

Policy Tools That Support Transition Into a Green Economy

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A number of policy tools are available to assist governments and other stakeholders pursue transition into a green economy. These briefing notes set the stage for our discussion by outlining some of the policy tools that are available to foster transition and to provide examples of how these tools have led to positive outcomes in other jurisdictions. In and of themselves, these tools do not create a green economy; rather, they help put the conditions in place for the transition to occur. The hope is that once these policies are in place, all Manitobans will choose to act in a more sustainable manner, creating the type of transition that we want. Note that these are not implied recommendations, but are examples of real case studies.

Financing

Financing involves the direct injection of financial support into projects and programs that support transition into a green economy. Financing can take the form of grants, concessional loans, public-private partnerships and the like. In Canada, these transitions typically involve public or private funding, either with government as a sole funder or through mechanisms like public-private partnerships that utilize public funding to leverage private sector investment.

How Has This Worked Elsewhere?

Jurisdiction: Costa Rica

Policy/Action: Payments for Ecosystem Services (PES)

Synopsis: PES is a key, internationally recognized program for Costa Rica's sustainable development. Administered through the National Forestry Financing Fund (FONAFIFO), the Government of Costa Rica pays landowners for the amount of land and forest they conserve, rehabilitate and/or regenerate, and the environmental services that these conserved lands provide. The PES program recognizes the following as environmental services: greenhouse gas emission reductions; water protection for urban, rural or hydroelectric use; biodiversity protection for sustainable, scientific and pharmaceutical use; and ecosystem protection, including natural scenery preservation for scientific and tourism purposes.

Funding for the program comes from various national and international sources. Within Costa Rica, funds are primarily derived from a 3.5 per cent fuel tax and 25 per cent of the water tax revenue. Internationally, funding comes from multilateral and bilateral agreements (e.g., with the Government of Germany, Government of Norway and the World Bank) as well as small private donations made by individuals and institutions. Servicing small- to medium-scale farmers, a parallel program was launched by FUNDECOR¹ called *PSA Solidario* (Solidarity PES) that focuses on the country's carbon market. Small-scale farmers are able to earn carbon credits by protecting the forest and selling these credits to national industries.

¹ FUNDECOR is a not-for profit organization focused on sustainable practices in the Central Volcanic Range Conservation Area in Costa Rica.

Despite earning 20 per cent less than the national PES, transactions are faster and less competitive, and almost all profits go straight to the landowners, as opposed to international brokers. In mid-2012, 68 million hectares were reforested, regenerated or conserved, and between 1997 and 2012, a total of 934 million hectares of forest were protected under the national PES program.

Enabling conditions by government: International agreements with multilateral and bilateral donors, national fuel tax, forest credits, direct financing of farmer activities.

Results: Through the implementation of the PES and PSA Solidario schemes, Costa Rica has been successful in decreasing deforestation rates, restoring degraded land, changing unsustainable land-use practices to sustainable ones, boosting tourism services and creating jobs in the country. However, the expanded forest cover has had implications on wetlands in low-lying areas used for agricultural production. There have also been challenges in attracting private payments through the scheme; however, work is being done to see how to resolve bottlenecks in private participation.

Further details:

<http://www.fonafifo.com/english.html>

<http://www.fundecor.org/en>

Examining the Applicability of This Tool: Translating Success in the Manitoba Context

The Costa Rican government committed to reducing ecosystem degradation and created a business opportunity while doing it. Through the establishment of FONAFIFO as its environmental services broker, national and international monies are designed to be invested annually through dedicated percentages of national fuel and water taxes, multilateral and bilateral agreements, and innovative ways for the general public to make their contributions, such as through green bank debit cards.² Some challenges impeded the participation of some medium and small landowners in the national PES, and a non-governmental organization sought the opportunity to fill in the gap by launching a parallel scheme. Together, these two schemes recognize that landowners can generate income through the preservation of ecosystems, and allow all landowners take part in the international voluntary carbon market, create green jobs and actively contribute to the country's sustainable development objectives. Despite some challenges, the concept remains an innovative approach to enabling green economy transition that we can learn from.

Financing is the most direct way to fund the transition to green economies. Grants, loans, financing for leveraging purposes and public-private partnerships all provide direct investments in that transition. Advantages of this approach include the ability to directly support leading-edge projects, bridge commercial financing gaps, and drive domestic innovation and technology. The most daunting challenge to direct financing in Manitoba, as well as nearly anywhere in the world, is that government financing is very difficult to come by as governments strain to meet existing budget obligations. One way around this is to combine financing with fiscal policy instruments through recycled revenues. Another is through subsidy reform for fossil fuels (less applicable in Manitoba than other Western Canadian provinces, but still relevant) with re-dedication to green technologies. Public-private partnerships—using public funds to leverage private funds—are a third option. However, the challenge of finding public resources for financing the transition to a green economy is one that will remain prominent.

² Green bank credit cards enable individuals to accrue points (similar to the AIR MILES program in Canada) and these are later donated by their bank to a biodiversity fund to FONAFIFO.