

Forest Funds and Payments for Ecosystem Services: what does it take?

By Ludwig Liagre, Climate and Environment Specialist at the European Investment Bank (EIB), and PhD candidate on National Forest Funds at the University of Padova, Italy.

“National forest funds (NFFs) are dedicated financing mechanisms managed by public institutions designed to support the conservation and sustainable use of forest resources. They may be funded by earmarked taxes and other domestic forestry income and through bilateral or multilateral development assistance mechanisms, including donations” (FAO, 2015). Based on such funds resources can be provided to land owners to implement forestry activities such as sustainable forest management, afforestation and reforestation, among others. They can also channel incentives to land owners for such activities, recognizing the role they play to deliver environmental services to the society. Such approaches are known as Payments for Ecosystem Services (PES) where the reward for the provision of ecosystem services can be done in monetary (for example through a direct payment) or non-monetary terms (through in-kind rewards).

PES approaches are particularly important to capture the value of forest ecosystems' services, which in many situations, are used for free. In this context forest funds can be a very efficient mechanism to channel resources to the key stakeholders. A number of successful PES schemes based on forest funds exist. One of the most successful is the National Forest Financing Fund (FONAFIFO)¹ in Costa Rica. This model, as well as others, will be presented and lessons learned which could apply for the Green Forest Fund of the Canary Islands will be highlighted and discussed with the audience.

Key references:

- FAO. 2015c. *Towards effective national forest funds*, by R. Matta. FAO Forestry Paper No. 174. Rome, Italy.
- FAO & GIZ (German Agency for International Cooperation). 2013. *National forest funds (NFFs): Towards a solid architecture and good financial governance*. Forestry Financing Working Paper No.16. Rome, Italy, FAO.

¹<http://www.fonafifo.go.cr/es/>