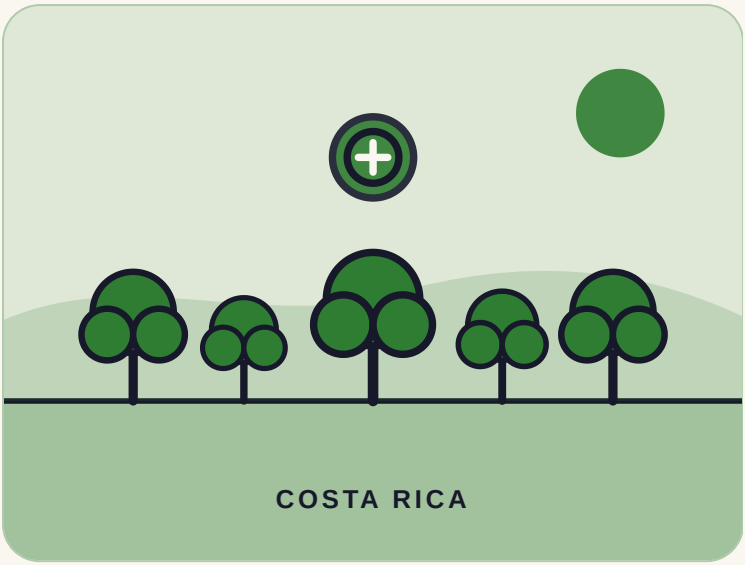

COSTA RICA

The country that paid for standing trees

Costa Rica’s forests shrank to 21 percent of the land by 1987. Then it began paying landowners to protect them.

WHERE	San José
WHO	Costa Rican landowners, officials and conservation groups who made standing forest worth money
WHEN	1987 to 2020

4 min read

CHAPTER ONE

The story

In the 1970s and 1980s, Costa Rica had one of the highest rates of forest loss in the world. Land was cleared for cattle ranches and banana farms. By 1987, forest covered only 21 percent of the country.

Then the country changed course. It set up a government office for natural resources, and it grew its national parks. In 1987, it asked schools to teach children about nature. In the 1990s, a Costa Rican group, Fundecor, tried a new idea. It paid farmers to look after their forest. A small test covered 1,600 hectares and worked well.

> **What changed between those two numbers is less a conservation story than a financial design story.**
>
> E+E LEADER, A BUSINESS MAGAZINE, ON COSTA RICA'S FOREST RECOVERY

Paying for what forests give

In 1996, Forest Law 7575 made the idea national. It created a fund, called FONAFIFO, to pay private landowners to protect and grow forest. The payments are for four services: storing carbon, protecting wildlife, regulating water and keeping beautiful landscapes.

The first applications came in 1997. Since then, more than 18,000 families have taken part, with more than 1.3 million hectares under contract. About 7 million new trees have been planted on private land. In 2004, the rules were changed to help small landowners join.

21%

of Costa Rica covered by forest in 1987

18,000

families have joined the payment programme

1.3 million

hectares have been under contract

A recovery, with a catch

Forest now covers nearly 60 percent of the country, E+E Leader says. From 2002 to 2024, Costa Rica lost only about 31,100 hectares of primary forest.

Who deserves the credit? That is hard to say. Cutting forest was already banned. Other changes also helped. Farm subsidies ended, cattle ranching earned less, and nature tourism grew. Researchers see the payments as an important part of a bigger change.

The money is also at risk. About 90 percent of the programme is paid for by fuel taxes. As more people drive electric cars, that money may shrink.

How it unfolded

- **1987** Forest covers only 21 percent of Costa Rica.
- **1996** Forest Law 7575 creates FONAFIFO and the payment programme.
- **1997** The first applications from landowners are accepted.
- **2004** The rules are changed to help small landowners join.
- **2020** Costa Rica signs a carbon payment deal with the World Bank.

CHAPTER TWO

What makes it special

Costa Rica did not only forbid cutting. It paid people to keep trees standing, so a living forest had value.

This is a success with a warning attached. The money that protects the forest may shrink.

OUR TAKE

When standing trees were worth something to the people who owned them, forests began to come back.

CHAPTER THREE

What we can learn

1 **Make the right choice pay**

Landowners were paid to protect forest, so keeping trees made sense.

Try this: Find a way to reward the behaviour you want, not only punish the behaviour you don't.

2 Test small, then grow

A 1,600-hectare test came before the national law.

Try this: Try an idea with a small group first. Share what you learn.

3 Be honest about credit

Many changes helped the forests, not only the payments.

Try this: When you succeed, name the other things that helped too.

4 Plan for the money

Fuel taxes pay for most of the programme, and they may fall.

Try this: Ask where the money will come from in ten years.

ONE THOUGHT TO TAKE AWAY

A forest returns faster when it is worth more standing than cut.

Sources

SDG16+
Payments to landowners for forest conservation in Costa Rica

E+E Leader
What Costa Rica's Forest Recovery Reveals About Conservation

Wikipedia
Deforestation in Costa Rica

Fact-check note: The sources agree on the broad story and differ on some figures. Low point of forest cover: E+E Leader says forests covered 21 percent of Costa Rica in 1987; SDG16+ says that by about 1990 less than 25 percent remained, down from well over half in 1950; Wikipedia says about 80 percent of Costa Rica's forests disappeared since the Second World War and that the country had one of the worst deforestation rates in Central America in the 1990s; the story uses the 21 percent figure for 1987. Causes (cattle ranching and banana plantations) are from SDG16+ and Wikipedia. The 1986 natural resources ministry, the 1987 environmental education plan, the growth of national parks and ecotourism, the 1994 government, and the Fundecor pilot of 1,600 hectares are from SDG16+; SDG16+ says these helped shift public opinion, which the story does not claim; the figure of about seven million new trees planted on private land is also from SDG16+. Forest Law 7575 (1996) and FONAFIFO: both SDG16+ and E+E Leader. What the law bans differs: SDG16+ says it prohibits changing public forest land into non-forest, covering about 40 percent of forested land, with FONAFIFO paying owners of the other 60 percent; the story therefore says only that the law created the fund to pay private landowners. The four services (carbon, biodiversity, water, landscape) are from E+E Leader; SDG16+ lists the services too. Applications from 1997 and the 2004 restructuring to help small landowners are from SDG16+. Contract length differs (five to ten years in E+E Leader, five to 16 in SDG16+), so the story gives no length. Participation: E+E Leader says more than 18,000 families and more than 1.3 million hectares under active contract, with more than $524 million invested; the story uses the first two. Forest cover "nearly 60 percent today", the 2002 to 2024 loss of about 31,100 hectares (a 2 percent decline), the question of credit (a November 2025 analysis by Hernández-Blanco and Costanza, in Ecosystem Services, cited by E+E Leader) and the fuel-tax risk are all from E+E Leader; other reports give a lower present figure (a search summary mentioned more than 53 percent in 2010), which we did not open. That about 90 percent of the programme is paid by fuel taxes is from SDG16+; E+E Leader says 3.5 percent of fuel tax revenue and 25 percent of water fees. The World Bank carbon deal signed in December 2020 (up to $60 million) is from E+E Leader and SDG16+. The quote is the opening argument of the E+E Leader article, a business magazine; it is an opinion, not a finding. The Centre for Public Impact page, the World Bank page and Courthouse News could not be opened (404 or 403). We did not check the programme's results after 2025. The pin shows San José, where FONAFIFO is based. Lines marked "Our take" are interpretation. Everything else comes from the sources above.