COSTA RICA
CAPITAL ENHANCEMENT FOR ECOSYSTEM SERVICES THROUGH THE ENVIRONMENTAL BANK FOUNDATION (FUNBAM)

OVERVIEW

<table>
<thead>
<tr>
<th>Country / Global Implementation</th>
<th>Costa Rica Upper Middle Income Country (UMIC)</th>
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</thead>
<tbody>
<tr>
<td>Thematic area</td>
<td>Land-Use</td>
</tr>
<tr>
<td>Project start date</td>
<td>Q1 2017</td>
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<tr>
<td>Funding source</td>
<td>Core</td>
</tr>
<tr>
<td>2017 budget</td>
<td>USD 179,823</td>
</tr>
<tr>
<td>% of budget disbursed</td>
<td>58%</td>
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HIGHLIGHTS

- GGGI supported the Government of Costa Rica in strengthening the country’s Environmental Bank Foundation (FUNBAM) as a specialized financing vehicle for sustainable development by refreshing its strategic plan (e.g. revised objectives) and structuring projects to attract domestic and international funds.
- GGGI developed a resource mobilization analysis and selected two priority pipeline projects (out of six projects identified) with FUNBAM. Designing of these two projects will be finalized by end of 2018.

OVERALL OBJECTIVES

- Support FUNBAM increase capital to USD 5 million by 2018, and USD 10 million by 2021.
- Contribute to Costa Rica NDC’s mitigation and adaptation targets by channeling capital towards agroforestry projects, forest conservation activities, ecosystem-based adaptation, and other relevant activities.
- Contribute to the empowerment of farmers and entrepreneurs operating in green growth sectors in Costa Rica by providing sustainable livelihoods and a better standard of living.

RELEVANT SDGs

13. Take urgent action to combat climate change and its impacts.
15. Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.
17. Revitalize the global partnership for sustainable development.

CONTEXT

Costa Rica recognizes agriculture as a key source of emissions, but the question is on how to increase necessary capital for the associated AFOLU (agriculture, forestry, and other land uses) sector to implement NDC strategies and achieve targets, given the fiscal deficit of the government. In this context, the Government intends to transform FUNBAM into a specialized financing entity for ecosystem management and has requested GGGI to utilize its skills in designing, restructuring and scaling up the vehicle. The overall problems that the project is seeking to address are as follows:

- Lack of capital for the government to achieve the targets in their NDCs.
- Lagged local market for sustainably produced agriculture/forestry products (e.g. timber) distorted by scattered and skewed information without a central governing body and the system.
- Reluctance to change current land-use practices due to financial instability during the conversion period caused by upfront capital, lack of knowledge/technical assistance; and limited access to markets with price premiums.
RESULTS ACHIEVED IN 2017

OUTCOME 1

Enhanced capital mobilized by Costa Rica’s Environmental Bank Foundation (FUNBAM).

GGGI has contributed substantially to the identification and development of FUNBAM’s two pipeline projects; the Forest Plantation Usage Program (PPAF) and the Sustainable Timber Management Program (SUTIM); provided an analysis that includes a strategic approach to mobilize financial resources and helped to reach out to potential investors for the FUNBAM’s projects.

OUTPUT 1.1

A set of FUNBAM strategic documents developed and submitted to FUNBAM.

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OUTPUT 1.2

A resource mobilization analysis developed.

GGGI developed a resource mobilization for FUNBAM focusing on its priority project PPAF. The analysis provides a financial projection of the pipeline project ahead; details a strategic approach to mobilize financial resources; and identifies possible funds and investors who could provide seed capital to FUNBAM and its projects.

OUTPUT 1.3

1 new project identified and structured by FUNBAM.

GGGI has identified and developed two priority pipeline projects with FUNBAM, namely PPAF and SUTIM. For PPAF, the initial assessment has been completed and the results submitted to the Government of Costa Rica for further project structuring and investor relations. For SUTIM, GGGI is producing a feasibility study which is expected to be completed by Q2 2018.

ADDITIONAL RESULTS

• GGGI reached out to potential investors including the Central American Bank for Economic Integration and the Korea Forest Service and facilitated relationships between the Ministry of Environment and Energy of Costa Rica helping to mobilize resources. GGGI also helped share knowledge about and produced by FUNBAM and Costa Rica. GGGI published a blog on the work around FUNBAM; held a GGGW session on FUNBAM; and held an internal session on FUNBAM at the Communities of Practice meeting.
PARTNERS

LOCAL

- National Forestry Financing Fund (FONAFIFO)
- Ministry of Environment and Energy (MINAE)
- National System of Conservation Areas (SINAC)
- Ministry of Agriculture and Livestock (MAG)
- Costa Rica’s National Bank (Banco Nacional)
- Osa Conservation
- CRUSA Foundation
- FUNDECOR (Foundation for the Development of the Central Volcanic Range)

INTERNATIONAL

- Conservation International (CI)
- Central American Bank for Economic Integration (CABEI)
- Korea Forestry Services (KFS)

LESSONS LEARNED

- Maintaining regular and close dialogue with government counter party facilitated the approval of GGGI’s recommendation for FUNBAM enabling the project to progress as initially planned.