



# PROJECT FINANCE FOR PERMANENCE

Key Outcomes and Lessons Learned

August 2015

Conservation areas, including those categorized as “protected areas,” are one of the sharpest arrows in our conservation quiver. They are rich in biodiversity, tremendous carbon sinks, and a source of income and basic needs—fuel, water and food—for more than one billion people.

To achieve their full potential, conservation areas need to be well designed, well managed, politically supported and sustainably funded. Often, they are not. As a result, they are subject to degradation and degazetttement. For example, the estimated annual cost of managing existing networks of protected areas is US\$2.5 billion per year but current spending is only US\$800 million per year. Funding for their future is fragile.

The amount of land designated as protected also is insufficient, especially given the value of protected areas in addressing threats to the planet. Approximately 15 percent of the world’s land is designated as protected but the global goal that has been set by the Convention on Biological Diversity is 17 percent by 2020.

Project Finance for Permanence (PFP) is a key part of the solution to these challenges. PFP, which is adapted from a common Wall Street practice called “project finance,” is a means for permanent and full funding of conservation areas. PFP initiatives address an issue often seen in the conservation community: piecemeal or insufficient funding for the management of conservation areas.

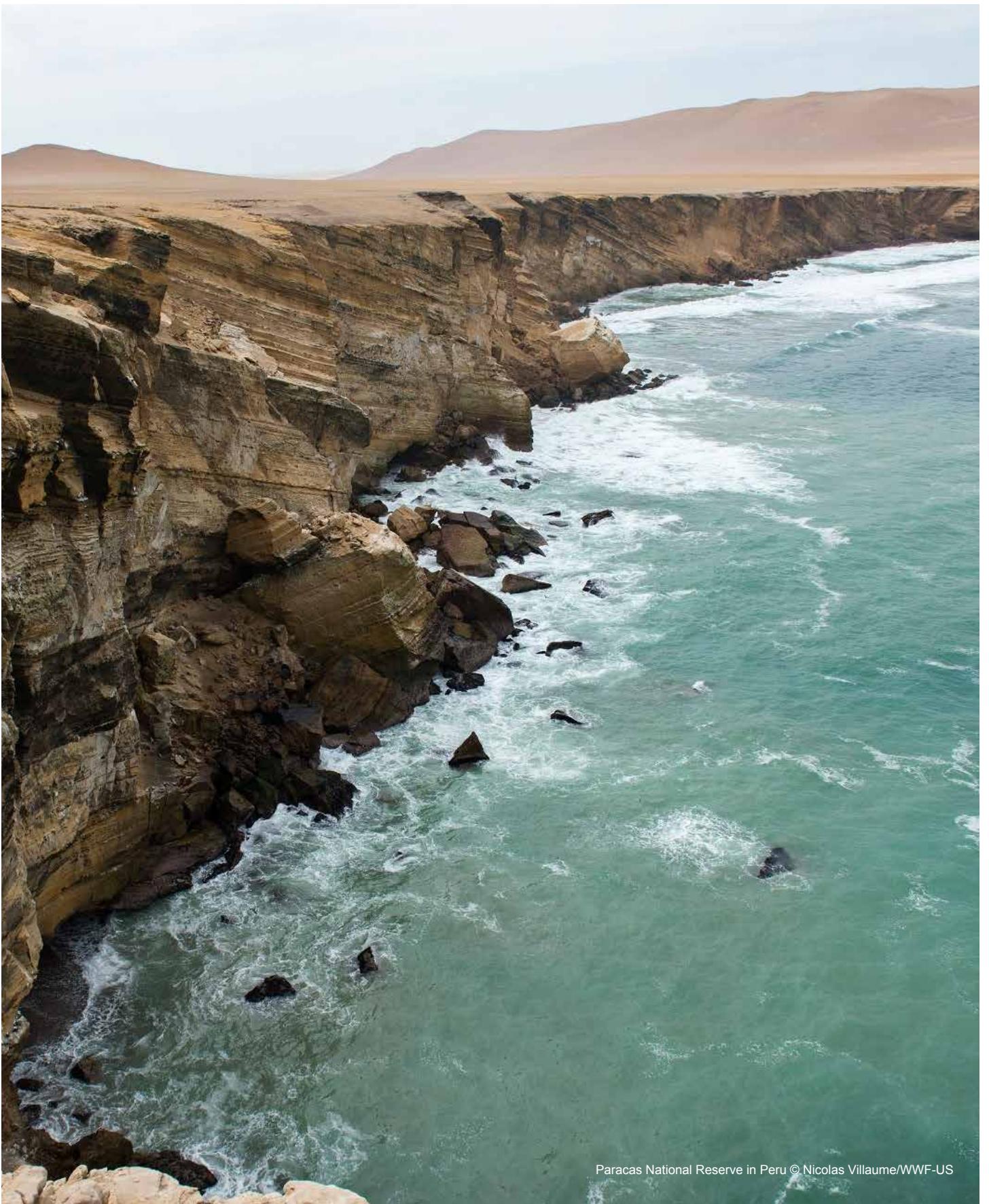
PFP has a growing track record of securing the benefits provided by conservation areas. World Wildlife Fund (WWF) sees scaling up this approach as urgent, given that the planet is nearing a tipping point on multiple fronts. Strategically increasing the number—and accelerating the pace—of PFP initiatives has the potential to become one of the most transformative strategies in conservation.

Several steps need to be taken if WWF, in partnership with others, wants to increase the number and pace of PFPs. One is looking at PFP initiatives that have been completed. What lessons can we learn from them and what are the key outcomes to date? We also need to assess lessons learned

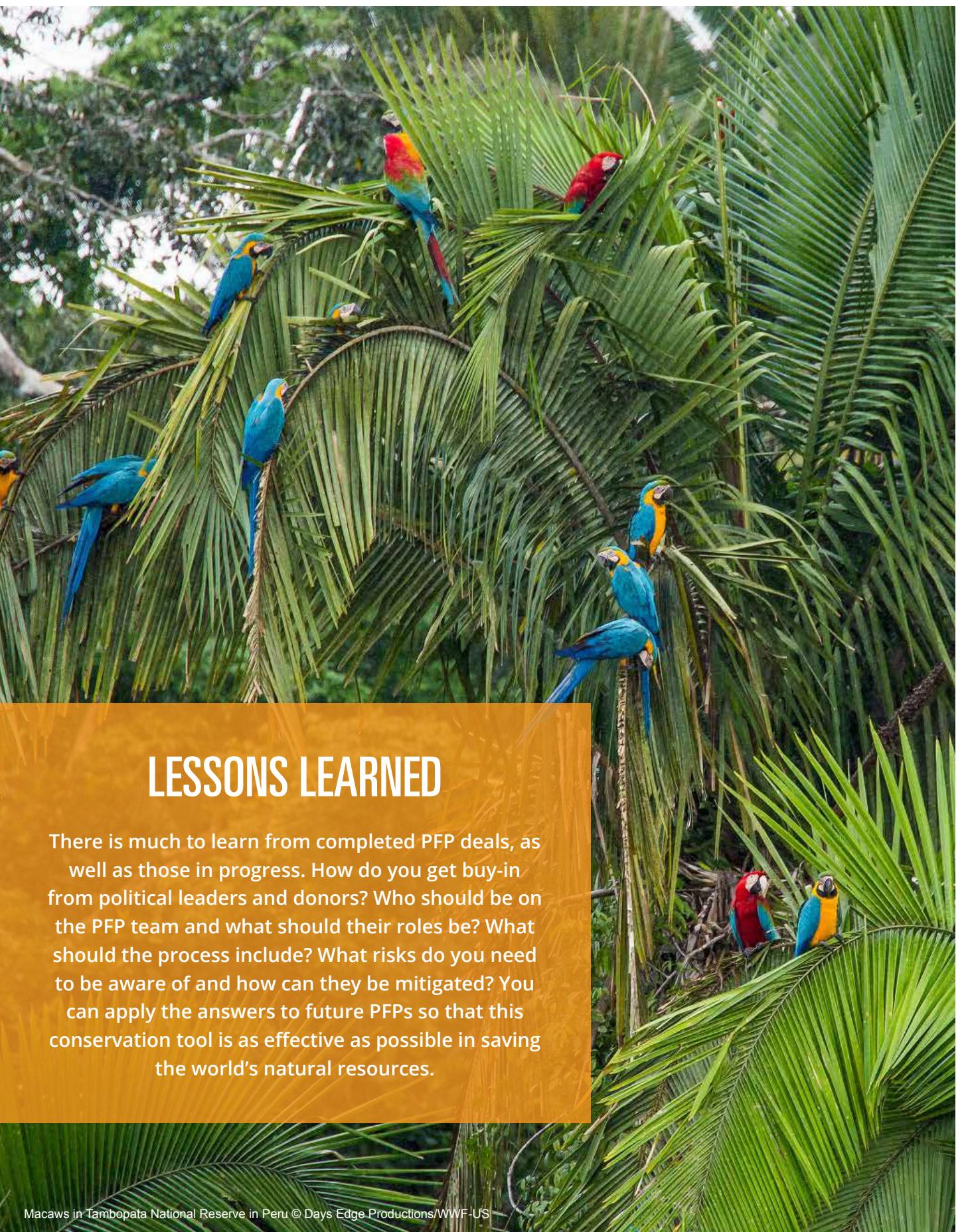
from PFPs that are in progress. This report is the first step toward doing so. It is based on interviews with 15 people—public and private funders, NGO representatives, government officials and others—who played an integral role in completed PFP initiatives and, in some cases, are key players in current PFPs.

The bulk of the research relates to the largest PFP to date. In 2014, the government of Brazil, WWF and a diverse group of partners from the public and private sector announced a new US\$215 million fund to create, consolidate and maintain a 60 million hectare network of protected areas in the Brazilian Amazon. The network, which currently includes more than 100 areas, is called the Amazon Region Protected Areas (ARPA). It is three times larger than all US national parks combined. Financial sustainability for this network was guaranteed through a PFP initiative called ARPA for Life. The two other completed PFP deals, also significant in size and impact, were studied too: the Great Bear Rainforest Project (in Canada) and Costa Rica Forever. The former resulted in a fund of Can\$120 million for 8.5 million hectares of land and the latter resulted in a fund of US\$55 million for 1.5 million hectares of land and 2 million hectares of marine protected areas. The two PFPs currently in development—in Peru and Bhutan—also were included.

*The research for this report was done by Tatiana C. Alves of DEAL in July 2015 for WWF. It supplements research about the Costa Rica and Great Bear PFPs that is summarized in the summer 2012 issue of Stanford Social Innovation and Review.*



Paracas National Reserve in Peru © Nicolas Villaume/WWF-US



## HOW DO YOU GET BUY-IN?

### From political leaders

The person or entity who comes up with the idea of doing a PFP deal should identify a window of opportunity for pitching the idea to the government leader where the conservation areas are located. Ideally, the pitch is made early on in the leader's term to optimize the amount of time that there is high-level support for the initiative. Those interviewed said four years, the term length for many political leaders, is an ambitious, yet achievable, timeframe for a PFP. To increase the likelihood of buy-in, the vision and goal for the PFP should align with the country's environmental and conservation goals and its international commitments. They also should address the major threats to the country's environment and society. It is very helpful, before making the pitch, to have initial commitments to fund at least one-third of the PFP.

Ideally, the leader embraces the PFP as a potential political victory or legacy for the current government. That will increase the likelihood of having political support for the PFP from start to finish. This is likely to be deemed less important if there is significant and widespread support, at the government and civil society level, for conservation within the region where the PFP will be done.

### From potential donors

The draw for most PFP donors is that PFPs are large-scale, both in the amount of hectares included and changes in

policies and processes at the government level that are done in conjunction with the PFP. As such, PFPs are seen as having tremendous ability to make a positive impact and stand out as historic achievements.

Most donors look for the following conditions to be in place before committing to a PFP: an accountable government that is open to innovative ideas; some existing staffing for protected areas (knowing that the staffing will likely need to be improved); and a mechanism to measure success of the PFP.

Another draw is having a diverse group of partners from the social and economic development sectors, not just the environmental sector, and partners whose values are similar to those of the donors. For some donors, having prominent bi-lateral and multi-lateral donors on board is attractive.

PFP deals are seen as an exit strategy for donors who have supported other conservation work in the region. Filling the funding gap ensures those donors that their previous investments and achievements will be sustained. Some private companies that have long-term investment plans for the region said that supporting PFP deals is a way to address their goals for protecting the region's environment, not just in the short-term but also long after they have finished their work in the region. It also is seen by some companies as a way to build better working relationships with government officials with whom they need to work.

### WHAT IS PFP?

**Step 1:** A PFP initiative begins with the development of ambitious and charismatic conservation goals, followed by the development of a comprehensive conservation plan to achieve the goals. For PFPs related to protected areas, the plan may include creating new protected areas to fill gaps in the system, buying vehicles for forest patrol, blazing hiking trails and teaching communities how to create eco-enterprises in or near protected areas.

**Step 2:** A rigorous financial plan for funding the conservation plan is created, so as to ensure its lasting success.

**Step 3:** Donors commit funds to bring the plan to life. But their funds are held back until the total fundraising goal is reached and all key legal and financial conditions that have been agreed upon in advance are met. This provides donors with an up-front guarantee that their support will be put to best use.

**Step 4:** Everyone involved comes together to sign one agreement. At this closing, their donations are put into a fund, the governance of which is defined by them.

**Step 5:** Money within the fund is distributed over a set period of time and in accordance with the agreed financial plan.

**Step 6:** The government in the country where the conservation areas are located increases its spending until it fully assumes the costs of conservation.

Although funding is key, the negotiation and closing of a PFP deal presents an extraordinary opportunity to create new policies for long-term conservation and the institutions needed to permanently protect natural resources.

## WHO NEEDS TO BE INVOLVED?

The PFP team needs to include people with a variety of skill sets and interests. The best case scenario is to identify those people and define their roles prior to the start of the initiative, especially when high-level government officials are going to be on the project team. Doing so is usually the responsibility of the deal broker and a representative from the NGO that has the best understanding of the partners in the project region. Retaining the people through the lifetime of the PFP ensures greater success.

### Deal broker

The most important person to have on the PFP team is a deal broker who is the main contact with high-level government officials and potential donors. This person also ensures that proper project management is in place. Therefore, the person needs to have some political clout, be well-organized, have skills related to motivating team members, and be sensitive to cultural differences. Ideally, the deal broker allocates a significant portion of their time to this job. It is not necessary for the deal broker to be based in the project region. If not located there, the person must be willing to travel there when needed and have good connections in the project region. The latter is particularly important when complicated or contentious issues related to the PFP arise. The deal broker role can be played by one person or several people. The advantage to the latter is that there is somebody with knowledge of the project if the primary deal broker leaves.

### Project manager

The project manager is the coordinator of the day to day aspects of the PFP. To be successful, the manager assigns leads for the various work streams (e.g., designing the fund, doing the costing model and developing the conservation goals). Ideally, the project manager allocates 100 percent of their time to this job.

### Political champion

A prominent political leader can give tremendous clout to a PFP and be pivotal to its success, before and after the PFP fund is created. The political champion should be willing and able to meet with potential donors, if doing so is

needed and won't slow down the fundraising process. The champion also plays an important role in putting pressure on mid-level government staff to complete their PFP tasks.

### Lead fundraiser

It is best to assign one person, not several, to lead on the fundraising and, as noted earlier, encourage that person to raise at least one-third of the funds needed for the PFP prior to the start of the initiative.

### Fund leader

A strong fund leader is critical to the long-term success of the PFP initiative, especially post-closing. The leader should have good relationships with decision makers so that he/she can maintain government support for the fund over time. The leader also should be willing and able to raise funds, if fundraising has not been completed prior to closing or if funds are needed beyond what was raised to meet the initial PFP target.



## WHAT IS THE BEST PROCESS TO USE?

### One that is adaptable

The best PFP process to use is one that is adaptable. It is a process that adapts to delays, changes of course and roadblocks, some which are for political reasons. The key is to assess which issues that are slowing down or altering the process need to be addressed before the closing vs. after the closing. Adaptability is in addition to the need for getting buy-in and having the right team in place.

### One that doesn't slow down fundraising

Government involvement—and leadership in—fundraising is important to the process and should be respected. However, given the busy schedules and competing priorities of most government leaders, fundraising should not stop if they cannot be involved at particular times during the process.

### One that diversifies funding

From the start of a PFP initiative, time should be allocated to exploring new and diversified domestic funding streams. It is best to do this before the closing, as afterwards there is less incentive to make the policy changes needed to secure the funding. Diversifying funding will make the financial model underpinning the PFP deal more resilient, mitigating future funding risks.

### One that includes a thoughtful assessment of the type of fund to create

There is no right or wrong answer about which type of fund should be created at the closing. A transition fund (a.k.a. “sinking fund,” if all of the resources in it are used over a pre-established period of time) or a hybrid fund (a mix of transition and endowment) will often be the best option when it is not possible to raise enough funding to cover the full gap with an endowment. Another advantage of a transition fund is that it increases the likelihood that the government will remain engaged in funding protected areas over the course of the implementation of the PFP.

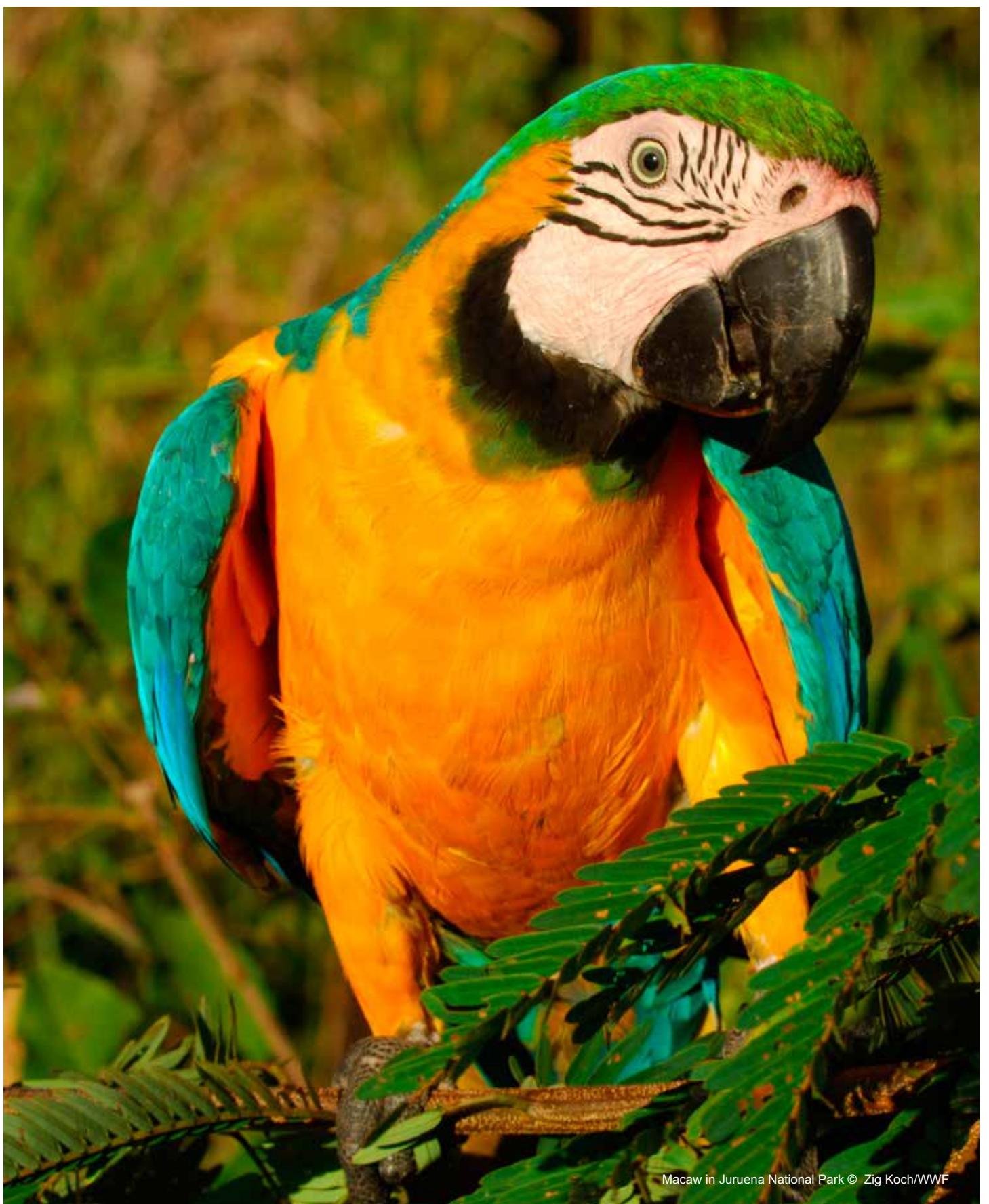


### One that includes a thoughtful assessment of how to manage the transition fund

If a transition fund is created, it needs to be managed by an existing organization or a new one. Questions to help assess which option is best include: Is there already an existing organization—one that has the support of the government—that can manage the fund? If yes, is the existing organization independent enough from the government to be able to leverage the government's commitments? Would a new organization be more agile and efficient, and would it have the credibility that donors want, especially if there is an existing fund that is not working well? Which option is more expensive? Whichever option is chosen, the organization must have a clear mission statement and conservation goals. The governance and operational procedures of the fund need to be clearly defined in a detailed operating manual prior

## WHAT ARE THE RISKS AND HOW CAN THEY BE AVOIDED?

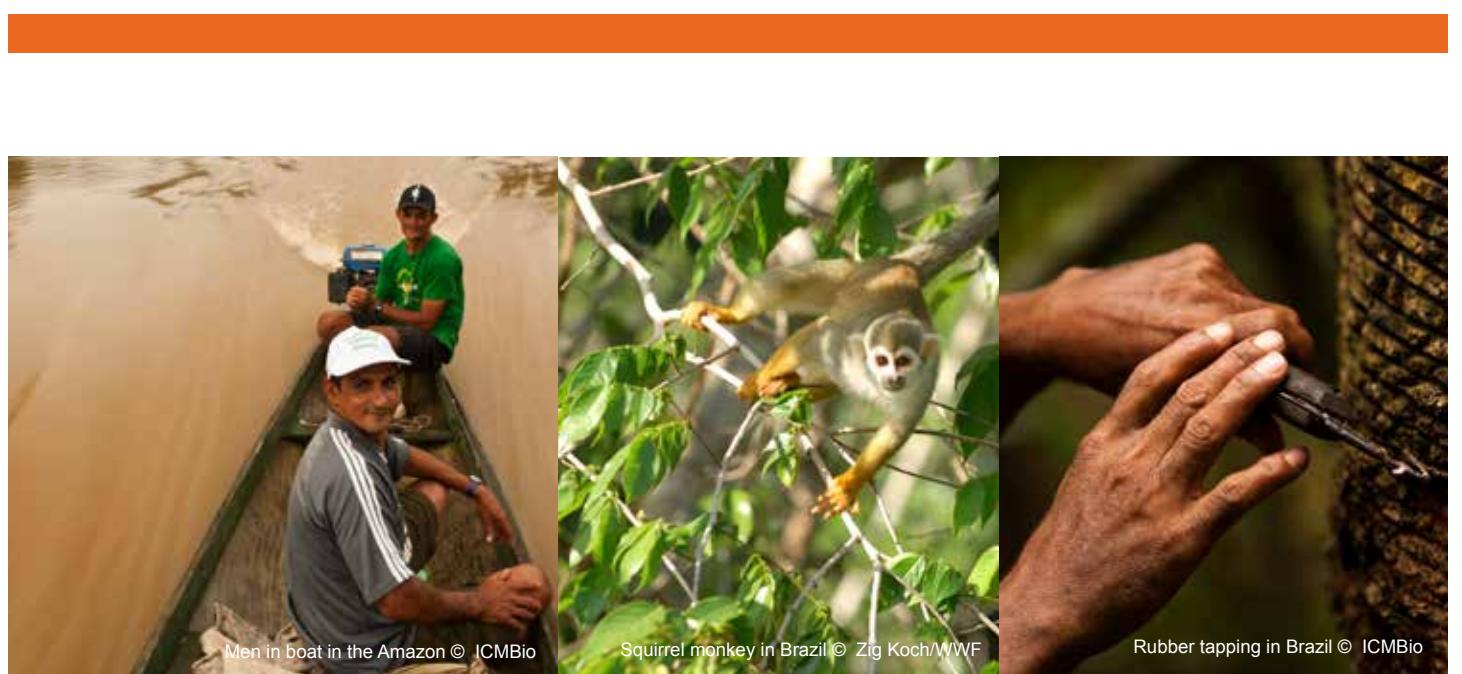
RISK	CHALLENGE IT CREATES	SOLUTION
Too many government conditions are to be met post-closing, instead of pre-closing.	There is little incentive for the government to meet the post-closing conditions and, as a result, the distribution of funds and hiring of staff for protected areas is stalled or slowed down.	Have as many conditions as possible met pre-closing and, if that's not possible, create a good governance system and goals for the fund.
A weak PFP team is created.	The closing is not completed in a timely fashion and the funds are not disbursed strategically and/or in a transparent way.	Hire or identify existing staff with the proper skill sets and clearly define their roles early on in the process.
There are unrealistic expectations about the time needed to close a PFP deal.	In the rush to close, more conditions and decisions are pushed to post-closing.	Begin with enough lead time and realistic expectations about how long the process will take.
There are unrealistic expectations about the amount of work that needs to be done to close a PFP deal.	Stakeholders become frustrated with the process.	Make sure there is enough support, particularly at the mid-government level, to keep the initiative moving.
Stakeholders see this as just another fundraising initiative.	There is a perception that the purpose of the PFP is to raise funding only for short-term operational costs associated with protected areas; the PFP is not seen as something related to long-term costs and non-monetary changes.	Secure buy-in, early on, for the long-term goals of the PFP; emphasize policy, institutional, capacity building, and management effectiveness changes that are needed in addition to the funding.
The financial model does not adequately factor in the localized threats to protected areas.	Not enough funding is generated through the PFP to cover expenses geared toward minimizing or eliminating the localized threats and/or there are unrealistic expectations on what expenses will be covered by the PFP.	If possible, estimate costs by assessing each protected area's specific needs, be very explicit about the scope and outputs associated with the PFP (including clarifying exactly what types of activities are excluded), be careful not to underestimate costs or overestimate funding, update cost estimates every two to three years, and consider including contingency funds to respond to needs that may fall outside the agreed financial plan.
No "anchor donors" are identified before the PFP initiative begins.	Potential donors are not motivated to make funding commitments.	Line up at least one-third of the funding commitments prior to the start of the PFP initiative.
The system for monitoring protected areas is unreliable.	PFP funds are not distributed or used strategically.	Ensure that an adequate monitoring system is in place and/or allocate funds for necessary capacity-building for monitoring within the government.





## KEY OUTCOMES

Most of the outcomes summarized in this report relate to ARPA for Life, as most key outcomes related to the Costa Rica and Great Bear initiatives have already been documented elsewhere. Some of the outcomes in the report were achieved during the process of—and as a result of—creating the PFP fund and others have been achieved since the fund was created. Many of the outcomes helped address challenges that had existed for years, such as outdated systems and processes for monitoring protected areas, as well as limited national- and state-level government funding, staffing and technical expertise related to protected areas.



### IMPROVED PROCESSES AND MORE ACCOUNTABILITY

There are new rules and guidelines for the ARPA program that are geared toward ensuring the day-to-day operations of the program are efficient, finances are properly managed, decision-making is effective, and more. They are compiled in the new program manual developed for ARPA for Life, which is a binding document. For example, the manual includes updated conservation management practices that reflect learnings over the first 10 years of the ARPA program implementation. They are considered to be stronger than previous guidelines. Also, more stringent accountability guidelines for mid-level government staff assigned to ARPA are in place and there is a new governance structure for the management of the ARPA funds (including money from the transition fund).

### IMPROVED STAFFING

A stronger team for managing the ARPA program is in place. New people were hired and some staff were replaced, so as to provide more institutional strength and visibility to the program. For example, a new director for ARPA was hired. And a new position was created—a person who provides support to the government team responsible for the new ARPA costing model. Some interviewed for this assessment believe there is a need for additional staffing

The goal of ARPA for Life is to generate funding to support the permanent protection of 60 million hectares of the Brazilian Amazon

inside and outside the government, either new positions or assigning time to existing staff). The rationale for this is to spread the wealth of knowledge and skills in case specific staff working on ARPA depart. They also think there is a need for improved selection criteria and processes to use when filling local staff positions for protected areas. Staff, too, have adapted a more long-term and visionary approach toward the program, both in terms of conservation and the budget.

### NEW FUNDING SOURCES OUTSIDE OF THE GOVERNMENT

The transition fund would not have been created if those responsible for creating it had not looked beyond entities that had previously funded ARPA. A diversified pool of funders was needed to meet the fundraising target and minimize risk. New funders included private foundations, individuals in the United States, the Inter-American Development Bank and private sector companies (e.g., Anglo American, a South African mining conglomerate).



Sustainable cutting in Brazil © Rubens Matsushita/ICMBio

Specific funders' motivations for donating varied. The motivations included wanting to leverage long-term investment in Brazil, align with Brazil's political leaders, and share lessons learned about effective management of protected areas.

## NEW FUNDING SOURCES WITHIN THE GOVERNMENT

To make ARPA for Life work, the Brazilian government had to commit to increasing its spending on ARPA until it fully assumes the costs of ARPA within 25 years after the closing. This has led the government to exploring a variety of sources of funding, including new funding from domestic sources. Under consideration is money from the Brazilian Environmental Compensation Funds in the states of Amapá, Amazonas, Rondônia and Pará. The process of assessing new domestic funding, and of developing state policies and regulations for allocating this funding, are in progress. The government also is exploring payments for ecosystem services schemes, and funding from companies that operate in the Zona Franca de Manaus, a free economic zone in the city of Manaus (the capital of the State of Amazonas).

## FUNDING SOURCES

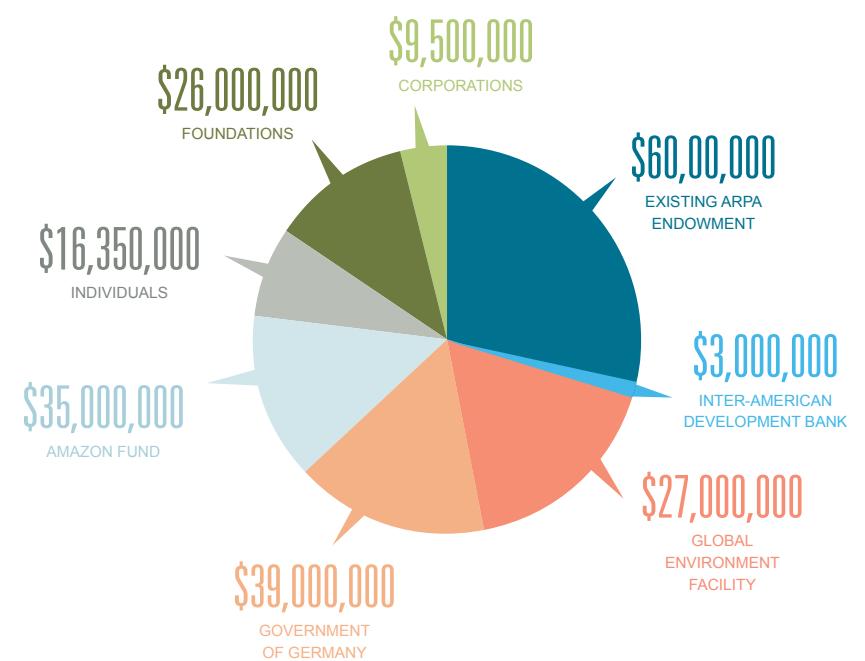
**TOTAL (AS OF 4/1/2015)  
US\$215,850,000**

## CREATION OF ADDITIONAL PROTECTED AREAS

The goal of ARPA for Life was to generate funding to support the permanent protection of 60 million hectares of the Brazilian Amazon. At the time of the closing, 52 million hectares of existing protected areas were identified for inclusion in the initiative. The closing triggered the launch of an analysis of how to reach the 60 million hectare goal by the end of 2015. The PFP deal requires that at least 6 million of the remaining hectares are new protected areas.

## IMPROVED TECHNOLOGY

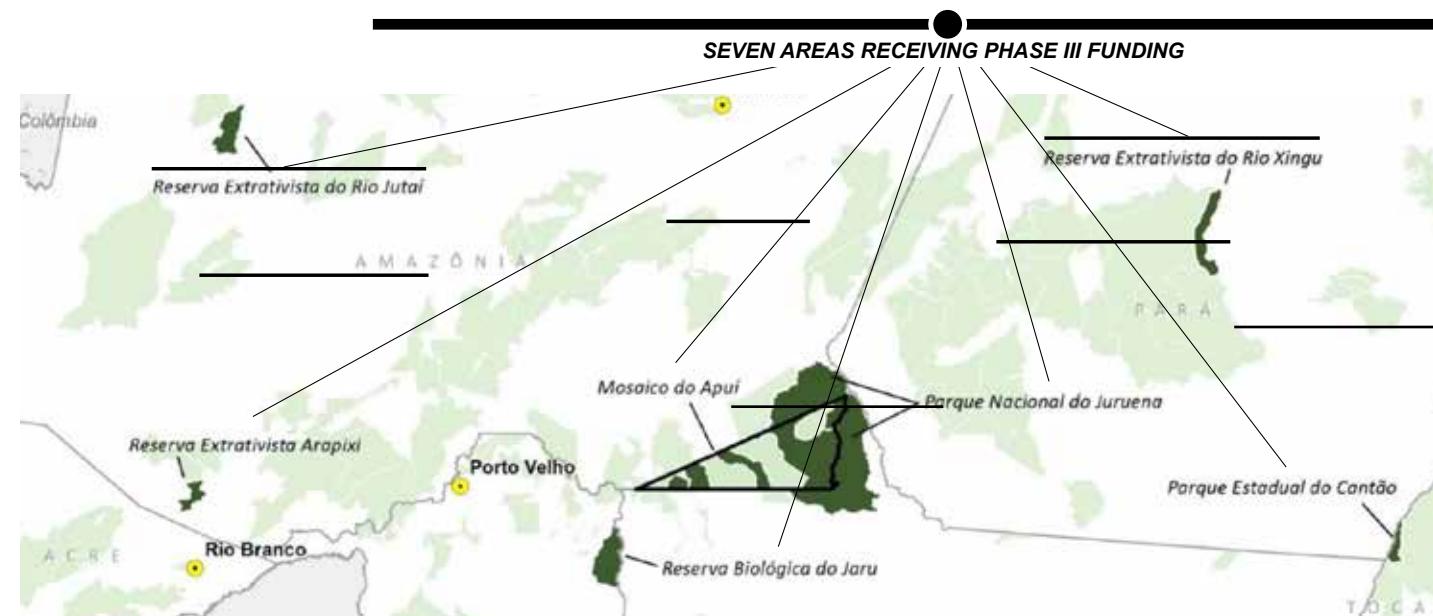
Before the ARPA program began, there were 16 protected areas in the Brazilian Amazon. ARPA is expected to encompass 110 areas when the system is completed. With the increase comes the need to improve technology and processes related to procurement, which had not been updated by Funbio (the organization responsible for ARPA's procurement and fund management) since the program reached its 60 protected areas mark in 2006. Doing so will be possible via funding committed as a result of ARPA for Life.



## STRONGER PARTNERSHIPS

The PFP process strengthened the working relationships between ARPA program partners. Stronger relationships were necessary to reach alignment on goals for ARPA for Life and meet deadlines for creating the transition fund. The strengthened relationships are expected to be helpful in many aspects of ARPA's implementation, including improving the procurement process and allocating money from the transition fund. Several of the partners, including WWF, are represented on the Transition Fund Committee.

**THE FUNDS FOR EACH  
ARPA PROTECTED AREA ARE  
ALLOCATED UNDER FOUR  
GENERAL CATEGORIES:**



## FUNDING DISBURSEMENTS

Approximately US\$4 million from the transition fund has been authorized for disbursement to the first set of consolidated protected areas. This includes money for gasoline for boats to patrol waterways, surveillance fly overs in small planes, lodging and per diem for contracted guards and firefighters, staff time for the participatory management of the areas through representative councils formed for each of the protected areas, and monitoring and research.

## Interviewees

- Paulina Arroyo**, Program Officer, Andes-Amazon, Gordon and Betty Moore Foundation  
**Esteban Brenes**, Director, Conservation Finance, WWF-US  
**Avecita Chicchon**, Program Director, Andes-Amazon, Gordon and Betty Moore Foundation  
**Jason Cole**, Program Officer, Margaret A. Cargill Foundation  
**Sergio Collaço**, Director of Protected Areas, Brazil Ministry of the Environment  
**Francisco Gaetani**, Deputy Minister, Brazil Ministry of the Environment  
**Rosa Lemos**, CEO, Funbio  
**Larry Linden**, Founder and Trustee, Linden Trust for Conservation  
**Shubash Lohani**, Director of Sustainable Landscapes, Forests, WWF-US  
**Zdenka Piskulich**, Executive Director, Forever Costa Rica  
**Manoel Serrão**, Program Superintendent, Funbio  
**Lindsay Slote**, Program Associate, Linden Trust for Conservation (formerly)  
**Meg Symington**, Managing Director, Forests, WWF-US  
**Jon Tua**, Director of Strategic Planning & Finance, WWF-US  
**Roger Ullman**, Executive Director, Linden Trust for Conservation

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World Wildlife Fund  
1250 24th Street, NW  
Washington, DC 20037-1193  
[worldwildlife.org](http://worldwildlife.org)

Grizzly bear in Great Bear Rainforest © Natalie Bowes/WWF-Canada