



Certificate for Environmental Services

Authors: R.O. Russo and G. Candela

Short title: Certificate for Environmental Services, Costa Rica

Key Message: Private sector investments in Environmental Certificates in Costa Rica result in significant benefits for farmers, reduced deforestation and lower carbon emission levels.

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What is the problem?

Costa Rica faces a deterioration of its forests and resulting increases in emissions of greenhouse gases. At the same time, Costa Rica is a leader in terms of curbing this loss in Latin America and in the designing and developing a system of payment for environmental services (Russo et al. 2006).

Which approach was taken?

The Forestry Law (article 46) and the National Forestry Finance Fund (FONAFIFO) were created to promote forest development in Costa Rica by financing small and medium producers (Miranda et al. 2003). The work carried out by FONAFIFO through the Environmental Services Payment Program (ESPP) is aimed at guaranteeing the conservation of forests by providing a financial motivation to those who protect them (FONAFIFO, 2007). Since 1997, a program locally called *Pagos de Servicios Ambientales* (known as PSA in Spanish, or Payments for Environmental Services) has been providing payments to more than 4,400 farmers and forest owners for reforestation, forest conservation, and sustainable forest management activities. Certificates for Environmental Services (Certificados de servicios ambientales - CSA) was implemented by FONAFIFO to promote the national and international market for environmental services (Pagiola, 2006). This mechanism was officially launched in March 2002 (Rojas et al. 2003). In this mechanism, a company has to pay to conserve one hectare of forest in a specified area (Pagiola, 2006). The CSA is a financial instrument to preserve the existing forests and regenerate new ecosystems, including securing of environmental services for the increasing population. By means of these Environmental Services Certificates, FONAFIFO receives funds from companies and institutions that benefit from the environmental services and compensates forest owners for preserving them. (FONAFIFO, 2007)

The responsible state agency (FONAFIFO) created a trust fund to attract private sector investment in the nationwide PES program. Private and public companies could now hire the FONAFIFO's capacities and know-how to invest funds in PES in specific areas of the country

where they were located or wish to support. Investor companies receive an Environmental Services Certificate (CES) to back up their investment and guarantee the funds would be allocated toward the contracted area. The CES works for fundraising and is not a purchase of carbon or biodiversity rights, but could be used to offset carbon emissions from vehicles or trips abroad, protect endangered forests, biodiversity hotspots or watersheds. The hydropower sector became the first, largest and more consistent investor to pledge funds using this mechanism, followed by tourism, airlines, beer companies, agro-exports and cement. Up to date, and in a short period of time almost US\$ 25M have been raised (Gamez, pers comm. 2010)

What ecosystem services were considered and how?

The ecosystem services provided by this programme are forest preservation, conservation of biodiversity and a reduction of green house gas emissions.

What was the policy uptake, and what were the conditions for this effort to actually influence public management?

The model of Payment for Environmental Services that Costa Rica has implemented is a pioneer attempt in the Central Americas region, and can be considered a successful case. This initiative has become a worldwide model in the creation of innovative Environmental Services Payment (ESP) mechanisms and fundraising from the private sector, making it possible to protect and regenerate forests that provide many benefits to the society and country.

The ESP mechanism has worked well due to funding through the CSA scheme. Several companies believe in the system and re involved themselves to protect the environment, by investing in Environmental Service Certificates. These companies are Reserva Conchal, Azucarera El Viejo, Costena, Exporpack, Mileno, Life Gate, Grupo Olefinas, Holcim Costa Rica, Nature Air, Fede Futbol, Tribu Nasca, Asofif, etc (FONAFIFO, 2007). Thus, Costa Rica provides an effective best-practice example that has valuable insights for other countries with prevalent deforestation levels.

References:

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