and governance schemes required
- Robust monitoring mechanisms required
- Financing sources are required for long-term
- A legal framework is required
- Clarity of proprietary rights of land, forests and environmental services.
- At least in Costa Rica's PES comes after an evolution of public policies for most than 40 years.





Some learned lessons: in our opinion, political will and commitment are required. This should be the first step in order to produce change like that. If we have political will, we will have institution and government schemes that require robust monitoring mechanisms require also financing sources for the long term, a legal framework, and also it is very necessary clarity of proprietary rights of land, forest, and also of the environmental services.

That is important, at least in Costa Rica, payment for environmental services comes after an evaluation of public policies for more than 40 years.

Lesson learned

- PES is an effective instrument for stop illegal logging and land use change.
- PES a REDD mechanism paid with local funds.
- Participation of Private Sector is important. In Costa Rica will provide more than \$ 18 million.
- The PES should be a replicable instrument.
- PES is a concept that must evolve over time





Payments for environmental services have been an effective instrument to stop illegal logging and land use change. We can say that this kind of scheme is like a REDD mechanism, in this case paid with local funds. We are looking now also for the participation of the private sector, that is very important. In Costa Rica so far, the private sector has provided more than \$18 million to our program. It should be a replicable instrument and must evolve over time. It is not perfect from the beginning. It is necessary to improve and improve.

4. Future Challenges

Challenges

- Legal limitations of some landholders to join the program.
- Better measure the impact of PSA.
- A better accounting to recall the economical importance of the PES and the importance of the forestry sector in general.
- More resources are required to meet all the demand
- Incorporate the concept of landscape



Now, some challenges: a legal limitation of some landholders to join the program is still a problem in the country. Also, it is necessary to better measure of the impact of the program, a better accounting to recall the economic importance of the program, and importance also of the forest sector in general. Of course we need more resources to fulfill all the demands for funds and we are trying now to incorporate the concept of landscape. Yesterday, somebody talked about the relationship between the agendas from the Minister of Agricultural and the Minister of Environment, and I will say also from the urbanistic politics.

Challenges

- How to keep forest coverage improving benefits for rural communities.
- How to reduce poverty



Talking about REDD, another important challenge is how to keep forest coverage improving benefit for rural communities (that is very important point) and how to reduce poverty to prevent the reversion of the forest cover map that we saw at the beginning.

5. Conclusion


Redd + in Costa Rica

2008 Selected by the FCPF

2010 Readiness Preparation Program was approved by the Committee of Participants

2013 LOI commitment Costa Rica and FCPF to sale/buy up to US\$ 63 Millions as far as Costa Rica meets the agreed requirements.

This amount will be paying for results.



To finish, talking about REDD+ in Costa Rica, in 2008, Costa Rica was selected by the FCPF and we are an FCPF country. In 2010, the Readiness Preparation Program was approved by the Committee of Participants. In 2013, Costa Rica signed a Letter of Intention with the commitment of \$63 million. So far we have received funds for readiness activities.

REDD in Costa Rica

- It seems that is unfair a program that finances the preparation, but that does not finance the implementation.
- Under these conditions it will be very difficult for small tropical countries implement REDD +



Thank you

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However, being a country that has invested a significant amount of financial resources, the REDD process so far has not recognized our early actions. We do not know if we could receive payments for that in the future because we have to produce more results. However, we can say that the results go beyond the thousands of hectares that Costa Rican society had paid, and results go beyond the thousands of investment in maintenance of our national park and other protected areas.

I think that we have to be able to produce some changes in this international discussion about REDD, especially to introduce small countries and especially for those countries that have made important early action like Costa Rica. For that reason, these kinds of the forums are very important. For that reason, I appreciate again your invitation.