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Interviewee: Franz Tattenbach

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CAMERON: This is Blair Cameron from Innovation for Successful Societies. I'm here in Escazú in San José, Costa Rica with Franz Tattenbach. Franz, thank you very much.

TATTENBACH: *You're very welcome.*

CAMERON: First of all, could you give me a little bit of a background about yourself and how you came to be working at FUNDECOR (*Fundación de Cordillera Volcánica Central* – Foundation for the Protection of the Central Volcanic Mountain Chain) and also a bit of a background on what FUNDECOR is?

TATTENBACH: *I came to work on FUNDECOR as part of a technical assistance team from the USAID (United States Agency for International Development) project called FORESTA (Forest Resources for a Stable Environment). I used to work for Price Waterhouse, the consulting branch and together with CATIE, the Centro Agronómico Tropical de Investigación y Enseñanza (Tropical Agricultural Research and Higher Education Center), they had teamed up, Pricewaterhouse and CATIE, to provide technical assistance to this nascent project called FUNDECOR. So I was part of the team, and I went from there to becoming very interested in the field. Then some person on the staff—at the family level, my wife getting a very interesting long-term job made me more adventurous, and I did go for a job with a small NGO (non-governmental organization), called FUNDECOR then, as a CEO (Chief Executive Officer) as it was offered by the board so I took the position.*

CAMERON: What year was that you came?

TATTENBACH: *I started working with FUNDECOR in 1991, but I became the CEO in 1993.*

CAMERON: FUNDECOR being operating a couple of years before that right?

TATTENBACH: *Right.*

CAMERON: Can you give me a little bit of a background on what FUNDECOR—what the goals of FUNDECOR were?

TATTENBACH: *It was supposed to get policy reform in the forestry sector in Costa Rica, dealing with natural resources, sustainable management of natural resources, particularly with water I presume. That's why the Central Volcanic Cordillera [Conservation Area] was set. It also was supposed to work with—Costa Rica had in those days the highest rates of deforestation in the world, so it [FUNDECOR] had to do with the policy of trying to bring about the change in deforestation. Absolutely, that was the number one issue of FUNDECOR. But with a development edge, with an income edge, making sustainable development credit. But the goal was around natural resource preservation, conservation, sustainable use of the forest around the Central Volcanic Cordillera [Conservation Area].*

CAMERON: In your first years as the CEO, what were the first steps that you had taken toward these goals?

TATTENBACH: *One had to do with the economics of forestry. I think we took very seriously that part of the forestry. We had competitive alternatives; we developing countries know that regulation is one thing, implementation is another thing, so you have to work—we used to call it in FUNDECOR Caesar's approach. You have a*

regulation on the top and you have to have incentives at the bottom or vice-versa, whichever you want. We worked very hard at both; at making sure that the regulations that existed were applied for better, but also at the same time being very consistent at putting incentives for forestry.

FUNDECOR, the first job that I took as the CEO was gaining the trust of forest owners, that we really meant to improve the benefits of the forest, to bring [benefits] not only to society, but to them. To me, it was very obvious that there was a gap in this speech. It was not about—you do it through regulation. Costa Rica had experimented with that, which was valid, expropriating lands and turning into national parks and excluding people, which is fine. I mean there is some room for that, and Costa Rica had done a lot of that and had been famous for doing that. But the Central Volcanic Cordillera [Conservation Area] wasn't really quite well; its core nucleus areas of property protected were there already. So the challenge now was in the buffer zones of the parks.

You always are going to have a buffer to protect the park and if that buffer—if you don't do forestry activity, you are left then with uses that might be more damaging to the totally protected ecosystem of the natural parks. So it was important to get forestry as an ecologic activity, it was critical and crucial.

The other thing was having a very clear and trusting relationship with the farmers that we were not just preventing them from doing things or wanting to expropriate them to appease the national parks. Total respect for private stewardship of property was critical. So that was the name of the game. Can we do it without expropriation? Can we do it under the private property? So that was a critical precept which was part of FUNDECOR's—it is FUNDECOR's inquiry and goals. The team that we formed around that idea, that we have to make forestry profitable, to increase its profitability.

At the same time the law already was sort of prohibiting land use change to an extent.

CAMERON: This was the 1990 Forestry Law?

TATTENBACH: Yes, but it wasn't—.

CAMERON: The 1986 law?

TATTENBACH: Yes you needed a permit, like anywhere else, like everywhere in the tropics where you can land use change with permits that nobody gets [laughs]. Except the very, very large projects which they get denied anyway. So that was important that we set that clear.

CAMERON: Can you talk to me about—?

TATTENBACH: I'm sorry, that was one thing. The other thing was that we had enough of the protected area that was clarified in the beginning. We needed to evate, to bring down deforestation at huge rates. I'm talking about average of 8% per annum in our area between '86 and '92. It was our first satellite. Then the second thing was to be very bottom-line oriented. The major—the only goal of this, for many years was to bring down deforestation in private lands. We measured ourselves against satellite images and we had teams promoting. So we used a lot of technology in those days to target hotspots, deforestation hotspots, to target, to build models

around it. So we were very early adopters of some technology if for no other reason than to be more effective.

We knew we had a capacity to involve maybe, who knows—hundred farmers or fifty farmers per year maybe with 5000 hectares total. Average size of a forest was around 80 hectares, 100 per forest. So if you knew which farms were the ones who were going to be deforested, that is about what you were losing. You were losing about 5000 hectares per year. So you didn't know exactly which ones. This is not that kind of a personal game, but you know where the hot spots are and we worked very hard at that. That was very effective, targeting was extremely effective. The way we engaged farmers in our programs, which when I left FUNDECOR reached around 45,000 hectares per forest and about 400 farmers, 450 farmers—indeed it was the size of Braulio Carrillo National Park. We thought about adopting whatever we could.

So forest management was one of the answers, for income. Natural forest management. FUNDECOR was one of the first to promote certified forest management in Costa Rica. So we were very early on, we worked very hard on many elements there from making it easier, providing technical assistance, to working with market mechanisms like bids for the wood, starting with bids and getting some of the market imperfections out. There were a lot of information gaps in the logging industry, the major one—

The point is that you as a farmer, or as a forest farmer, might come to the market with wood maybe once every fifteen years or every five years. A logger is constantly there. So it was a big information gap on what's going on. So that was a major element.

The other one that became obvious is that in our place, the Corillera, the forest was not that rich for forest management, not that apt for forest management. So the externalities of forest protection became very obvious to us, that we had to work with the environmental services as well. And that was the whole branch.

Through all the years in FUNDECOR and FUNDECOR work and still nowadays, FUNDECOR has [been] perhaps the strongest defendant of forest management, but at the same time was the innovator within environmental service payments, [and never gave them up. So now you look in many places and they change that, but FUNDECOR was consistent in that you needed both. What you needed was to give forests the best chance for economic return.

So that's how it worked. It was nice because in the region you had also—everything was happening, a lot of hydropower plants, small ones. It was easy to—not easy, but graspable [to form] alliances between forest owners and hydro and environmental service payment that brought the case to be very visible, very nice, a lot of political support and win-win situations in which you can—. I used to have an example to push the point that banana farms are one of the most productive agricultural activities in a per hectare basis. I mean it was very productive, it was very high-tech, the extreme of plantations right? It was a big infrastructure. You are investing maybe up to \$10,000 per hectare to have \$50,000 per hectare, to have a banana farm.

But that's it. So it was obvious to me that you needed to change the scales on the farms to figure more of the landscape, and you could have—your typical, small, micro watershed in the region was maybe 5000 hectares. \$10,000 investment per hectare was about \$50 million dollars. That was exactly the

amount of investment that a small hydroplant will bring depending on that watershed. So the total investment was about the same, but you needed to share a little bit better the risks and incomes and all that. So that was part of the idea of well, you can have—it's just as productive, but you need to—because if you're making that investment it's just as productive, but the dependency of the hydroplant, a more sustainable managed watershed without massive erosions and this and that, sort of there. So it was an important—it was an effective way of lobbying for the whole thing.

Also FUNDECOR's command, at a very good scale level, of what was going on was very critical. It was very easy to engage in the conversation with hydropower owners. You could show them what was happening on the map. You could show them the deforestation rates. They could do their analysis. They could come up with voluntary payments and figure out what rights they would have. All this was going on in good part there because there was trust. There was a lot of trust building between the different actors of the private realm.

Then of course [there was] also good communication with the board, pushing reform already when a package was strong. That was important.

CAMERON: I really want to get into some detail now on these things. One of the first things you spoke about was building trust with the farmers.

TATTENBACH: Yes.

CAMERON: After so many years [where] land appropriations for the national parks was a common sort of thing, how did you create that trust?

TATTENBACH: *I don't know, but it was very clearly mandated during my term in FUNDECOR. It was critical. Maybe with private meetings with them, maybe with proof. Maybe by getting them only really advising that and making sure that we always said that we were not for that [land appropriation], we were for private property and we were for—because we also had a program helping them consolidate land ownership. Maybe that helped a lot.*

CAMERON: Talk to me about that.

TATTENBACH: *We always had a program at FUNDECOR to—if the land ownership was not clear, we had developed a very complicated protocol to deal with that. Fights amount neighbors—it's his land, it's not his land, who recognized the land.*

CAMERON: So you acted as a mediator between—?

TATTENBACH: *Oh absolutely, we had a very tough protocol because we needed to know if we were going to help you, are you the legitimate owner. So we really needed a protocol.*

CAMERON: When you were mediating, what was your relationship with *Catastro* [National Register]?

TATTENBACH: Yes.

CAMERON: Was this like—they both had land titles saying—.

TATTENBACH: We used to call it promotion, but yes, promotion is going and visiting farms in the field and basically ranking the whole place and knowing who controlled the land. We knew that every hectare was controlled by someone, emotionally, morally, or factually. So who was this person?

CAMERON: So that earned you some respect amongst the farmers?

TATTENBACH: Some of them had clear titles, some had titles with a problem. Some had possession without a title. This very complicated protocol actually went all the way from FUNDECOR protocol to the World Bank third eco-markets. It was part of the law; otherwise the law wouldn't have been passed. That law was all through Congress. The reform came, built it into the law that ecosystem payments could be given to people still in the process of securing land ownership or land title if they could prove A, B, C and D. There was a whole protocol. It was very similar to what FUNDECOR used to use.

CAMERON: Okay, so—.

TATTENBACH: And this was the last ecosystem market law. Not the first, not the second, but the third.

CAMERON: So when you were doing these negotiations to decide on the boundaries of people's land, it wasn't necessarily helping them register their land properly, it was just really defining what their land was for your program?

TATTENBACH: No, both.

CAMERON: Both, so then once it was figured out they could then talk to the *Catastro*.

TATTENBACH: Yes, we helped with the whole thing. We realized that land ownership was critical because deforestation was—because you didn't need land ownership for anything else but forestry activities. I mean if you have a cattle farm, you don't need to prove the farm is yours [laughs]. But if you want to do legal forestry, you need to prove that the farm is yours to get a legal permit. If you need to get an environmental service payment, you need to prove that the farm is yours, but any other activity that was not forest-based, you just carried on. You maybe need to prove that the cow is yours but not the farm.

CAMERON: Can you talk to me about the earliest experience—?

TATTENBACH: So land ownership was very critical to us. Again, a lot trust with the farmers, because we were not trying to—there were two, and still right now, right now in SINAC (Sistema Nacional de Areas de Conservación – National System of Conservation Areas) and everywhere, two very strong positions and you could identify them, with some people saying, “No you don't do that, because then expropriation is going to be more expensive. Our ultimate goal is expropriation and if [the] forest it is safer and forever. This forever thing in government hands.”

[That is] still some strong line of thought: “What you're doing is helping to make it more expensive for this society to all those groups.” But always also, Blair, it is important to know that all these measures of helping people title or gain control of their land was done strictly, only outside national parks and protected areas. If there were conflicts inside, we had another program for that, which was a land purchase program. We have nothing to do with it. We recognized those limits very clear. But in the gray area, we went with the private sector.

CAMERON: So these two strong positions, the people who wanted to expropriate more land to make national parks and the people who want to work with the private sector.

TATTENBACH: *Exactly.*

CAMERON: So in FUNDECOR, you only had the one thing and that was your main thing.

TATTENBACH: *Of course.*

CAMERON: But when you were working with other organizations, were you ever under pressure—were the other organizations pressuring you to change?

TATTENBACH: *Of course.*

CAMERON: Can you talk to me about that?

TATTENBACH: *Well, remember it is a small country. I mean the pressures are—there are ideological discussions: is one policy better? The whole thing is more about policy effectiveness. We both accept that the ultimate goal was conservation of these forests, but which one was more cost-effective, [which one was] faster to get there. It was very obvious that the old method was not working to me.*

CAMERON: Who were the main people on the other side of the fence? People within SINAC?

TATTENBACH: *Maybe, people in SINAC, maybe. I don't know. I mean the conservation community was—we were the newcomers in the conservation community and looked upon suspiciously I presume. We still are, probably, FUNDECOR, looked upon as suspicious.*

CAMERON: Why?

TATTENBACH: *Because of that.*

CAMERON: Because you've got a new perspective?

TATTENBACH: *Yes, because we monetized forests and we openly said so. We openly wanted to be so, in a non-communal way. "In a communal way" has not been accepted. Old national parks provide money for [Indecipherable] outside the national parks. But that doesn't make you—the very tough concept of land rent from forests is what we were working with.*

CAMERON: I want to talk about how you valued environmental services, how you valued the forests?

TATTENBACH: *In what sense?*

CAMERON: How did you put a number on it?

TATTENBACH: *We had two approaches. We developed them. I always was a—I'm a spatial economist by training. I studied spatial economics, spatial geography I mean in Cornell. It was very clear to me that it was about opportunity cost. For the farmer what matters is opportunity cost, and for the society, both ways, but it is stupid when you don't have the funds to pay society to pay farmers based on merit of the forest. It is stupidity. That is another—. So FUNDECOR was always in the*

middle, but the other side [would] say, "Oh no, you have to pay here more because it has more biodiversity and needs more water" and well, maybe you don't have to pay for, maybe you make sure you pay there first.

The minimum point is the—

CAMERON: The opportunity cost.

TATTENBACH: *The opportunity cost for the farmer, which is based on maize with corn—it is not based on the other things. But it wasn't—there is a lot of fuzzy thinking on this still now. So there is no clarity on this.*

CAMERON: Can you talk to me about the early, sort of pilots that—?

TATTENBACH: *We based our recommendation of a rate—because FUNDECOR recommended the rates or recommended it—not only FUNDECOR, I mean when you are an NGO like FUNDECOR, you spend your time at lots of meetings with policies being discussed and formed. Anything, the environmental community, the ministries, SINAC, the authorities, the board, it's an ongoing process. But our recommended rate was probably very much prescribed based on a very simple way to estimate it, which was the ongoing rent for pasture for cattle. Pasture land rental rate for cattle. Because that required very little management input, it had very little improvement input, so it was very much [a] fair land rent.*

If you get pineapple and all that, that is not true, that's not a very good comparison, because that requires a lot of other kinds of investments on top, so it is not a fair comparison. A fair comparison is when you have bare elements, when you're doing investments on both sides.

CAMERON: When did FUNDECOR first experiment with paying for environmental services?

TATTENBACH: *We did it with a group called Los Higueros up in Guapiles. 1800 farm owned by like 20 farmers, comparably. I think it is in the [Indecipherable] of the biography [Indecipherable] or nicely recorded, kindly recorded from the record in the biography. That was 1992, 1993, '91, I don't know. Maybe '91, '92. I think I was not even the CEO then, I was just advisory.*

CAMERON: Can you tell me where the idea came from?

TATTENBACH: *To pay them?*

CAMERON: Yes.

TATTENBACH: *I don't know, it was floating in the air.*

CAMERON: Was it called payment for environmental services at that stage? Do you remember?

TATTENBACH: *[Laughing] You'll have to go to FUNDECOR and ask them for the records. They should have the original signed agreement with Ulisis Blanco. You should interview Ulisis Blanco. How's your Spanish?*

CAMERON: It's okay, I have an interpreter. I understand but I have trouble—

TATTENBACH: *He's a great guy.*

CAMERON: Ullis Blanco.

TATTENBACH: *Yes, he's an activist, a farmer, activist. He is quite a character. He is a tough activist, bad owner. He is an activist, but always leaves the ownership behind.*

CAMERON: He was one of the early people working with FUNDECOR when they developed the system?

TATTENBACH: *Yes. We consider one of our major successes when we passed our agreement with him, which was, we were [went from] being paid of our own money to being paid by the government—PES, environmental service payment. That was grandiose when we could do that. You could feel the trust that was created at that time when we had completed the cycle.*

CAMERON: So the government came on board with that?

TATTENBACH: *The PSA [Indecipherable].*

CAMERON: So this was in 1997 when—?

TATTENBACH: *1991, we were doing it with FUNDECOR money.*

CAMERON: Okay, right. I want to talk about sort of the negotiations—.

TATTENBACH: *We were paying \$10 only, we could not afford more.*

CAMERON: Ten dollars a hector?

TATTENBACH: *Yes, but the lands were not that accessible, it was okay.*

CAMERON: I want to hear about the sort of discussion, negotiation process with the government between when this project started and when the government was looking to introduce PES in the '96 forestry law.

TATTENBACH: *It was very natural because FUNDECOR already was working with the—the concept of PSA (payments for environmental services – PES in Spanish) Costa Rica had come with several studies, the World Bank, maybe others, who were talking about the value of forest and services, more than just wood. But how do you translate this? You can expropriate and then, no need to translate too much. Society gets it, farmer gets paid somehow, maybe not too much.*

CAMERON: As far as decision-making though, did you meet with René Castro [Salazar] and talk about—?

TATTENBACH: *Of course.*

CAMERON: And talk about the success of the program and how—?

TATTENBACH: *Of course.*

CAMERON: Could I get some details on that, like did he come to you? Were you having regular meetings with the government?

TATTENBACH: No, the (José María) Figueres administration was pushing very hard on joint implementation or activities implemented jointly—the whole climate change deal prior to maybe the first COP (Conferences of the Parties). Prior to [the] first COP in Berlin, [the] climate change COP. The government was very close allies with the (Bill) Clinton administration, so they got a little support so that Costa Rica could be early there with this idea of carbon markets or result-based implementation. The whole program is called Activities Implemented Jointly (AIJ). I don't know if you have followed that a little bit. It was the nascent or the precursor to the CVM (Contingent Valuation Method).

As part of that—and those of us who were implementing—the conservation community, environmental community, were aware. FUNDECOR came forward with a very precise and concise project called CARFIX and formally presented it to René. That project has all the elements of [Indecipherable]. It was twenty years ago. It has total conservation in the form of parks by buying lands, forest management, reforestation. It has everything. It is a very comprehensive project. The volcanic area, the ACCVC—the Área de Conservación Cordillera Volcánica Central (Central Volcanic Cordillera Conservation Area). So that project was what really elevated FUNDECOR in the eyes of the government, because then when they [the government] came to look at the project, the big difference was that the project was not a paper project, it was a documentation of what FUNDECOR had been doing in the last five, six years successfully and how more money would make it more successful.

Environmental service payments were there already with this group that we took earlier. Forest management was there, reforestation with native species was there. Controlling national parks borders were there. We had a big program to control the borders. So all the—today those things are called red options or red alternatives or something.

CAMERON: Okay.

TATTENBACH: They were identified there, and they were real. So it made it very easy to, from there, to get their support. The only—I still remember them telling me, “OK great, but now you have to do it nationwide [laughing].

CAMERON: When did he say that?

TATTENBACH: Earlier, at the beginning, when it [the project] was first presented. When he learned that we wanted the project, because the project was qualified by USAID very well.

CAMERON: This was in 1994 right?

TATTENBACH: Earlier, maybe 1994, 1993. Of course we couldn't, since the court did not operate in 1993. What we did though, was to separate, not to create a conflict of interest resulting from a Costa Rican Office of Joint Implementation, [of] which I was named director.

CAMERON: The Office of Joint Implementation.

TATTENBACH: I was named the coordinator and then we staffed it with people from the National Chamber of Forestry, National Chamber of Energy Producers, private energy producers, public energy producers. So we made a national think tank for the

implementation phase, which took the whole swath of carbon markets, from energy to forestry nationwide, and that was very successful.

CAMERON: When was that? What year?

TATTENBACH: *In '94, something like that.*

CAMERON: Then what was the role of this organization?

TATTENBACH: *That was after COP 1, COP 2. After COP 2, with legal status and the whole thing. We used to work with CINDE (Costa Rica Investment Promotion Agency) so it was really part of the national policy. We used to be imbedded in the export promotion agency, which was very powerful because it sent the message that we were working with the private sector, sent the message that we're serious, that the decisions are being taken seriously. It was a very good design. My position was National Coordinator. We had great representation, great [Indecipherable]. It was operated by sort of a board with private sector energy producers, which in Costa Rica can only be renewable by law, and the forestry sector, and SINAC was there. We were doing projects for parks, projects for FONAFIFO (Fondo Nacional de Financiamiento Forestal – National Forest Financing Fund) and projects for the private sector for renewal energy.*

Costa Rica was for many years the number one in the world in number of projects for [Indecipherable] and stuff like that.

CAMERON: Can you talk to me about the activities that this Office of Joint Implementation did?

TATTENBACH: *Basically we did two things. One, we were very knowledgeable of the opportunities internationally that were there, like around the climate change convention and things like that. Two, we would promote and provide advice all the way from project design to those who wanted to participate in this nascent carbon market, for lack of a better name. So from 40 million dollar project, from wind energy or hydro to more environmental associations, all of them were treated equally. So yes, it was very active, very, very active nationally. We were very visible, very active.*

In this setting, of course it was easy then to push for the reform of the forestry law. World Bank attention came later after success here. Norway was part of the big top level association. Norway wanted to promote renewable energy but the government under the—the project was in the FUNDECOR watersheds. So we pushed extremely hard that they would develop also the forestry project and they did. They came up with the first 2 million dollars' worth of carbon consumption.

CAMERON: Right. And that funded the first year of PES.

TATTENBACH: *Yes, but that didn't come easily. That did not come easy. There was a lot of negotiation. It would have been easier just to go with the renewable energy.*

CAMERON: Were you involved in the negotiations—?

TATTENBACH: *Oh absolutely. Directly, I was the special envoy. In those years I used to have a Special Envoy in Climate Change title. I had that title for three presidents, President Figueres, President (Miguel Angel) Rodriguez, and for a little bit of President (Abel) Pacheco. I was Climate Change Ambassador.*

CAMERON: Can you talk to me about those negotiations with Norway? What did Norway say, and how did you convince them to fund PES?

TATTENBACH: *We put it on that it was good, that along with it, that if they went ahead, they would provide serious funding to the law and it would be matched with, because of the tax. So the opportunity to be innovative with policy, it was actually—and it was true, because it provided a lot of political leverage for us. I know we were as is, but we provided a lot of political leverage to lobby for that within the government. Gave a lot of political leverage to René to change the thing.*

Innovation needs a lot of momentum because you have to break—the inertia is huge. You know there was kind of incentive for forestry in the country, but it was not PSA, it was based on the concept of forest infant industry, consented for forest management only or reforestation. That is what happened.

CAMERON: The law passes in 1996, the Forestry Law. What involvement did you have in that?

TATTENBACH: *The law?*

CAMERON: Yes.

TATTENBACH: *Total.*

CAMERON: Talk to me about it.

TATTENBACH: *Many of the critical articles of the law were drafted on the FUNDECOR blackboard with lawyers from ourselves, SINAC, myself. It was my office blackboard where many of the critical articles were drafted, at least Article 69, I'm sure it was [drafted] there.*

CAMERON: Who else was at the table?

TATTENBACH: *SINAC's lawyers might have been at the table, Mario Leiva (Vega) maybe. Mario Leiva, he has passed away*

CAMERON: SINAC lawyers.

TATTENBACH: *He was a SINAC lawyer, myself, Carlos Herrera, FUNDECOR sub-director or deputy director then, probably Gustavo Solano, maybe Pedro Gonzales as well. I don't know, FUNDECOR staff up there, all those involved in forestry promotion. Mariano Cenamo maybe, later a congresswoman of the Libertarian Party, I don't know who else was there, it is hard for me to tell but definitely it was FUNDECOR staff. For sure we had the concurrence of—I don't know if formally, but probably informally SINAC lawyers were there.*

CAMERON: Were they the only sort of direct government representatives there?

TATTENBACH: *What?*

CAMERON: Were the SINAC lawyers the only sort of direct government representatives?

TATTENBACH: *Yes. Policy has to move faster, you cannot have the—.*

CAMERON: You can't have the politicians [laughing]?

TATTENBACH: *No. We knew René wanted it and there was an opportunity. It was not even René but—no, René was there. We passed that law, the 1996 law.*

CAMERON: René was the minister then.

TATTENBACH: *René was the minister then?*

CAMERON: Yes.

TATTENBACH: *Yeah, René wanted it and we were pushing it, but we needed—we were being consulted by the Congress people too.*

CAMERON: Like?

TATTENBACH: *Several parties, not only (National) Liberation (Party). No no, René himself would not have—he would not have recommended to open it more, because there was a window of opportunity.*

CAMERON: What were the most important things that created that window of opportunity?

TATTENBACH: *There was, I think there was a very large discussion, which I was quite involved too, with Ottón Solís (Fallas).*

CAMERON: Ottón Solís?

TATTENBACH: *Yes, he was a very, very—founder of the Party now in power. He was a congressman then in those days. He is a congressman now again. He was a congressman then and he was promoting a law called—I don't know how it was, but basically it was a moratorium on lobbying.*

It was very debated, it was very strong. He then belonged to Liberation. He was not in our Party. He used to belong to the—.

CAMERON: So he was part of the party in power at that time?

TATTENBACH: *I went to many heated debates with him. He wanted to put forward a moratorium. He had quite a bit of support on the moratorium. So I think there were some people, like René might think that this was a—and I think he is right to an extent—that this was a response to that moratorium. It was not a moratorium on logging from the court, we did not want that at all. Nor did the industry. But it was a moratorium on land use change in exchange for environmental services. That was the transaction.*

So, many times that was the political transaction [Indecipherable]. Because you hear, "Oh Costa Rica is stopping deforestation has nothing to do with environmental payments," I beg to differ. But of course it has more to do with the moratorium on land use change. The moratorium always was there on land use change. Tell me how much land use change happened permanently for: very little. So this made it impossible, but before it was possible but not effective. But the fact that you have it in the law, like a blanket for revision for land use change, was only possible in exchange for if you compensate me. So that was floating there. So against compensation, it wouldn't be possible. Basically it was not

expropriatory and that is in the spirit of the law and that is what was drafted in FUNDECOR's, you know.

That is why Norway was so important because it brought some early cash to the whole operation, even before the law happened I think. Norway might have been a promotion of the law. The law was enacted I think in March, 16th of April. My wife's birthday [laughing]. So I don't forget either one. It was an incredible law, it was very, very powerful.

I think Norway came first because the law itself already had the 5% tax. The law already in Article 69 had the tax, fossil fuel tax. It is Article 69. Article 22 was never applied; it has no funding specified to it. It is just like all the environmental laws in many other countries. [Cameron laughs] It is a call to action. We call it [Indecipherable], but there is no money. But in 69, the money is there. If you see it you will find the two articles, 22 and 69, because 22 was what was in Congress and all baloney. I mean 69, SINAC lawyer, FUNDECOR office, my office, I smoked plenty of cigarettes there.

CAMERON: I want to talk about this political—.

TATTENBACH: *But René knew completely. I mean René was completely aware of what we were doing, and he had to push very hard. We had a lot of pushback on this.*

CAMERON: From who?

TATTENBACH: *From the industry. They didn't understand. From, I don't know, maybe the Ministry—I don't know who else but I know industry at least was very suspicious of these things because they thought it would potentially go to conservation. Article 69 is very careful to highlight forest management, conservation, reforestation. Those were words out of FUNDECOR.*

CAMERON: I want to talk about the—.

TATTENBACH: *Not only FUNDECOR of course. We were part of the group of forestry.*

CAMERON: This transaction that you talked about—.

TATTENBACH: *But we were leaders then; FUNDECOR was in a leadership position.*

CAMERON: This transaction, land use change or payment for environmental services. Was it like the idea for banning land use change—totally, absolutely—was the idea, and then the industry representatives formed further—.

TATTENBACH: *It didn't happen like that.*

CAMERON: Talk to me about how it happens.

TATTENBACH: *I don't know. I think it is something that floats. I don't think it happens. I think it is something that maybe made it easier. I think it is tremendously—it is not a coincidence that it is in the same law. I always have said that. It is not a coincidence that the prohibition for land use change and the obligation of the government to look for funds to compensate—because that is what it is; it doesn't say how much. It just says that it should do its best. It recognizes the fact that forest owners are making a sacrifice in favor of society. So all this makes it morally [a] very important transaction. The benefits, or externalities, are not my*

benefits because up to here, the talk was, "You guys are stupid, you don't know forests are worth more." Yes, says who? [laughs] It is worth more for whom? I mean we used to have a very nice—it is in some German publication—a farmer, country, world. Then you had a kind of wood, maybe goes to the farmer. But the rest, CO2 is a world thing, water is a country thing, it's not a farmer thing. Biodiversity is a world thing, and beauty, I don't know if such a thing exists is not the farmer but the neighbor—.

CAMERON: Country.

TATTENBACH: *So basically FUNDECOR was driven by that thing which was my construct. The law puts it there. Then what happens is that it is instrumental—I think Blair, my afterthoughts, after twenty years, is that that law and the way it was done was the consummation of the trust FUNDECOR had been building with the forest owners, that we really meant it. We really meant it. We will not expropriate it, we will compensate based on the external values. That doesn't need to last forever. It may need to last only one generation. But the fact that that was a consummation of that [trust]...*

And on the other hand, also, the transactions don't have to be driving so hard, I think, to the bare economic value. It was a moral issue. Put your money where your mouth is. But you cannot come from the city, and tell me this is very important for you, for the future generations, for the world, for (Karen) Christiana Figueres (Olsen), UNFCCC (United Nations Framework Convention on Climate Change). Christiana was on the board of FUNDECOR, by the way.

CAMERON: Right. Okay, so you're drafting the law on the blackboard, how does that then translate into being on paper, in the parliament to be—?

TATTENBACH: *To be re-implemented?*

CAMERON: Yes.

TATTENBACH: *The law created FONAFIFO too, but it gave FONAFIFO more form. FONAFIFO sort of existed. The success of the law was based on—it built, strengthened, framed, existing practices. FUNDECOR was already paying environmental services in Los Higueros to Ullis Blanco and his twenty families. It grew. Forest management was being given. Something that was not maybe called FONAFIFO already was dealing with some kind of incentives. So we took advantage of a lot of things existing and provided a much better—.*

So I would say that, like many things in implementation [Indecipherable] from tactics to strategy, not the other way around. It was about a month. I mean many things were already in place, but it needed a grander, bigger idea that would gel the whole thing or frame it for longer.

Now it is very difficult. Ask the current board. It is very difficult to do it. It is a lot of support. Society is not quite aware that maybe 1.5% of the taxes in fossil fuels go to forestry. The government has made a miserable job there of explaining what percentage of our fossil fuel is neutral already because of FONAFIFO. How come they have not been able to use this as propaganda? It is sad.

CAMERON: I want to talk about this tax, the carbon tax.

TATTENBACH: *Article 69.*

CAMERON: How did you implement a carbon tax in 1996?

TATTENBACH: *Well it is a tax on fossil fuel, simple sales tax on fossil fuel.*

CAMERON: How did you sell that to Congress, to the public?

TATTENBACH: *Nobody likes taxes.*

CAMERON: The public, the public doesn't like taxes.

TATTENBACH: *The public didn't know much, it's a little bit.*

CAMERON: Because it was so small they didn't notice?

TATTENBACH: *I don't know how they worked it. It is a neutral tax. It is very important. It is neutral. It is not for government; it is to pay out. It was a tax to go from the city to the country, from the bad to the good. I mean, come on, it is a great tax. It's true. And a lot faster. I mean people talk about carbon taxes now but you know waiting for the increment in price to have an effect on emission, I don't know, it takes so long. I mean here you're doing both; you're incrementing the price 1.5% and plugging that into a much more cost-effective activity that reuses emissions. As a matter of fact I can show you graphs where from 1994 maybe, to 2005, all the increments in emissions due to fossil fuel burn is totally matched by the reduction of emissions from the forestry sector. So in a way, at least for ten, fifteen years, it completely matched. It completely erased the effect. I wonder where we would be now if the world had done the same thing. I always wonder. It was quite acceptable, a 3% tax on fossil fuels. What is the barrel now? \$58? \$60? 3%.*

So Costa Rica has abated the growth in emissions rates. Now, after 2005, there are too many cars, so you cannot hold it anymore. But it still is capturing emissions. The forestry sector still is capturing emissions. [Indecipherable 00:58:30]

CAMERON: What were the big obstacles to getting the law implemented and passed?

TATTENBACH: *We don't think in obstacles. If the law had failed probably I'd have a list of obstacles here.*

CAMERON: Were there any big groups against it? Or powerful people?

TATTENBACH: *We had a little bit of a rough time with the forestry industry, a little bit. But they trusted FUNDECOR.*

CAMERON: The forestry industry represented by?

TATTENBACH: *They would say they were foreign loggers or something like that. They were suspicious that we were changing the name. They were suspicious that we were paying out for conservation as well. But not really, again, I'd say it was light opposition and easy to—. But that was an opposition but once later on—I remember many meetings with the president of the Costa Rican Chamber of Forestry, Leopoldo Torres then, general manager of Portico. Lives in France now. You might have a nice interview there, nice wine, very wealthy. Might make for a good interview there.*

CAMERON: So he was the head of the CCF (Cámara Costarricense Forestal – Costa Rican Forestry Chamber)?

TATTENBACH: Yes, head and creator.

CAMERON: I'll see if I can sell that to my boss, a trip to France on the weekend [laughs].

The day the law passed?

TATTENBACH: He said, "OK Franz, we'll go along with it." He was not really liking it because he was sacrificing money.

CAMERON: Where was he sacrificing money?

TATTENBACH: Let me tell you a little detail that convinces you that I was there. It was the forest management [that] was getting an incentive. It took a long time for Costa Rica to reform—paying for reforestation to pay for forest management. It was a big—you see, we even built from that. Many of the reform ideas are just taking advantage of everything that is there. That job we had not done; that job was done already by [Indecipherable], his group, which had a big battle with the reforesters. The reforesters, they like reforestation, [Indecipherable] and that and the other, and very quickly, they turned and attack their natural ally, which could be forest management. But they are taking away incentives, they are competing. In this regard, the incentive for forest management was phased more in the concept of infant industry.

So it is an activity that you need a lot of planning, most of the money comes up front at the beginning, the hardest time is at the beginning. So you get 50% of the total incentive year one, then you get nothing for years two and three, maybe a little bit in year four to perform some forestry activities. Whereas the payment for environmental services, you are paying more for the services that the standing forests provide. There is no way you're going to pay more at harvest time, why? It doesn't make sense. You pay on the notion that it is an ongoing service. So we had to change the modality of payments. We had to change the modality of payment from more at the beginning, and then smooth it out to an equal payment per year.

Now in reforestation, the same discussion happened, but somehow I don't remember there. I think it did not get changed; maybe they lobbied harder, or they only had carbon as a benefit. That was another big debate, that was a tough one: should we pay for service? How many more services? Even the World Bank was very confused sometimes with this. You upset policy; when you become very delicate in policy making, you upset the process of policy making, negotiation. You cannot become so delicate, too technocratic. That is a recommendation for policy innovation; get it right in the big things, don't get it right in the little things. I mean, we were right in the big things, we were paying more or less, not too much, not too little to cause an impact. We were paying just about everyone so everyone felt included that had forests. But if you become—from the very beginning—too technocratic, pay only this and there and then there's going to be a position—you're still debating. Many countries in Latin America, after twenty years, are still debating the law. So be careful, beware of going too much into detail, because you've got to get the principles right. The principle was—I think the big principle was, no land use change but compensation.

Now I'd like to explore now all the things in there.

CAMERON: Yes.

TATTENBACH: I'm more into land use swaps now, more aggressive ideas as a way of funding forestry conservation, and I have put that on the table already in Costa Rica. It is going to take a while, a little more aggressive.

CAMERON: Okay, the day the law passed in 1996 what happened, were you happy?

TATTENBACH: Oh yes, of course. Huge celebration. You know, you're so involved. I remember being called to celebrate the law. The President was there. We were recognized, we were duly recognized, maybe not totally. It always happens. The official part. But later on we were recognized.

CAMERON: What were the next steps for you after the law passed?

TATTENBACH: We continued working with FUNDECOR, with more strength. We fulfilled our promise to the farmers. We were not an expropriatory bunch. We believed in what we said. We carried on. We got a lot of prestige in front of the people in the Cordillera. We were very successful. They compensated us by engaging more. We grew. We proved that we had stopped deforestation by 2000. We had complete proof: deforestation was averted.

CAMERON: Nationally?

TATTENBACH: No, in—.

CAMERON: In the Cordillera?

TATTENBACH: Probably nationally later. Four years later, we did very well. FUNDECOR did a very intelligent transition of recognizing where it was better to innovate and where it was better to pass it to a national scale in FONAFIFO. That was discussed a lot in the board of FUNDECOR.

CAMERON: Talk to me about this.

TATTENBACH: Well you know, even in the Norwegian deal, we could have kept it for us. We could have said, "Well, no, this is dealing with the Cordillera, with FUNDECOR, safer for all the parties. You have a good NGO (nongovernment organization) run properly, by board. [Indecipherable] or do we take the risk of passing all the money to...

CAMERON: Was that a discussion that you had whether you should—?

TATTENBACH: Of course.

CAMERON: Keep the money?

TATTENBACH: A lot of times. Well, when I mean keep the money, it's whether the deal should be done with FUNDECOR. Yes, absolutely.

CAMERON: What made you make the decision to go to FONAFIFO.

TATTENBACH: I don't know; I thought it was important—who knows? Honestly, maybe I had a conflict of interest already because I was representing the country already at the national level [laughs]. So I had a nice conflict of interest. From the little to the more, not from the more to the little. So I don't know. I was hoping that it could be a country reform. But I also thought that we needed, eventually, a fossil fuel tax because the carbon market was going very slow. So this was a first hopeful transaction based on a worldwide carbon market which hasn't worked yet. Good thing we thought about it. I said, "No, maybe safer to turn it to FONAFIFO and then get a fossil fuel tax for the country meanwhile." So that is more what made us safer. Any other analogy would be obvious but yes, we didn't go with the prettier, easier thing, we went with the long term.

CAMERON: At the time, did you think that the carbon market would turn out as it has now?

TATTENBACH: Blair, I have been "Carbon Fool Number One" several times, not now, but I have been more than once, and I have cured myself and I have come back.

No, I didn't expect it was going to take so long. I didn't expect that it is still being used as a way of enticing policy reform. It could backfire again staying here. It has to be careful.

CAMERON: Do you say that in regards to REDD (Reducing Emissions from Deforestation and Forest Degradation)?

TATTENBACH: A little bit. There are opportunities there, but they belong more—it did not take that role, it belongs more in the land use swap or something else. It doesn't belong in the big value-added chain, service. Anyway I don't think it is going to go.

CAMERON: Let's go back to 1997 again. What sort of advisory role did FUNDECOR have to FONAFIFO in setting up the payment for environmental services system? What was that process?

TATTENBACH: See I don't recall very much. When you're a strong NGO like FUNDECOR, very strong, good budget, very prestigious board, top-notch board, better board than the bank, a prestigious board. I mean former ministers of environment, former ministers of treasury, very well-known people, Christiana Figueres. We had a lot of money, not a lot of money from outside; we had little money from outside, but FUNDECOR did not have to ask its opinion from anyone. FUNDECOR had a trust fund. We were totally independent thinkers. FUNDECOR was not the tail wagging the dog, FUNDECOR wagged its own tail. So we were very independent; we didn't have to depend on donors.

CAMERON: Right. Do you remember any—?

TATTENBACH: When you're like that, of course your opinion weighs very much. Why do I say that? There was a constant communication with FONAFIFO in spite [of the fact] that I, or anyone from our team, never formed part of FONAFIFO board. We tried for a while and it backfired. Carlos Herrera got kicked out or something like that; it did not work. That was too much.

CAMERON: Do you have any detail on that?

TATTENBACH: Why it backfired?

CAMERON: Yes.

TATTENBACH: *I don't know why it did, but it did. We promoted Carlos to try to get the director of FUNDECOR to be on FONAFIFO's board. He got elected, or suggested by the minister, but then—I don't know. Or he resigned because he did not like it.*

CAMERON: Maybe that's something I should talk to him about.

TATTENBACH: *Yes, talk to Carlos about it. He was, for a while, named in FONAFIFO. Carlos played a very important role. He was the bridge between FUNDECOR, the think tank, and SINAC. He came from SINAC. He played a communication that—he might be more aware than I am of how it happened because of that. He was former policy director of the forestry department and he was the last head of the National Parks Department. We did a lot with the parks too, Blair. That gave us a lot of moral authority.*

We were talking about woods and we wore the chainsaw on our back. We were the only ones really giving money and helping parks and making self-sufficiency schemes for the national parks, very very good. So FUNDECOR had the moral authority to talk with the conservation community because of our job in the parks.

Of course we had to deal with FONAFIFO, especially environmental service payment ones, the amount, the timing, the requirements, of course, we had a lot to do. We were the major users for a while, or one of the major users. Again and again, a lot of Costa Rica success is because it did not destroy what was available; it empowered it, it reframed it, it reinterpreted, it refinanced it. It went from a subsidy that we should get rid of to green tax incentives, it was quite a smart twist on the thing.

CAMERON: Can you talk to me a bit about the process of paying for environmental services through FUNDECOR? How do you attract the—?

TATTENBACH: *In that regard, FUNDECOR was less of a unique entity on that. We were expensive and not necessarily different from anyone else in San Carlos or anywhere else. We were—that portion of FUNDECOR was not particularly different. With a couple of exceptions maybe, one that we were very strong on land ownership, like I mentioned earlier, on helping that part and two, that we were more systematic on targeting. We had all the records from DIS (Dirección de Inteligencia y Seguridad Nacional – Directorate of Intelligence Services). But you know, we were more aware of all these things, more technified if you wish. The promotion is basically to identify farmers and properties, scouting kind of work. The difference was maybe that we were more proactive, because we were not being looked to by farmers, "Help me do that." We were more, "Farmers, you need to sign this deal" because we saw environmental service payments as a very effective deterrent of deforestation.*

So our bottom line was deforestation, never forget that. FUNDECOR's bottom line from the beginning to the end was deforestation, at least during my period. We monitored it furiously; we talked about it, only that. We might do other things; we might do a little bit of reforestation, but you know.

CAMERON: Bottom line is stopping deforestation.

TATTENBACH: *Bottom line was that. To prove that it could be done in private lands.*

CAMERON: So it is some academics' perception that payment for environmental services has basically paid people that weren't going to deforest anyway. Can you comment on this at all?

TATTENBACH: *It is a long talk, but I have done some good analysis on that and regressions, special regressions. It is not true. You can prove the impact. Number one, I mean, good analysis shows that it is a deterrent, but in a more notional way, and there are studies that prove the opposite. One of them is in the hands of FONAFIFO. It is called evaluating the valuing the [Indecipherable] or something like that. FONAFIFO has the study done for the World Bank. It was a lot of regressions there. But apart from that, maybe the concept is this, Blair, you don't pay people, you change the rent of land. I'm not paying you if you don't have land; you have to have land. So the rent goes to land, not to persons.*

So number one, it is not a personal payment: I want to deforest, I don't want to deforest. That is for sure. Second, it is very basic, it is very, very basic. If all of a sudden a forest standing has a potential value of \$50 per hector per year, which it didn't have before, that changes the rent of a standing forest. You cannot get that money if you deforest. So that has changed, immediately, the economic balance, maybe not sufficient, maybe not enough, maybe you wanted more, but it has. It is not exactly the same.

Now, is it a small amount? Not really. When you are talking in a country like Costa Rica, 30 or 20 million dollars a year is a lot of money; this is not peanuts. It would be the equivalent in the US of a billion dollars a year, so it is not peanuts. It is sizable for the country. You might want to find another statistic. You might want to find cattle, the big competition for forest. Costa Rica exports of cattle—they amount to more than 60 million dollars maybe. Halving that price, 30 million dollars? It is about the same effect. So, of course it is in the balance, no, it has made a difference.

Now what people are saying is you should have targeted better. Yes, FUNDECOR did target a lot. We did target more where we thought deforestation was—but you need a model to target it, and the model to target is the one that predicts deforestation, and it happens, by a lucky coincidence, that when you are proactively promoting, you happen to target better where deforestation is higher, because you have better access and roads. So not so bad. I'm not saying it was planned that way, but it happened that way. So it was not so bad. I have run very serious analyses, statistic analyses, special economics, and I found that under perfect knowledge, at a very gross scale, I mean under perfect knowledge, FONAFIFO might have improved eleven, fifteen percent better effect if they had targeted better. They were not doing that wrong. Were they planning it? No. It happened for whatever reason.

The only sector where maybe I would say that better targeting would have been better or a different approach would have been better, is water for human consumption. It was not as efficiently and as effectively protected by environmental service payments as it could have done with another policy. For human consumption—water from hydroproduction was okay because the industry itself put some incentives forward that guided the investments to the regions. But what happens in water for human consumption is that you have a very nasty situation where water is there for human consumption because there are populations, and populations go where there is water. When there is water there is deforestation pressure.

So in those areas definitely, maybe a policy to land purchase by the municipalities would have been more effective, which happens and they do anyway, by the way. So if someone asked me, yes, maybe a better targeting by municipalities of very specific water reservoirs might have been more effective. And the rest, the cost-effectiveness, tremendously more cost-effective than creating parks, which is the alternative, Blair.

Let me tell you how and why. When you have a policy like the PSA, first of all the policy impacts—I have a paper that I should send to you.

CAMERON: I would appreciate that.

TATTENBACH: *It is in Spanish.*

CAMERON: That's fine, I can read Spanish.

TATTENBACH: *It's not published but it's finished. It is not in my hands anymore. But basically Blair, it is the following. When you are applying PSA, the policy space where PSA is placed is about 1.5 million hectares in Costa Rica, the policy space. Why? Because anyone with forest has, in theory, access to it. First come, first serve basis. At least until 2008, 2010, it has changed a little bit, we can talk about it. It is complicated, but let's keep it simple. So basically it was first come, first serve with some modifications basis.*

Under that policy, the incentives worked over the whole area on the respective value. If I have a forest, I may not get it this year, but I'm in line. I may not get it next year, but I am in line. So basically one way to look at that, and we did some statistical analysis that proves that I think that is how it works, is that unless I'm getting \$60,000 per hectare for a year, 1/3 of the farmers, for 1/3 of the lands, you are getting \$20 per hectare for your respective value, [chuckling] countrywide. So the pull of economic policy over the space is equivalent of having changed the value of forest from \$20 per hectare per year, and that is the value of the policy.

On top of that it gives the government now, and SINAC and the conservationists, the moral authority to go hard with the [Indecipherable] that are violating the law of non-land use change. I think that is critical. That creates so much positive things in society. You are congruent when you have the moral authority to implement the law.

CAMERON: I want to ask you about that. Has that been something that has happened? Have there been like big prosecutions?

TATTENBACH: *Of course because people know now—people know it is illegal to land use change. But you don't hear farmers saying, "Oh but I need to use it for another thing." You never hear that counter part, that is gone. You might hear it in other countries, you need to plan for it. You may hear it about big economic projects. We need to do a road or this brings a lot more money, but you don't do it on the subsistent basis. Counter argument is erased, moral authority. Even if you are not paying enough, even if you should pay three times more, at least the population recognizes that you are trying to even social good with private evils or whatever. That is very important.*

CAMERON: Can you talk to me at all about the other shifts in Costa Rican society over this time as far as the relationship with the environment?

For example, how much does the rise in ecotourism play into this?

TATTENBACH: Yes, the environmental service payment also came to create I think some kind of cohesion between rural society and ecotourism because ecotourism before only would stay and focus on national parks and then very clearly against agriculture, against all the other uses of the land. With this way, I think everyone was more part of it. No doubt about it. It made the whole thing more cohesive. I think it brought some broader logic to the whole green thrust of FUNDECOR. I think, to tell you the truth, possibly Costa Rica made tremendous strides of environmental [nature] with national parks but the PSA came as a second one on the private lands. I think that was a major contribution. It is debated hotly everywhere. Costa Rica is hated outside for its reform and PSA because it is inconvenient. "How are the countries going do it?" and "It worked in Costa Rica but it's not going to work here" and "We don't have the money. And it is bad for rent, and it is bad for [Indecipherable] rent. Tough luck. I don't know.

CAMERON: What do you tell those countries?

TATTENBACH: It is not even the countries, it is the organizations. Countries wanted to—it is the big think tanks and organizations which are against it No, I guess they're right. Things are different. I mean you have to frame it very differently in Peru and you have to frame—. FUNDECOR went to Peru, I don't know if you knew about that. We thought that was a normal extension of our knowledge here, going to Peru.

We opened offices there and had some nice contracts there. We were quite—we brought a lot of genetics to Peru.

CAMERON: What was the broad result of that?

TATTENBACH: Peru is quite healthy. All this thinking now—FUNDECOR imprinted Peru very heavily on this topic and Costa Rica for sure, but FUNDECOR particularly.

CAMERON: What was the idea behind expanding internationally?

TATTENBACH: We were over here now. I mean PSAs were working. Cordillera was working. You either went deeper into the Cordillera, with maybe agriculture or water issues, or you took the opportunity, as we knew that Costa Rica was leading in the world. We had just won the King Baudouin International Development Prize, a very prestigious prize that FUNDECOR won in 2002.

CAMERON: Were there financial incentives as well?

TATTENBACH: Oh, financial incentives. Just to pay the tickets to go there and "buy the dress", it was like \$200,000. It was very little, Blair. But we had the political support to do it. The government was okay with it. We had good luck, we did well. What happened is that FUNDECOR was going very strongly to this direction of going abroad. 9/11 changed of all things with FUNDECOR.

CAMERON: Why?

TATTENBACH: Because FUNDECOR was more or less under the umbrella of still—I mean well respected within USAID (United States Agency for International Development) circles. USAID was doing a lot of environmental work in forestry in Latin America. We just won the biggest European prize on something. My God, we were the really nice, poster child of the whole situation. We were going where? But the US

completely went away from Latin America, USAID lost its interest in promoting environment in Latin America. It has taken 20 years to come back. Now it is back in with [Indecipherable] and things like that. But it has taken some twenty years to be back. Other priorities, Iran, Iraq. You can see it in the policy in Latin America.

CAMERON: I think we should wrap things up so I don't take too much of your time. I want to ask you what do you think the biggest lessons learned have been from the process of payment for environmental services in Costa Rica?

TATTENBACH: *I don't want to sound arrogant, Blair.*

CAMERON: Sound as arrogant as you want, I'll make you sound better when I write about it [laughs].

TATTENBACH: *What I mean is "lessons learned" is a term used when things fail, not when things win. Environmental service payment was a success in Costa Rica. It reverted deforestation. So I think—let's say I'm going to use a phrase of—there were many things lined up, good things. Maybe that's the rule of innovation, Blair, I don't know. Since you're digging deeper at innovation, I think policy reform and policy innovation probably goes wrong in many different ways. Costa Rica had all the things going right. It had good, competent institutions going very technical on it like FUNDECOR, very clear, with a clear mandate, looking for economic instruments. At the end I was lucky. FUNDECOR was very much going for economic instruments. I think my bias as an economist to that probably helped. I would think it also helped that the administration of Figueres and finance minister, they were very lined up with what the US was pushing very hard for, not only carbon market but forestry carbon markets as well, and they were very keen on this economic efficiency that you could get from forestry.*

The fact that FUNDECOR was USAID funded from earlier stages helped too. I don't think they were planned like that but it worked. You had some trust built there. I think it also helped that FUNDECOR was a hands-on institution. By being a hands-on institution with a problem in front—being problem oriented, that was very important. By being problem oriented, it had to be practical. When you're practical, a lot of good things happen. When you are practical you praise consensus, you make compromises, you don't look for enemies. It is not about whose idea is better. The PSA is not perfect at all. It is messy. It doesn't pay differently for different services. It doesn't target better where there is more deforestation. It doesn't pay the farmers who are the poorest. There are a lot of bad things with it, but it works, and it had the consensus from society to work. I think that is it.

CAMERON: Did you ever worry that it was going to fail?

TATTENBACH: *No. No, because I was doing more than getting it [Indecipherable] But that it was not going to work, that's a good question. Yes I was worried, very, very worried. Of course when you look at the satellite images if it worked or not and how do you explain it statistically and all that. Of course, hell yes, still worried. I still call some of my colleagues like German Ondoe. Did you talk to German Ondoe? For sure, he is in IUCN (International Union for Conservation of Nature), super guy. Still calling: "What is your latest run on the statistics, is it still working? Is the model still holding? Is the PSA bringing down deforestation?" Yes, of course. It is a policy experiment on a large scale, a country scale.*

CAMERON: Over the time that PSA was implemented, are there any big things that you thought held it back from being more effective or any big pushes that made it more effective?

TATTENBACH: *I think regrets, let's call it regrets—[Indecipherable] Costa Rica went too much the other way. Maybe making some groups believe that PSA is enough and you don't need forest management to bring forest conservation, and that's very dangerous because you're going to need both most likely for economic reasons.*

CAMERON: Are you talking about when the forest management modality was removed?

TATTENBACH: *Yes in part but that is a part of my—I consented to that, because it was removed in appearance but not in reality because after year two of harvest you can request the money and get it for conservation. So the farmers did not lose, but morally it was a tremendous loss, because all of a sudden it looked like forest management is bad so you don't deserve to get PSA. So it was a mistake I made, consenting to that with the Minister of Environment, Carlos Manuel Rodriguez, very bad concession.*

CAMERON: Why was that decision made?

TATTENBACH: *Practical again because [of] political pressures I guess. I don't know, Carlos Manuel came more from a stronger conservationist branch of Costa Rican environmentalists.*

CAMERON: So he was the one pushing for that and you gave him the OK?

TATTENBACH: *Yes and FUNDECOR people know that, but it was a mistake. I mean the farmers did not suffer, our clients did not suffer. Payments were the same but—.*

CAMERON: What did suffer?

TATTENBACH: *Morally, the moral concept. It was a moral hazard because then people said, "Oh you see forest management is now not getting PSA because they damage the forest, because it is bad, or because they don't need it, or because or because or because." So it was bad for the activity.*

CAMERON: Did you play a role in getting it reinstated?

TATTENBACH: *Yes.*

CAMERON: Can you talk to me a little bit, just briefly about that?

TATTENBACH: *I was very aware of the mistake. Then I had the opportunity to be in the right place at the right moment. I was on the board of the ONF (Oficina Nacional Forestal – National Forestry Office). I was there on the board, so I was in a great place to push it from there, and still in FUNDECOR. So I pushed it hard from within the institutions of the industry. FUNDECOR by then was playing more with the already-existing institutions and we were very happy, and I was very happy to do it. At the beginning of the policy reform, no, we had to play a little more along but once things were established we were very happy to be more participants in all the institutions.*

CAMERON: I don't think I have any more questions for you.

TATTENBACH: Nice to have your interview, remind me, bring me back some years.

CAMERON: Do you have anything else you want to add?

TATTENBACH: No, Blair, it was nice talking to you.