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## **Payments for environmental services: lessons from the Costa Rican PES programme**

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IIED

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Payments for  
environmental  
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the Costa Rican PES  
programme

Presented at the Fair Ideas conference,  
16–17th June 2012, Rio de Janeiro

# **Payments for environmental services: lessons from the Costa Rican PES Programme**

**Presented at the Fair Ideas conference  
16-17 June 2012, Rio de Janeiro**

**Compiled by Ina Porras**

The Payments for Environmental Services (PES) Programme is one of several instruments addressing conservation issues in Costa Rica. It pays private landowners directly for the positive effect their sustainable land management has on the environment. The Programme is part of a mix of instruments, which includes stricter laws on deforestation, zoning and conservation in protected areas. The product of learning by doing, PES has provided a fertile ground for policy and technological experiments, generating considerable capacity building in the process. *Fair Ideas* conference, held in June 2012, provided a platform for a prominent group of expositors from different levels to share their experience on PES, from the Minister of Environment, state and NGO facilitators, national and international academics, to farmers and indigenous groups. This document compiles the key points of these presentations, and provides links to the organisations they represent.

## **Acknowledgements**

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The views expressed in this workshop report are those of the speakers and participants. The views expressed do not necessarily represent those of the institutions involved, nor do they necessarily represent official policies of donors involved.

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## 1 Introduction

Twenty years after world leaders committed to ‘sustainable development’ at the 1992 Earth Summit, it is clear the concept is still far from the top tables of policy and power. Sceptics say the failure of the Rio+20 anniversary summit in June 2012 shows that multilateralism is dead, while others point out that the real progress comes from the bottom up, not from UN meetings but. Now as the world watches and waits to see how giants like the USA and China respond to our planet’s environmental, social and economic crises, one small country – Costa Rica – has big lessons to share.

Over the last two decades, Costa Rica’s pioneering payments for environmental services (PES, or PSA in Spanish) have offered a glimpse of what a green economy could look like. The idea was remarkably simple. At its heart lies the notion that our collective failure to value nature is why forests and other ecosystems are in trouble. PES rewards landowners for actions that maintain environmental services that benefit other people, who then pay for that gain. Lowland water users, for example, pay highland communities that plant or protect forests and so maintain the water flow downstream.

Costa Rica’s 1996 Forest Law

([http://www.cne.go.cr/cedo\\_dvd5/files/flash\\_content/pdf/spa/doc387/doc387-contenido.pdf](http://www.cne.go.cr/cedo_dvd5/files/flash_content/pdf/spa/doc387/doc387-contenido.pdf)) strengthened regulations on existing forests, defined environmental services, clarified property rights to allow trading of environmental services, and created an organisation, the *Fondo Nacional de Financiamiento Forestal* (FONAFIFO), to oversee payments.

Since its creation, the programme has signed nearly 13,000 contracts, covered nearly 800,000 hectares of forests and distributed almost US\$280 million. The payments vary according to land use – the programme pays US\$64 per hectare per year for protection and regeneration, US\$50/ha/year for management, and US\$196/ha/year for reforestation activities. Economic and environmental priority criteria are used to allocate contracts, for example the extent to which the forest in question is a biological corridor or is home to native species, and if it is in an area that protects water sources.

Apart from the environmental impact of the programme, one of its benefits has been the impetus it has provided to a significant number of grass roots organisations working on conservation and development. These organisations have evolved to use PES to strengthen what they do and to provide an important link between the national-level project and the day-to-day activities of the farmers they represent.

The PSA programme has also provided a platform for innovative forms of fundraising. It was originally funded from taxes on fossil fuels and, since 2006, on water too. A new deal now enables individuals to voluntarily pay to offset their car emissions, or use a green debit card that transfers 10 per cent of the bank’s commission to FONAFIFO. Meanwhile Costa Rica’s commitment to become carbon neutral by 2021 opened new doors to local voluntary agreements and parallel schemes like PSA Solidario, which rewards small-scale farmers who conserve forests but cannot access the national programme.

Such innovations have been essential as new challenges have emerged; however generous, PES is no panacea. In some areas, it cannot compete against returns from high-value crops or land developers. This reminds us there is no easy path to sustainable development that can balance social and environmental objectives.

This document summarises presentations on different aspects of the Costa Rican PES experience, aired in two events during the Rio de Janeiro Summit in June 2012,

- *Fair Ideas: Sharing Solutions for a Sustainable Planet*, Rio de Janeiro, 16–17 June 2012 where the Costa Rica PES experience was discussed in three sessions: Shaping sustainable development goals(plenary) , When one size is not enough (parallel session); and The know-how of PES in Costa Rica: a dialogue with practitioners (parallel session).
- ISEE 2012 Conference – Ecological Economics and Rio+20: Challenges and Contributions for a Green Economy where a discussion on the Costa Rica PES formed part of a Round Table: The Brazilian Forest Code and Payments for Environmental Services.

The report of the presentations is structured under three main headings: governance, funding, and the role of intermediaries. Speaker biographies are given in an annex.

## **2 Governance**

### **2.1 Taking responsible action**

***The Costa Rican PES. Plenary session: Better lives, smaller footprints***

***Dr Rene Castro, Minister for the Environment***

Back in 1992 at the Rio conference we talked about sustainable development, but it has been much harder to put principles into practice. It is striking to see how the wrong policies almost got rid of the Costa Rican forest. From the 1940s the cover was 70 per cent, falling to almost 20 per cent in the 1980s. We realised we had to do something and change our protection and extraction policies. The course has now been reversed but we need to know what comes next. At the moment 52.3 per cent of our territory is covered with forests. The whole process has cost about US\$250 billion. Almost 80 per cent has come from taxes, user fees and direct budget allocations. Initially we protected national parks, wildlife refuges: no take, no touch, but that was unsustainable and it was mainly state areas anyway. Since then we have been changing to private lands, where now we are combining conservation with other uses that are less restrictive and ensuring that farmers have an extra income.

We have had probably three generations of incentives: first tax credits, secondly subsidies, but then we moved away from gifts and grants towards PES. Now we have to monitor, verify and report. Farmers prefer this: 'What is my harvest?', they say. In their mind they produce something: a crop, a service. Oxygen is a 'commodity' that was more easily understood. The third generation then is PES for a service.

One of the myths is that conservation of forests is linked to poverty. You can see in the graph that the proportion of forest cover in Costa Rica is trending upward, and the poverty rate is oscillating but trending downward. We checked for gender, child mortality in rural areas, etc. There is no correlation between the 'no extraction policy' that we went for and poverty.

REDD+ for Costa Rica will mean optimising the efforts that countries and regions have made since 1992, to expand, replicate at the global scale what could be taken as a common story of differentiated responsibility. The central tropical belt could benefit their economy, growth, and could provide global environmental services to the world. It is fair that they receive payments for the international service they provide.

For the future, we must insist on this: part of the money must come from the CO<sub>2</sub> market. Long-term sustainability should be more equitable, not just coming from the CR government. We are working on how to find more sources of sustainable funding, how to increase international collaboration, and national and international voluntary markets. We now need to concentrate on the 'productive forest' through eco-competitive enterprises.

A video link to the presentation can be found at: [www.iied.org/fair-ideas-plenary-better-lives-smaller-footprints](http://www.iied.org/fair-ideas-plenary-better-lives-smaller-footprints)

### **2.2 The forest code as the backbone for PES**

***Round-table: The Brazilian Forest Code and payments for environmental services.***

***Presented during the ISEE Conference 16–19 June 2012, Rio de Janeiro***

***Ina Porras, IIED***

The introduction of PES took place in a very specific context. Previous to the 1990s, there was a rapidly declining forest cover (from 70 per cent to 20 per cent) in 30 years. A change in direction began at the end of the 1980s for several reasons, including abandonment of lands after international meat markets slowed. Sustainable development as a national



strategy began in the early 1990s after Rio 92, with high hopes for carbon markets (not realised then). Internally the old forest law was in desperate need of change. Existing subsidies were few and still of uncertain effectiveness and not really promoting forest conservation, and people still feared restrictions and expropriations. Structural adjustment in the 1990s took away subsidies. The trend had reversed, but this was a frail and unstable change. The PES did not cause the change, but helped to nurture the upward trend. It is uncertain, and perhaps we will never know, whether the trend would have reverted without the positive incentive provided by the PES.

The new Forest Law introduced in the mid-1990s provided the backbone for the PES programme. On the one hand it forbids changes to existing forest (*red light: stop*). On its own it would not have made much difference with respect to illegal logging, but alongside the decreasing pressure on existing forests the law introduced and set the rules for PES to bring value to standing forests (*green light: incentives*). It defined rights, defined a broker, and provided the (state-funded) resources to kick-start the process. It also sets limits and responsibilities (*amber light: warning*) that help shape and create an eventual market, for example, the social obligations of the programme in terms of small- and medium-sized farmers, the precautionary principle behind forest conservation, and the 'users pay' principle to explore new sources of funding.

### **2.3 Clear-cut governance at the broker level**

***Fair Ideas parallel session: When one size is not enough: a South–South dialogue on PES experiences in Costa Rica and Brazil***

***Oscar Sanchez, Director de Servicios Ambientales, FONAFIFO***

FONAFIFO ([www.fonafifo.go.cr](http://www.fonafifo.go.cr)) is the national official broker created by law as the platform to manage the PES programme. In a nutshell, FONAFIFO collects funds from different sources (the majority until now being from the state), and transfers these funds as direct payments to (private) farmers through conservation, reforestation or agroforestry. These activities are expected to contribute to maintaining and improving the environmental services.

*Payments to farmers (annual payments per hectare during the duration of the contract).*

Protection (\$64, \$75 or \$80); reforestation (\$980 or \$1,410); agroforestry (\$1.3 or \$1.9 per tree). Differentiated payment levels take into account targeting and use of native species.

*Sources of funding.* The programme has multiple sources of funding. The two main ones are ear-marked state funds from fuel and water taxes. Other sources include international deals (including biodiversity and carbon), local deals (tourism sector, car rental companies, hydroelectric plants). It is expected that the government's intention of becoming carbon neutral will open up new local sources of funding.

*Transaction costs.* The annual budget of FONAFIFO has been between US\$14 million and 17 million/year for the past three years. Of this, approximately 80 per cent is transferred to farmers as PES. From the payment received, participants pay between 12 and 18 per cent to the local facilitator for technical assistance and supervision.

Key to the success of the programme has been clear governance. Every year the details for participation are announced in the official newspaper *La Gaceta*. Potential participants send their completed forms directly to FONAFIFO's local offices, or through a local intermediary. As part of the contract, farmers must have a technical management plan, approved by a *regent forestal* who can also assist the farmer with the application form.

The main strategies for the programme's future are: 1) to use the REDD+ framework as a strategy to integrate PES, national parks and biological reserves; 2) further reduce

deforestation rates in old-growth forest and secondary forests; 3) maintain and increase existing programme coverage; 4) improve regeneration and forest management; 5) encourage national timber markets; 6) reinforce inter-institutional alliances; 7) ensure a supply of fresh funding resources for PES (for example through the Carbon Neutral proposal).

For more information see FONAFIFO's website: [www.fonafifo.go.cr](http://www.fonafifo.go.cr). A video link to the presentation can be found at [www.ied.org/fair-ideas-when-one-size-not-enough-south-south-dialogue-pes-experiences-costa-rica-brazil](http://www.ied.org/fair-ideas-when-one-size-not-enough-south-south-dialogue-pes-experiences-costa-rica-brazil)

## **2.4 Keeping track of policy impacts**

### ***Costa Rica PSA: policies and outcomes***

#### ***Fair Ideas parallel session: When one size is not enough: a South–South dialogue on PES experiences in Costa Rica and Brazil***

***Ina Porras, IIED***

This presentation is based on the findings from the newly published review of 20 years of CR PES by Porras *et al.* (2012). It concentrates on three issues: provision of environmental services, the people affected, and the programme's management.

The environmental services in the Costa Rica PES are defined by law as carbon sequestration, protection of water sources, protection of biodiversity, and protection of the beauty of the landscape. They are operationalised mainly as forest cover. The definition of the environmental services was a useful way to leave the door open for different sources of funding, even though until now the bulk of money has come from the government.

The main social strategies adopted by the programme include: 1) a reduction of red tape and excessive requirements; improved administration and opening local offices; social priority criteria by development index and property sizes; and the use of agroforestry contracts. These measures have been good in helping the participation of vulnerable farmers, and their impact is higher for those located in remote rural areas and indigenous territories. The use of agroforestry contracts has increased the participation of small farms, although studies seem to show that still those better educated and possibly more wealthy have more chances to get payments. Local offices have had an impact on contracts with small and medium-size farmers. The use of the development index as priority criteria has limited impact on poor farmers.

The environmental impact of the programme is amplified or reduced by: 1) how the programme is designed to target areas; 2) how it interacts with external factors (e.g. laws, markets); and 3) the personal characteristics of those taking part. Until now the programme has paid to protect 710,000 ha of existing forest, reforested 50,000 ha, placed 30,000 ha under sustainable management and regenerated 5,500 ha, as well as planted 3.5 million trees in agroforestry systems. Results from studies suggest that the programme is more effective in protection than other land uses, it works well complementing laws, and, so far, that the move to targeting priority areas improves its impact. The challenge now is how to find better surrogates for environmental services beyond forest cover, and how to take into account the individual characteristics of participants while keeping the programme manageable.

In terms of people, the programme is legally required to target small and medium-sized producers. Given that a large proportion of funding comes from the government, there is a clear mandate to demonstrate the significance of the use of public funds. Some projects requirements (like Ecomarkets and REDD+) also demand proof of social benefits.

The document is available to download at <http://pubs.iied.org/16514SIIED.html>. A video link to the presentation can be found at [www.iied.org/fair-ideas-when-one-size-not-enough-south-south-dialogue-pes-experiences-costa-rica-brazil](http://www.iied.org/fair-ideas-when-one-size-not-enough-south-south-dialogue-pes-experiences-costa-rica-brazil)

### **3 Funding: thinking outside the box**

#### **3.1 Playing the carbon markets**

##### ***The Costa Rican PES Programme***

***Fair Ideas parallel session: When one size is not enough: a South–South dialogue on PES experiences in Costa Rica and Brazil***

***Oscar Sanchez, Director de Servicios Ambientales, FONAFIFO***

Costa Rica declared its strategy to become a carbon neutral country by 2021, through a combination of emission reductions and land-use carbon capture approaches. This ambitious target will require the support of the citizens and future governments. The plan seeks to secure greenhouse emission reductions through voluntary markets, rather than by taxing emissions. At the moment, the USA and Costa Rica have signed a cooperation agreement for US\$1.5 million to help steer the process.

The initiative opens up potential local carbon markets, linked up to social responsibility. These efforts require full use of the existing capacities, and will be parallel the country's entry into international voluntary and accredited carbon markets like REDD+. The REDD+ strategy presents an opportunity to pause, learn and improve the existing PES programme, integrating it into the wider structure of the economy with forests at its centre.

For more information see FONAFIFO's website: [www.fonafifo.go.cr](http://www.fonafifo.go.cr)

#### **3.2 Local carbon markets through Carbon-Neutral**

##### **FUNDECOR: a case study of green business in Costa Rica**

**The know-how of PES in Costa Rica: a dialogue with practitioners (parallel session).**

**Carlos Herrera, Executive Director, FUNDECOR**

FUNDECOR is an NGO established in 1989 to promote forest activities in biological corridors and national park buffer areas in the northern part of the country (ACCVC). The institution has been pivotal to the implementation of the PES programme, and has proposed creative pilot projects to tap into new sources of funding, such as the first deals with hydroelectric companies that became the precursors of the current national water tax.

Forest cover in the ACCVC declined from 1986 to 1992, and 'seems' to have settled down between 1996 and 2000 at 180,000 hectares of forest. However, this is the overall figure and the land use change is more fluid: some forest was lost and some recovered, so the actual use is not static. In the FUNDECOR area about half of its clients do not receive PES, either because they do not qualify, or because existing funds are insufficient to satisfy demand. FUNDECOR has targeted this segment of the market through the creation of the PSA Solidario, which builds on and complements the national PES programme but specifically targets carbon and local potential buyers of credits.

The baseline is determined through a clear, fully accountable process. The rate of deforestation in ACCVC is 2 per cent per year. Through various mechanisms, 2 per cent is also recovered. On-site studies from a network of 300 permanent monitoring and research plots reveal that 1 hectare of forest retains 366 metric tons of CO<sub>2</sub>, of which roughly 2 per cent would be at risk of being converted (equivalent to 7.33 metric tons CO<sub>2</sub>). Using a trust fund as a transactional platform, FUNDECOR works with companies interested in offsetting their carbon footprint in light of the country's carbon neutral target for 2021.

All contracts are registered, publicly available and fully monitored. Payments to farmers are slightly lower (US\$50/ha/year) than the national PES payments per hectare, but the process is faster, more streamlined and adapted to local conditions. There is clear monitoring of the process to prevent double counting of national carbon stocks.

For more information see FUNDECOR's website: [www.fundecor.org](http://www.fundecor.org)

### **3.3 Tapping into water for long-term funding**

***The water use fee: financial instrument for payments for environmental services and protection of water resources***

***The know-how of PES in Costa Rica: a dialogue with practitioners (parallel session)***  
***Maureen Ballester, President, FUNDECOR***

In Costa Rica, water is a public good, and it is relatively well administered. A concession or permit is required in order to use water for any activity. Since 1942, the state of CR has charged a fee (rate) for the use of this resource and a culture of paying for water existed. Until 2006, the amount of this fee was insignificant. But building on the individual experiences of contracts with water users (hydroelectric, for example), a political decision was reached that year to introduce an increase in the water fee and a legal decree was introduced. Of the new funds collected, 50 per cent go to the water authority, 25 per cent to conservation areas, and 25 per cent to PES in strategic water catchments.

The increased fee was designed not only to work as an instrument for the regulation of the use and management of water, but also to allow the creation of funds to finance long-term water management in Costa Rica. It allows financial recognition of forest benefits in terms of regulation in the quality and quantity of water resources. The water tax in the PES context then: 1) reinforces the concept of water as public good; 2) recognises the value of the ecosystems that protect this resource; 3) complements – but does not substitute – command and control; and 4) is expected to promote efficiency of water use by reducing the amount of waste (for example, there has been significant reduction in water wasted by agriculture and the tourism industry).

The process has been long, and although the law has been passed it is still ongoing. Discussions began in 2002. The decree was signed in 2006, to be implemented step-by-step over seven years and expected to be in full force by 2013. Rates were negotiated, and are differentiated by sector. Interestingly, the most difficult sector to bring in was the public sector, which manages water utilities.

The resources collected through the water tax for PES must be reinvested in strategic water catchments. Companies and utilities can build on this payment in further negotiations with FONAFIFO for specific actions in their catchment areas. Besides individual negotiations, FONAFIFO has a priority map, designed using indicators like water concessions, infiltration, etc. The final effect of the tax on the demand for water is not yet known. However, the resources generated are vital for the long-term sustainability of the PES programme.

### **3.4 The Biodiversity Fund**

***Looking for PES sustainability in Costa Rica: Biodiversity Trust Fund and Osa portfolio***

***The know-how of PES in Costa Rica: a dialogue with practitioners (parallel session).***  
***Virginia Reyes, CEDARENA***

*Objective of the fund.* The Biodiversity Trust Fund is a new initiative that tries to combine all efforts to solve two of the main PES problems: securing both long-term funding for biodiversity contracts and conserving large blocks of private lands with high biodiversity importance.

*Activities and pilot.* Promoting conservation contracts of up to 99 years, the fund will target areas with high biological importance in private lands located in biological corridors,

interconnecting at least 70,000 hectares. An initial phase is taking part in Osa, in the Southern Pacific of Costa Rica.

*How it works.* PES is combined with other financial and legal mechanisms to strengthen conservation, such as conservation easements, in-kind payments and the promotion of added-value activities. The fund works with the FONAFIFO platform for its implementation of conservation contracts, and with CEDARENA as partner to support the process in Osa. One of the main advantages of the trust is that it works as a private fund, with public back-up, but money is ear-marked for biodiversity conservation and does not go to the general government budget.

*Money flows.* Existing funds amount to US\$17.8 million, including seed capital from the German bank KfW, the Global Environmental Facility (GEF) and other groups like Conservation International, but the fund still depends largely on the state (90 per cent). The fund matches investors in the Osa portfolio one-to-one and in other priority areas defined by FONAFIFO. Two instruments to promote private investment in the fund are the Green Card (*tarjeta verde*) and the *Ecomarchamo*. The Green Card came after negotiation with the Banco Nacional in 2009 and 2010. Through this agreement, 10 per cent of the money collected by the bank through commissions is fed to the Biodiversity Fund. Between October 2010 and March 2012 the bank issued 46,882 cards, which have generated US\$64,594.17. Individuals are also encouraged to pay voluntarily to offset their car emissions through the *Marchamo Ecológico*. Between November 2011 and April 2012, 864 *marchamos* (stamps) were issued generating a cash injection of US\$9,504.

*Scaling up and replication:* The Biodiversity Trust Fund and the Osa portfolio are being developed as a public-private sustainable model for long-term conservation, which could be replicated in other countries of the region.

## **4 The role of intermediaries**

### **4.1 PES as complement to small forestry producers**

***Representing small forestry producers. Parallel session: The know-how of PES in Costa Rica: a dialogue with practitioners***

***The know-how of PES in Costa Rica: a dialogue with practitioners (parallel session). Jose Rafael León, Presidente del Consejo de Administración, Coopesilencio.***

Coopesilencio is a social economy enterprise. This co-operative groups 130 families from a rural Central Pacific community (Quepos). They have a mixture of production (palm oil, tourism), food security, reforestation (timber, agroforestry), and forest protection.

The co-operative has been taking part in the PES for several years and has one of the few 'group contracts' in the programme. The land is registered under the co-operative's name rather than as individuals. PES payments are received and complement the co-operative's activities and efforts in protection, reforestation and agroforestry. Its basic aim is employment and food security. Its activities seek to maximise the vertical integration of the markets. Timber from reforestation (mature and from thinning) is processed in the mill and is used in furniture making.

Coopesilencio also works as a facilitator, helping non-affiliated farmers in the area to access PES. The money charged for intermediation (18 per cent of the payments) is used exclusively in the Wildlife Rescue Centre. This activity complements an increasingly large rural eco-tourism project, mainly managed by women and young people.

Overall, the PES has helped on four main fronts:

- additional income to families
- improvement of life conditions
- improvement of the natural capital
- forestry activities leading to new economic activities such as rural and ecological tourism.

People now manage their land better, and a culture of protection and sustainable management is now embedded in daily activities.

The main limitations of the PES are mostly linked to the insecurity of payments in the long term. The legal process is lengthy and difficult for those without property rights in place. For small farmers not linked to an association the cost of participating can also be prohibitive. For more information see Coopesilencio website <http://coopesilencio.blogspot.co.uk/p/about-el-silencio.html>.

#### **4.2 Breaking cultural barriers: PES and indigenous groups**

##### ***PES and indigenous people: the case of ACOMUITA***

##### ***The know-how of PES in Costa Rica: a dialogue with practitioners (parallel session)***

##### ***Justa Romero, community leader***

ACOMUITA is an indigenous association with 70 women members from the Bribris and Cabecar communities, most of whom are household heads. The association is a leader in implementation of small projects like rehabilitation of cocoa plantations, carbon sequestration, and the use of revolving funds, and regularly supports neighbouring indigenous associations.

The territory where ACOMUITA is based covers 46,600 hectares and 11,600 people, and is managed legally by the local indigenous association (ADITRIBI). Indigenous territories in Costa Rica protect a significant proportion of the national forests, and as such they are key players in the national PES scheme. The payments from the programme represent significant injections of cash into the territory, and stand to play an even more significant role in future REDD+ negotiations that pursue protection in larger forest areas. There are also significant concerns about the potential negative impact of the schemes on indigenous communities, not only in Costa Rica but in the rest of Latin America. As such, indigenous groups must make sure their voices are heard in the new rounds of negotiations.

Indigenous areas in Costa Rica have legal representatives who negotiate PES contracts, and how to allocate these funds once they have been made to the association. While FONAFIFO transfers cash payments to the association, the money is then used to fund and complement community projects. ACOMUITA's activities include improvement of agricultural practices, development of manufacturing techniques, and enhancement of commercialisation practices for cocoa products. PES supports the social structure of the community and promotes the work of different community organisations, as well as funding infrastructure like rural water services, hanging bridges and scholarships for the young.

At the beginning it was difficult to communicate the idea. People thought that PES meant expropriation. Other people thought that this was a way for them to grab communal forests. The association took a step back to clarify concepts and roles, before fully engaging in the programme. To date, there are many benefits. The main problem is the uncertainty of long-term funding from PES. But the association has found a way to avoid dependence on the payments, using the funds to support productive activities which can be financially self-sustaining in the long-term.

## 5 Speaker biographies

Dr Castro has held various positions in the Costa Rican government, including Minister of Environment and Energy, Deputy Minister of the Ministry of Governance, National Director of the Ministry of Transportation and Public Works, and President of the San José City Council. He led the Costa Rican delegations at the international conventions on Biodiversity, Climatic Change and Ozone. Dr Castro was instrumental in the creation of the PES programme in Costa Rica during the mid-1990s. He was also critical to Costa Rica's role as a pioneer in developing and selling emission reduction credits in global markets.

Oscar Sanchez has held various posts related to forestry incentives in Costa Rica since 1979, and since 1997 has been the Director of FONAFIFO's Environmental Services Department. He has participated in many capacity-building activities in the area of natural resources, forests and climate change. Besides his long administrative experience he has also published articles on the subject.

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Ina Porras is a Costa Rican resource economist, with particular expertise on market-based tools for environmental services to tackle rural poverty, watershed management and valuation of environmental services. She joined IIED in 2000 after working in Costa Rica and the United States. Drawing on her Latin American expertise, her work includes networking, capacity building, and promoting South–South collaboration in the areas of environmental services.

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Andrea Meza is the President of CEDARENA. Trained as a lawyer with expertise in local development, she has many years' experience in conservation, sustainable development, land-use planning and the strengthening of institutions. CEDARENA (*Centro de Derecho Ambiental y Recursos Naturales*) is a Costa Rican NGO specialising in environmental law and natural resources. Created in 1989, it strives to improve the capacity of environmental NGOs and government institutions to make effective political and legal interventions towards sustainable development. Its work covers legislation and public policies, education and training, judicial information, and conflict management. CEDARENA takes a strategic approach towards environmental issues. It has a strong presence in Costa Rica and Central America where it promotes the decentralised management of natural resources.

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## Payments for environmental services: lessons from the Costa Rican PES programme

The Payments for Environmental Services (PES) Programme is one of several instruments addressing conservation issues in Costa Rica. It pays private landowners directly for the positive effect their sustainable land management has on the environment. The Programme is part of a mix of instruments, which includes stricter laws on deforestation, zoning and conservation in protected areas. The product of learning by doing, PES has provided a fertile ground for policy and technological experiments, generating considerable capacity building in the process. *Fair Ideas* conference, held in June 2012, provided a platform for a prominent group of expositors from different levels to share their experience on PES, from the Minister of Environment, state and NGO facilitators, national and international academics, to farmers and indigenous groups. This document compiles the key points of these presentations, and provides links to the organisations they represent.

The International Institute for Environment and Development (IIED) is a policy and action research organisation working to promote sustainable development, development that improves livelihoods in ways that protect the environments on which these are built. Based in London and working on five continents, we specialise in linking local priorities to global challenges. In Africa, Asia, Latin America, the Middle East and the Pacific, we work with some of the world's most vulnerable people to ensure they have a say in the decision-making arenas that most directly affect them – from village councils to international conventions.

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