

“Knowledge Sharing and Capacity Development for Global Green Partnership through South-South Cooperation”

## Nature’s Returns: Unlocking Investment for Forest Ecosystem Services

**Date:** June 1-2, 2016

**Hosts:** The Ministry of Environment and Energy (MINAE) of the Republic of Costa Rica, National Forestry Financing Fund (FONAFIFO), and the Global Green Growth Institute (GGGI)

**Partners:** Tropical Agriculture Research and Higher Education Center (CATIE)

**Sponsor:** The Korea International Cooperation Agency (KOICA)

### I. Context

As a pioneer country in the search for decarbonizing the economy, Costa Rica has a long standing tradition of innovation on policy instruments on matters of climate change. Beginning in 1996, Costa Rica broke new ground by instituting a national-level payment for environmental (or ecosystem) services (PES) program, *Pago por Servicios Ambientales*, to provide financial compensation to landowners for the provision of ecosystem services generated by their forested lands. Together with the Forestry Law No. 7575 enacted in 1996 and the National Conservation Areas System (SINAC), the PES scheme has been credited for helping the country, once known as having one of the world’s highest deforestation rates of 6%, to more than double its forest cover from 20% in 1996 to 54% in 2015<sup>1</sup>.

Building on this momentum, Costa Rica reaffirmed its aspiration of achieving Carbon Neutrality by 2021 in its Intended Nationally Determined Contributions (INDCs) submitted ahead of UNFCCC COP 21 in Paris. Significant intervention strategy through the AFOLU sector (agriculture, forestry, other land-use) is included in the national target of INDCs, and a leading strategy to achieve this goal shall be scaling up PES, which the Government of Costa Rica strives to take a leap by overcoming main constraints of the scheme, such as lack of sufficient funds and uncertainty of long-term financing for reforestation.

From a global perspective, sustainable forest management needs between USD 70 to 160 billion each year to be implemented properly<sup>2</sup>, but traditional sources such as government budget including official development assistance (ODA) are insufficient for combating deforestation. Most countries are unable to raise adequate public funds for the forest sector, and reinvestment of revenues in forest management has been minimal<sup>3</sup>. ODA to forestry only covers about 1 percent<sup>4</sup> of the estimated total financing need. As countries struggle to find the necessary funds to sustainably manage their forests, national decision makers are increasingly aware of the changing landscape of forest financing.

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<sup>1</sup> FAO, 2015. Global Forest Resources Assessment 2015

<sup>2</sup> UNFF-CPF Advisory Group on Finance Study, 2012. 2012 Study on Forest Financing

<sup>3</sup> Tuukka Castren, 2014.

<sup>4</sup> UNFF-CPF Advisory Group on Finance Study, 2012; OECD-DAC, 2008.

The private sector is a key potential funder to fill the gap. It is among the new, emerging, and innovative sources of forest financing that, if tapped properly, could result in benefits for the environment along with profits for businesses. However, large-scale investments by the private sector have not happened due to factors such as high upfront costs and associated risks. To attract more private forest investment, actions from the public sector are needed which ensure that sound policies are in place and the environment is conducive to investment. More alarmingly innovative financial vehicle (e.g. forest resilience bond, impact investment product, etc.) are drawing attentions. By applying a pay-for-success model to forest restoration, upfront costs are shifted to private investors with beneficiaries such as utilities repaying investors based on the success of the treatments. This kind of arrangement aims to create positive environmental and social impact, while generating competitive financial returns.

This international workshop is organized with the aim of learning and sharing lessons learned from Costa Rica and other countries implementing PES scheme, particularly focusing on growing involvement of private sector through the innovative financial instruments. The event will notably engage private sector participants as a potential investor to forest and discuss on current and future roles of the private sector in scaling up forest finance.

## II. Objectives and Expected Outcomes

### Objectives

1. Provide a forum to share knowledge on PES among participating countries highlighting enabling policy environment to establish sustainable financing for the scheme
2. Examine the impediments that discourage private investment in forest finance and determinants that can attract private forest investment flow
3. Contribute to GGGI's engagement with the Government of Costa Rica and explore potential areas of collaboration (in the land-use sector)

### Expected Outcomes

1. Increased knowledge among participants on PES, specifically on establishing financial mechanism to implement PES through public and private sources
2. Shared country-level best practices of policy implementation on land-use, particularly Costa Rican experiences in PES
3. Developed recommendations for the public sector to have broader and diversified approach to forest financing

### III. Provisional Agenda

Agenda – Day 1	
08:30 – 09:00	Registration
09:00 – 10:15	<p><b>[Introduction]</b></p> <ul style="list-style-type: none"> <li>• <b>Workshop Overview &amp; Introduction</b> Moderator (5')</li> <li>• <b>Welcoming Speech and Opening Remarks 1</b> <ul style="list-style-type: none"> <li>○ Jorge Mario Rodríguez-Zúñiga, Executive Director, National Forestry Financing Fund (FONAFIFO) (10')</li> </ul> </li> <li>• <b>Opening Remarks 2</b> <ul style="list-style-type: none"> <li>○ Salvador Lopez, Country Representative of Mexico, GGGI (10')</li> </ul> </li> </ul> <p><b>[Session 1] Setting the Scene</b></p> <ul style="list-style-type: none"> <li>• <b>Land-Use, Green Growth, and Payment for Ecosystem Services (PES): Key Trends and Opportunities:</b> Juhern Kim, Senior Land-Use Specialist/ Capacity Development Manager, GGGI (20')</li> <li>• <b>Enabling conditions for PES sustainability:</b> Róger Madrigal, Researcher, CATIE (20')</li> </ul> <p>Q&amp;A (10')</p> <p><u>Key Questions</u></p> <ul style="list-style-type: none"> <li>• What is South-South Cooperation and why is it important? What is the expected outcome of the workshop?</li> <li>• How does land-use (forest) thematic issue fits in the context of green growth?</li> <li>• What is PES? What economic and regulatory policies and framework are necessary for payment for ecosystem services (PES)? What are the benefits of PES and what are the challenges?</li> </ul>
10:15 – 10:30	Coffee Break (group photo)
10:30 – 12:10	<p><b>[Session 2 – Part I] PES – Public Financing for Forestry Sector</b></p> <ul style="list-style-type: none"> <li>• <b>Lessons Learned from Costa Rica</b> <ul style="list-style-type: none"> <li>○ Oscar Sanchez, Director, Environmental Services, FONAFIFO (15')/ Q&amp;A (10')</li> </ul> </li> <li>• <b>Sharing Country Experiences: Identifying Challenges and Exploring Opportunities</b> <ul style="list-style-type: none"> <li>○ Perú (20'): Miluska Vucetich, Director, General Directorate for Policy and Competitiveness for the Peru Forest Service</li> <li>○ Colombia (20'): Javier Rojas Cala, Advisor, National Planning Department</li> <li>○ Mexico (20'): Joaquin Saldaña, National Forest Commission</li> </ul> </li> </ul> <p>Q&amp;A (15')</p> <p><u>Key Questions</u></p> <ul style="list-style-type: none"> <li>• What steps were taken in Costa Rica in implementing policy initiatives of PES – background, operation structure, results, etc.? What are the innovative public financial schemes in Costa Rica?</li> </ul>

	<ul style="list-style-type: none"> <li>• How do other countries secure public finance in forestry sector? What are the identified hurdles and opportunities in implementing the PES schemes and investment for forest sector?</li> <li>• What are the key lessons learned to share? What are the peer-to-peer learning opportunities?</li> </ul>
12:10 – 13:00	Lunch
13:00 – 14:10	<p><b>[Session 2 – Part II] PES – Public Financing for Forestry Sector</b></p> <ul style="list-style-type: none"> <li>• <b>Sharing Country Experiences: Identifying Challenges and Exploring Opportunities</b> <ul style="list-style-type: none"> <li>○ Nepal (20’): Basanta Raj Puri, Under-secretary, Department of Forests, Ministry of Finance</li> <li>○ Guyana (20’): Imole Mcdonald, Technical Officer, Ministry of Natural Resources</li> <li>○ Paraguay (20’): Ethel Estigarribia, Director, Climate Change Office, Ministry of Environment (TBC)</li> </ul> </li> </ul> <p>Q&amp;A (10’)</p> <p><u>Key Questions</u></p> <ul style="list-style-type: none"> <li>• How do other countries secure public finance in forestry sector? What are the identified hurdles and opportunities in implementing the PES schemes and investment for forest sector?</li> <li>• What are the key lessons learned to share? What are the peer-to-peer learning opportunities?</li> </ul>
14:10 – 15:00	<p><b>[Session 3] Untapped Potential of Private Financing for Forestry Sector</b></p> <ul style="list-style-type: none"> <li>• <b>Conservation Finance: Status-quo and Opportunities</b>, Esteban Brenes, Director, World Wildlife Fund (WWF) (20’)</li> <li>• <b>Private Sector Participation in Restoration Initiatives in Central America</b>, Ronnie del Camino, Researcher, CATIE (20’)</li> </ul> <p>Q&amp;A (10’)</p> <p><u>Key Questions</u></p> <ul style="list-style-type: none"> <li>• Why difficult to have ‘investable’ forest business opportunities? What are the hurdles?</li> <li>• What are the innovative approaches to encourage private sector to invest in forestry? What are the most recent cases? (e.g. impact investment)</li> </ul>
15:00 – 15:20	Coffee Break
15:20 – 17:00	<p><b>[Session 4] Public-Private Partnership: Best Practices of Costa Rica</b></p> <ul style="list-style-type: none"> <li>• <b>Case Study (1) Sustainable Biodiversity Fund (FBS) (20’)</b> <ul style="list-style-type: none"> <li>○ Silvia Rojas, Senior Program Coordinator, FBS</li> </ul> </li> <li>• <b>Case Study (2) AGUA TICA (20’)</b> <ul style="list-style-type: none"> <li>○ Felipe Carazo, Executive Director, FUNDECOR</li> </ul> </li> </ul> <p>Q&amp;A (10’)</p> <ul style="list-style-type: none"> <li>• <b>Case Study (3) Forever Costa Rica (20’)</b> <ul style="list-style-type: none"> <li>○ Pamela Castillo, Program Manager, Forever Costa Rica</li> </ul> </li> <li>• <b>Case Study (4) FLOREX (20’)</b></li> </ul> <p>Q&amp;A (10’)</p>

	<p><b>Key Questions</b></p> <ul style="list-style-type: none"> <li>How Costa Rica has been promoting public-private cooperation to ensure effective management of forest ecosystem services?</li> </ul>
17:00 – 17:20	<p><b>[Closing of Day 1]</b></p> <ul style="list-style-type: none"> <li><b>Closing of Day 1</b> MINAE/GGGI</li> </ul>
17:50 – 19:00	<p><b>Welcoming Dinner</b></p>
<b>Agenda – Day 2</b>	
09:00 – 09:20	<p><b>[Recap of Day 1]</b> GGGI/ CATIE (20')</p>
09:20 – 10:50	<p><b>[Interactive Session] Exploring South-South/ Public-Private Cooperation</b> (90')</p> <p><i>This session aims to develop project ideas for scaling-up or replicating successful cases. The discussion will focus on the identification of key opportunities at the country level and will explore what information is required to overcome critical barriers.</i></p> <ul style="list-style-type: none"> <li>Summary of the presentations of Day 1 (10')</li> <li>Panel Discussion: Lessons Learned and Ways Forward (20') <ul style="list-style-type: none"> <li>Panels: Representatives from Peru, Colombia, Mexico, Guyana, Nepal, and Costa Rica</li> </ul> </li> <li>Group exercise: <ul style="list-style-type: none"> <li>Introduction to the group exercise and forming of groups (10')</li> <li>Preparation of a project proposal (30')</li> <li>Review of the projects proposed (20')</li> </ul> </li> </ul>
10:50 – 11:00	<p><b>[Workshop Evaluation Survey]</b> (with coffee break)</p>
11:00 – 11:30	<p><b>[Reflection and Ways Forward]</b></p> <ul style="list-style-type: none"> <li>GGGI</li> <li>MINAE (15') <ul style="list-style-type: none"> <li>H.E. Ms. Patricia Madrigal-Cordero, Vice-Minister of Environment, Republic of Costa Rica</li> </ul> </li> </ul>
11:30 – 12:30	<p>Lunch</p>
12:30– 18:00	<p><b>[Field Study]</b> Site visit to FONAFIFO's PES recipients</p>
18:00 –20:00	<p>Arrival at the Hotel</p>