PROFONANPE

Peru’s First Environmental Fund

1995 - 2003

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PROFONANPE –PERU

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OUR VISION

Contribute to the conservation of our natural heritage and support the protection and sustainable use of ecosystems and species lodged in Protected Areas.

OUR MISSION

Provide stable long-term financing for the conservation of the country’s biological diversity through the raising, administration and channelling of financial resources for the management of protected areas and their buffer zones.
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PRESENTATION

The 1990s became a milestone in developing awareness about the need to conserve our planet’s natural heritage. The most important international agreements on nature conservation, and its relation to development were signed or reinforced during this period, including Agenda 21, Convention on Biological Diversity, and Framework Agreement on Climate Change.

This renewed awareness made possible to realise the gigantic challenge before the national and international communities, and the need of obtaining technical and financial mechanisms in order to face in an efficient way the threats to environment.

In 1992, during the Rio de Janeiro Summit, the Global Environmental Facility (GEF) consolidated its strategic role in the promotion of international co-operation and financing of actions aimed at solving critical global problems.

Peru was not absent from this process and that same year became a world pioneer by establishing the Fondo Nacional para Áreas Naturales Protegidas por el Estado – PROFONANPE (Peruvian Trust Fund for National Parks and Protected Areas), the second environmental fund in the world established under the sponsorship of the GEF and the World Bank. It was a result of joint efforts by Government representatives, civil society, and bilateral and multilateral international co-operation.

As a result of this participatory and joint process, a decision was made to give priority to the support and consolidation of the Sistema Nacional de Áreas Naturales Protegidas por el Estado – SINANPE (National System of Protected Areas).

PROFONANPE thus, became a financial mechanism specialised in giving support to projects aimed at conserving biological diversity in those areas.

Since its creation, PROFONANPE has played a key role because of the increasing flow of resources in favour of Protected Areas (PA); it has also stimulated and called attention of different local and international financial sources to these areas.

As part of its work, PROFONANPE has been present, through different institutional actors and specifically through the support given to the National Institute for Natural Resources (INRENA) in eight national parks, seven national reserves, four reserved zones, two historical sanctuary, one national sanctuary, four community reserves, one game preserve and one protection forest by contributing US$15.2 million toward the financing of programmes and projects in these areas.

At present, PROFONANPE is a sound institution that innovates in the fields of debt-for-nature swaps, managing portfolios of investments in private banks and promoting conservation and sustainable development projects in SINANPE’s areas of influence.

Consequently and as a result of important growth of its financial portfolio that increased from US$5.2 million in 1995 to US$74.3 million in 2003, PROFONANPE enjoys the trust of its main donors (GEF, World Bank and the governments of Germany, Canada, Finland and Holland).
In the near future, PROFONANPE will aim at strengthening Peru’s and the international community’s contribution to the PAs not only in direct economic terms but also through new opportunities to develop potential long-term activities. It is precisely in this direction that PROFONANPE has to work and concentrate its institutional efforts in coming years.

For this purpose –and taking into account that PROFONANPE must include in its conceptual framework and operations a range of approaches and proposals of actions that must be based on the evaluation activities carried out up to this moment- we are permanently updating PROFONANPE’s Institutional Strategic Plan.

As a consequence of the above, this document seeks to disseminate our organisational experience from the moment PROFONANPE started receiving support for project financing in July 1995 until July 2002, and to share future challenges for the benefit of Peru’s vast natural heritage.
1. INTRODUCTION

PROFONANPE is a private non-profit organisation created with the purpose of providing financial support to conservation, protection and management of protected areas within SINANPE.

Our institution operates in Peru, a privileged country due to its climate, morphological and geological variety, and its great biological diversity. As such, Peru calls the attention of a world that is increasingly aware of the importance of nature and the environment as guarantors of human survival.

Through its history, Peru has passed through different degrees in the knowledge and vision of, and respect for, the use of natural resources. Often times, they were marked by plundering and a short-term perspective that led to forgetting the knowledge of the environment gained by pre-Columbian civilizations.

Present day, Peru has developed a substantial awareness of and institutional capacity around the conservation of natural resources, as a result of the work carried out by various public and private entities supported mostly by international organisations.

PROFONANPE is the first environmental fund created with the purpose of supporting the strategies and actions directed at the conservation of PAs by means of raising, administration and channelling of financial resources.

PROFONANPE has been consolidated as one of the most important financial tools for the conservation of biological diversity in Peru. It is the result of five successful years of institutional operation and work carried out together with other organisations with competence in and responsibility over PA management. Thanks to this co-ordination and institutional concert, synergies have been created for and efforts directed at the common task of conserving national biological diversity. Therefore, emerges as a crucial tool for assisting PROFONANPE in the fulfilment of its mission.

2. BACKGROUND

Since the end of the 1980s, the private conservation institutions around the world have been concerned about the sustainability of PA funding. Peru was not an exception and various Peruvian organisations, together with sister international entities, started to work towards the establishment of sustainable financial mechanisms. They attempted, without success, to swap foreign commercial debt and prepared, on the basis of the imminent operation of the Global Environmental Facility (GEF), a proposal to establish a Protected Areas Fund. When this initiative was presented through the World Bank, government organisations, other international co-operation agencies and the most representative Peruvian private organisations linked to PAs, expressed their immediate support, which was fundamental to putting in place the basic PROFONANPE model.

In December 1992, Decree Law 26154 created PROFONANPE to support PAs’ conservation, protection and management.
PROFONANPE’s institutional activities started in 1993 thanks to the technical and financial assistance provided by the project called “Fomento del Sistema Nacional de Areas Naturales Protegidas por el Estado” (Promotion of the National System of Protected Areas, FANPE – INRENA/GTZ) to facilitate operations. The first capital grant arrived from the Global Environment Facility (GEF) as well as other financial contributions from other institutions. Additionally, the Co-ordination Office of the Peru-Canada Programme for Forest Development made an initial donation of office equipment while a grant from the MacArthur Foundation rendered our first capital-raising campaign easier.

Financing by the FANPE–INRENA/GTZ Project included assistance to carry out three pilot projects that gave PROFONANPE initial expertise in project financing and oversight.

In 1995, a ‘seed’ contribution of US$5.2 million from GEF was constituted as an intangible endowment. That same year, PROFONANPE carried out Peru’s first debt-for-nature swap with the Government of Canada for US$354,920. The funds also served to create an intangible endowment.

Thanks to the GEF Contribution, PROFONANPE could consolidate its sustainability and become an attractive institution for donors since it made possible to channel resources for work relating to concessional debt swaps, as in negotiations with bilateral creditors grouped in the Paris Club.

Moreover, PROFONANPE is a founding member of the “Red de Fondos Ambientales de América Latina y el Caribe – RedLAC” (Latin American and Caribbean Network of Environmental Funds). Twenty-two environmental funds under this organisation seek to promote the exchange of information, knowledge and experience in the region. In October 2000, PROFONANPE hosted the Second Annual RedLAC Meeting. Recently, the Executive Director of PROFONANPE was elected president of RedLAC, starting in July 2003, an honour that commit us to continue improving.

2.1. Legal Status
PROFONANPE is a private, non-profit organisation serving the public interest organised as a legal person with an independent legal status. It is governed by its own by-laws and by Peru’s Civil Code, according to which it is defined as a self-reliant organisation when performing its mandate or entering into contracts.

Moreover, it can receive contributions, legacies and grants from individuals or legal persons, from either Peru or abroad, as well as manage financial resources from international co-operation.

2.2. Self-Sustainable Institutional Design
PROFONANPE is an institution specialised in assuring long-term financing of programmes and projects for PA conservation, protection and management.

Its task is to raise, manage, and channel funds. The initial GEF-WB contribution assured financing to carry out PROFONANPE’s activities, thus making possible a renewed fund raising initiative from different sources, thus substantially reducing the administration costs of new projects.
Such institutional self-sustainability permits PROFONANPE to take the necessary steps to raise new resources and allocate them as efficiently as possible to project execution over long periods. It also allows us to develop medium-and long-term programmes that fall within sustainable management of natural resources.

PROFONANPE’s institutional design makes possible the uninterrupted flow of financial resources, thus ensuring continuous and time-sustained conservation activities of the PA’s natural and cultural heritage. Therefore, it promotes the active involvement of the national and international private and public sectors.

PROFONANPE resources are deposited in the private banking system under a financial contract. In this way, the Fund also contributes to the national efforts to promote internal savings.

2.3. Sphere of Action

PROFONANPE’s institutional policy dictates that the financing of programmes and projects carried out in PAs should cover the following aspects:

- Recurrent management costs.
- Production and implementation of management plans.
- Establishment and management of buffer zones.
- Training of professionals in park and wildlife administration.
- Education and environmental awareness programmes for local communities in protected areas.
- Sustainable productive projects integrating conservation and development efforts for the benefit of the communities living in the PAs and their buffer zones.
- Institutional support to strengthen field work carried out by the SINANPE institutions.
- Purchase of equipment to implement administration offices and monitoring stations.
- Preparing surveys and diagnoses about the PAs’ flora and fauna.

3. INSTITUTIONAL STRUCTURE

PROFONANPE’S streamlined functional structure comprises the following areas:

3.1 Board of Directors

- It is the guiding body and the highest decision-making level within the institution.
- It designs the institutional policy and is responsible for the planning of programmes and activities, and annual budgeting decisions.
- It appoints the Executive Director who legally represents the Institution.
- It sits seven member:
  - Three representatives from the public sector, including one each from: Senior Directorate of the Ministry of Agriculture Ministry of Economy and Finances Presidency of the Cabinet
  - Three representatives from the private sector:
3.2 Executive Director
- In charge of the Executive Directorate, the Executive Director performs management and financial tasks.
- He oversees three line bodies, including the Operations Department, Technical Department, and General Accounting Department, also, one support body, the Administration Office.

3.3 Technical Committee
- It is the consulting and counselling body for project planning, follow-up, and evaluation; it advises on annual work plans and in financial and other technical tasks.
- At present, it includes twenty experts mainly on conservation, environmental economics, finances and environmental law.
- Some of its members may be hired only temporarily if the task at hand requires full-time attention.

3.4 Administration Boards
- Consulting or decision-making bodies whose mandate is set by the corresponding agreement.
- In each case, their character is determined by the Board of Directors.
- Their general tasks include programme oversight and project development, and specific decision-making in these areas.
- They generally sit one representative from the Board of Directors, one from the granting entity and one from the executing entity.

At present, the Administration Boards in operation are: for the Machu Picchu Programme with financial support from the Government of Finland, the Canada Trust Fund, the programmes and projects financed by the Reconstruction Bank of Germany (KfW), and the Nederland’s projects.

4. FINANCIAL RESOURCES

Mechanisms of Financial Administration
PROFONANPE’s set up as a long-term fund and financial resource manager provides a model for a highly efficient and sustainable organisation.

Its strategy for financial resource raising comprises the collection of funds to assure medium-and long-term operations. PROFONANPE’s experience in the last decade turned our organisation into a financial laboratory to implement and adopt different modalities of fund administration, the most outstanding of which are the following:
- Intangible endowments, allowing the use of interest earned from the fund while the principal remains untouched.
- Sinking Funds that allow the use of both the principal and the interests earned.
• Mixed Endowments, an innovative fund type designed by PROFONANPE, allowing the use of the capital investment for project financing while interest earned is capitalized in a new account or intangible endowment.
• Financial Grants and Technical Assistance are funds used as gradual short – and medium- term disbursements by the granting institution.
• Earmarked and small funds assigned to specific purposes.
• Contingency Funds that constitute a financial reserve to cover cost overruns. One example of this mechanism is the Fondo de Emergencia para Guardaparques – FEGUARDA (Emergency Fund for Park Guards) created to assist park guards in case of labour accidents. This fund was established with a Dutch grant.

5. FINANCIAL RESULTS

5.1 PROFONANPE’s Portfolio: Funds Raised
Its proven capacity to raise funds from a range of international co-operation sources has provided PROFONANPE with US$ 83.9 million, substantially increasing its portfolio of overall financial resources from an initial ‘seed’ capital of US$5.2 million that has grown over fivefold from 1995 to 2003 (Annex1).

5.2 Portfolio Achievements
A review of PROFONANPE’s role as the fund raising and management agency for PAs reveals its significant portfolio achievements since the beginning of operations (Annex2).

These achievements can be measured and verified from several points of view.
• Capacity to manage and negotiate the raising of funds, as in the case of investment portfolios from Germany, Canada, Finland and GEF/WB.
• Raising of complementary financial resources and technical assistance such as those obtained from technical co-operation by Finland and Holland, the MacArthur Foundation, and KfW from Germany.
• Maintenance and increase of portfolio value.
• Uninterrupted flow of long-term financing for the administration and execution of activities at the main PA.

5.3 Investment Portfolios
Out of PROFONANPE’s US$ 83.9 million portfolio, US$ 21.8 million are distributed in seven investment portfolios managed by Peruvian private banks.

The management of each portfolio is granted by invitation bidding among the top five financial institutions in the national banking system (by size of shareholders’ equity, deposits and loans).

The PROFONANPE Operation Department and Executive Directorate together with an external financial advisor, monitor these allocations every month: they analyse their behaviour, monitor them to evaluate the efficiency of the fund’s management and check compliance with the contract’s terms guidelines. Moreover, until 1999, the World Bank Mission monitored PROFONANPE’s performance and the banks’ administration every
Each one of these portfolios is managed under the terms of a trusteeship contract and the investment guidelines jointly developed by PROFONANPE and the donors. These guidelines contemplate various options. In some cases, the portfolios comprise only fixed income instruments, while in others they combine 75% fixed income instruments and 25% equity investments.

Additionally, these investment portfolios differ by type as they may have been set up as intangible endowments, sinking or mixed funds. In consequence, their specific evolution depends both on the investment guidelines and whether the funds’ nature as intangible or not.

Three variables account for the fall in these portfolios’ total initial amount from US$19.3 million in 1995 to US$19.1 million in the year 2000, or 1.0% less.

1. Fluctuations of annual capital yields.
2. Net resources used for project funding.
3. Type of fund from which resources are withdrawn, either those that allow using the invested capital and interest earned, or those where only interest may be used.

### 5.4 Capital Efficiency of Investment Portfolios

In general, the return on investments has been positive (Annex3). The decrease in the 1996-2000 periods is the result of extreme fluctuations in the local stock exchange market during this period. On the one hand, extremely good returns in 1996 were due to significant growth in the national economy relating to major foreign investment flows, making the Lima Stock Exchange the world’s second most profitable stock market that year. The average returns on PROFONANPE’s portfolio reached 13.3%.

However, the exactly opposite situation occurred in 1998 when the Asian crisis hit the region’s economies. Lima’s Stock Exchange experienced a drastic fall that resulted in negative (-3.3%) yields of PROFONANPE portfolio investments.

Since the beginning of the new recovery cycle in 1999, returns have been slowly increasing. In 1994, average efficiency was 6.3%, or approximately 9 points higher than in 1998. To December 2000, returns reached 7.6%.

It should be mentioned that PROFONANPE Investments are mainly long-term. Therefore, these results indicate par values the investment securities at annual closing.

### 5.5 Management Controls

Transparent institutional management at PROFONANPE is ensured by the mechanisms described below.

- Management of financial resources through independent annual oversights and audits.
- Implementation of concurrent quarterly audit.
- Oversight and evaluation missions from international donors.
- A Board of Directors sitting representatives from government, the private sector (international technical co-operation) and civil society through the Red
Ambiental Peruana (RAP) representing 38 non-governmental organisations devoted to nature conservancy.

- Administration Boards for each programme or project.
- A Consultative Technical Committee that co-operates in preparing annual plans and work oversight.

6. INVESTMENT IN NATURE

Between July 1995 and December 2002, PROFONANPE channelled a net amount of US$15.2 million to twenty four Protected Areas. The administration costs amounted to approximately 15.5% of this figure.

The results of channelling resources to the PAs were highly positive and created a current of favourable opinion about the convenience of investing in nature. In this process, co-operation with the Ministry of Economy and Finances and bilateral donors was fundamental, and resulted in eight debt-for-nature swaps for a total amount of US$34.7 million.

6.1. Projects and Activities

Since the start of its activities, PROFONANPE has devoted a large part of its efforts to gradually achieve one of its main objectives: to provide ongoing long-term financing for the conservation of biological diversity in Protected Areas. These efforts have resulted into several initiatives in PAs and management of an ever growing financial portfolio.

6.2. General Activity Framework

The activities financed by PROFONANPE have been focused in the following Protected Areas (Annex 4):

- Eight National Parks: Huascarán, Cerros de Amotape, Rio Abiseo, Yanachaga-Chemillén, Bahuaja-Sonene, Cordillera Azul, Manu and Otishi.
- Seven National Reserves: Junín, Paracas, Lachay, Titicaca, Salinas y Aguada Blanca, Pacaya-Samiria, and Tambopata.
- One National Sanctuary: Tumbes Mangroves.
- Two Historical Sanctuaries: Machu Picchu, Bosque de Pomac.
- Four Reserved Zones: Tumbes, Güeppi, Santiago de Comaina, and Manu.
- One Protection Forest: Alto Mayo.
- Four Community Reserves: El Sira, Amarakera, Ashankina and Machiguenga.
- One Game Preserve: El Angolo.

These areas were chosen on the basis of several technical criteria, including their individual intrinsic value, how representative they are within both SINANPE and globally, the degree of present and potential threats they face, etc. Additionally, the priorities established by the PA’s national authority and the corresponding analysis of financial needs were taken into account. Moreover, focusing our work in specific areas was the result of co-ordinations with donors.

PROFONANPE operations have allowed strengthening and consolidating SINANPE’s relevance because of its major contribution to ensure an ongoing long-term presence of human, institutional and financial resources in our country’s main PAs. By the same token, resources provided by PROFONANPE made possible to further and consolidate
initiatives by various institutions in the Protected Areas, including those initially financed by NGOs.

PROFONANPE has gradually increased funding for its programmes and projects from US$300 000 in 1995 to US$1.8 million in 2000.

7. PROJECTS AND PROGRAMMES FINANCED IN 1995 – 2000

7.1. Support to Protected Areas

Source: GEF – WB
Duration: Indeterminate
Starting Date: 1995
Financing: Funds from returns earned by the intangible endowment worth US$ 5.2 million.
Modality: Intangible endowment

Every year, proposals are selected in order to support activities such as financing recurrent administrative costs; design and implementation of master and management plans; establishment and management of buffer zones; training in Protected Areas, flora and fauna management, environmental education and consciousness-raising, and the initiatives integrating conservation and sustainable development for the benefit of the communities living in the PAs.

From its start, the Project provided assistance to Cerros de Amotape, Rio Abiseo, Huascarán, Yanachaga – Chemillén, Manu and Bahuaja – Sonene National Parks; Mangrove Swamps of Tumbes National Sanctuary; Pacaya – Samiria, Lachay and Tambopata National Reserves; Tumbes and Manu Reserved Zones and El Angolo Game Preserve.

7.2. Canada Endowment (Fondo Fiduciario Canada – FFC)

Source: Debt-for-nature swap with Canada
Duration: Indeterminate
Starting Date: 1995
Financing: Funds from returns earned by the intangible endowment grant worth CAN$500 000
(Equivalent to US$354 000)
Type: Intangible endowment

After choosing the projects, PROFONANPE makes a call for tenders to select the project executors in three action lines: PA conservation, rational utilization of resources by communities in PA, and training of SINANPE personnel and PA residents.

From its inception, this program has provided assistance to prepare situational diagnoses as part of the Plan for Public Use of the Rio Abiseo National Park and Influence Zones (east and west sectors).
7.3. Project: Biodiversity Conservation in the Tumbes Reserved Zone
Source: Grant from the John D. and Catherine T. MacArthur Foundation
Duration: 1996 – 2000
Starting Date: 1996
Cost: US$80 000
Type: Earmarked fund

A grant to support the upgrading of the former Tumbes National Forest to a Reserved Zone, it permitted to launch the planning process for the zone’s conservation and management.

An output of the project was the document entitled “Biodiversity and Socio-economic Diagnosis of the Tumbes Reserved Zone.”

7.4. Project: Financing of Recurrent Costs at Nine Protected Areas
Source: Debt-for-nature swap with Germany
Duration: 1996 – 2005
Starting Date: 1996
Cost: DM 9.0 million (US$6.1 million)
Type: Sinking fund

By providing funds for the hiring of approximately 100 field professionals, this project allows to carry out activities such as patrolling and supervisions in PAs.

Other outputs are the purchase of field equipment for control and monitoring of natural resource use in PAs, buying uniforms and preparing dissemination materials.

- Title clearance and physical demarcation of the PAs.
- Refurbishment of control posts and maintenance of infrastructure, equipment and vehicles.
- Research on, registration and management of natural resources.
- Assistance to Cerros de Amotape, Rio Abiseo, Huascarán, and Manu National Parks, Lachay, Paracas, Salinas y Aguada Blanca, Titicaca National Reserves, and Tumbes Reserved Zone.

7.5. Emergency Fund for Park Guards (FEGUARDA)
Source: Grant from the Embassy of Holland in Peru and other contributions.
Duration: Indeterminate
Starting Date: 1996
Cost: US$6505
Type: Contingency Fund

A grant to provide sickness and life insurance coverage for field personnel working in SINANPE’s protected areas.

Since its start, it has assisted about 20 field professionals in work-related accidents.
7.6. Integrated Management of the Machu Picchu Historical Sanctuary
Source: Debt-for-nature swap with Finland
Duration: 1997 – 2002
Starting Date: 1997
Cost: FM 17.1 million (US$6.1 million)
Type: Sinking Fund and intangible endowment

It consists of five components: Reinforcement of the Sanctuary’s Administration, Investigation of the Zone’s Natural History, Upgrading of the Inca Trail and Alternative Routes, Rural Area Development and Environmental and Social Development of Aguas Calientes.

Some of the main activities include:
- Finishing of the Sanctuary Master Plan
- Financing of recurrent costs and wages for 16 field professionals.
- Diagnosis for the Sanctuary’s title clearance.
- Installation of control infrastructure in the PA and purchase of control and monitoring equipment for natural resource use and for fire fighting.
- Training of field professionals
- Documents drafting included Ecological-Environmental condition of the Machu Picchu Historical Sanctuary: General View and Bibliographical Compilation of the Machu Picchu Historical Sanctuary.

7.7. Protection of Natural Areas
Source: Financial grant from Germany’s Kreditanstalt für Wiederaufbau
Duration: 2000 – 2004
Starting Date: 2000
Cost: DM 10.0 million [US$5 million]
Type: Financial grant

Permits the investment in six Protected Areas: Cerros de Amotape, Rio Abiseo and Huascarán National Parks; Lachay and Titicaca National Reserves and Tumbes Reserved Zone.

It also covers:
- The improvement of infrastructure, transportation and equipment in each Protected Area to achieve financial sustainability in at least three, and
- The assistance to the population in reducing their dependence on the indiscriminate use of natural resources in the PAs.
7.8. Plan of Environmental Action for the Alto Mayo Buffer Zones Protection Forest – Left Bank of the Mayo River
Source: Debt-for-nature swap with Germany
Duration: 2000 – 2009
Starting Date: 2000
Cost: DM 4.0 million (US$2 million)
Type: Mixed endowment

This project seeks the following goals:

- Conservation of natural resources and biological diversity.
- Rational management of the zone’s environment and resources.
- Control and management system involving native local communities, settlers, and local governments.
- Implementation of baseline studies for planning the ecosystem and natural resource base conservation.
- Promotion of a debate around the strategies relevant to the issue at hand.
- Identification of alternative sources of income, and
- Management plans for PAs and native communities.

7.9. Project for the Development of SINANPE’s Institutional Capacity in Management, Administration and Sustainable Use of Biodiversity and Natural Resources in Protected Natural Areas (SINANPE Capacity)
Source: Debt-for-nature swap with Germany
Duration: 2000 – 2009
Starting Date: 2000
Cost: DM 4.0 million (US$2 million)
Type: Mixed endowment

This project includes five components: Consolidation and Development of the Regulatory Framework, Development of the Technical Management Capacity of General Bureau for Protected Areas and Wild Animal Life, under INRENA; Promotion of Economic Development in PAs and Buffer Zones, Strengthening Capacity to raise and manage Financial Resources for SINANPE, and Strengthening of Co-ordination Mechanisms at different levels.

By introducing enhanced management systems and tools and professional advice, this project permits to improve SINANPE’s management environment.

It represents a transparent and technical mechanism to assess private and public investment in PAs.
7.10. Debt Swaping Project  
**Source:** Donation from John D. and Catherine T. MacArthur Foundation  
**Duration:** 1996 to 2001  
**Starting date:** 1996  
**Cost:** US$ 50 000  
**Modality:** Earmarked Fund  

**Activities Considered:** Operational costs, training, dissemination materials, traveling and per diem for fund raising and participation in assemblies.

7.11. Raising of new Funds  
**Source:** Donation from John D. and Catherine T. MacArthur Foundation.  
**Duration:** 2000 to 2003  
**Starting date:** 2000  
**Cost:** US$ 40 000  
**Modality:** Earmarked Fund.  

**Activities considered:** Operational costs, training, dissemination materials, traveling and per diem for fund raising and participation in assemblies.

7.12. Protected Natural Areas Participatory Management Project  
*(Preparatory Phase)*  
**Source:** FMAM-BM.  
**Duration:** 2000 - 2003  
**Starting date:** 2000  
**Project’s cost:** US $ 348,000.00  
**Modality:** Technical – Financing Assistance.  

**Activities considered:** Consulting costs for determining areas to be selected for the project’s execution, buffer zones, technical analysis of national and regional institutional capacity, economic analysis and incremental costs, analysis and identification of financial mechanisms and of the project’s acquisitions, support for project design and preparation.

7.13. Human and Institutional Capacities Development for SINANPE  
**Source:** Royal Embassy of the Netherlands in Peru.  
**Duration:** 2001 - 2003  
**Starting date:** 2001  
**Project’s cost:** US $ 372,000.00  
**Modality:** Financial Assistance.  

**Activities considered:** Simultaneously contributing to setting up the GEF Project regarding Protected Areas Participative Management and to supporting the processes aimed at improving INRENA’s institutional management quality. ANP’s
performance indicators, ANP’s strengthening, ANP’s legal reorganization processes, management committees creation and adaptation, institutional development, project’s management and coordination of the preparatory activities for the final document for assessment by GEF.

**Benefited areas**: Huascarán and Bahuaja Sonene Nationals Parks, Tambopata and Salinas and Aguada Blanca National Reserves and Los Manglares of Tumbes National Sanctuary

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7.14. Tropical Forest Conservation Program

**Source**: Debt for Nature Swapping with the US Government.

**Duration**: 2002 - 2012

**Starting date**: 2002

**Project’s cost**: US $ 10,600,000.00

**Modality**: Technical - Financing Assistance.

**Activities considered**: Financing projects selected by the Monitoring Committee aimed at the establishment, restoration, protection and maintenance of parks, protected areas and reserves; development and implementation of sound scientific systems for natural resource management, including administrative practices regarding lands and ecosystems; training programs to increase scientific and technical capacity of individuals and organizations engaged with conservation; restoration, protection and sustainable use of different animal and plant species; research and identification of tropical forest plants for medicinal purposes; and consistent development and support to the lifestyle of people who live in or close to tropical forests together with tropical forest protection.

**Benefited areas**: Cordillera Azul, Manú and Bahuaja Sonene National Parks, Pacaya Samiria and Tambopata National Reserves; Alto Purús, Apurímac and Amarakaeri Reserved Zones

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7.15. Protected Natural Areas Participative Management Project

**Source**: Donation from FMAM and the Netherlands Government through the World Bank

**Duration**: 2003 - 2009

**Starting date**: 2003

**Project’s cost**: US$ 19,250,000.00

**Modality**: Mixed Trust Fund and Financial Assistance

**Activities considered**: Preparation of main plans, ANP administration agreements, sustainable small scale economic and environmental activities, training and consulting service to INRENA, creation of local civil society capacities, MIS based on SINANPE, ANP financing, monitoring and evaluation, administration and information.
Benefited areas: Huascarán and Bahuaja Sonene National Parks, Tambopata Candamo and Salinas and Aguada Blanca National Reserves and Los Manglares of Tumbes and Abancio de Morona Pastaza National Sanctuary.

7.16. Territorial Management and Sustainable Use of Natural Resources in the Morona and Pastaza Rivers Basin

Source: Debt Swap with Germany.
Duration: 2003 - 2013
Starting date: 2003
Project's cost: US$ 7 500 000.00
Modality: Financial Assistance

Activities considered: Economic and Ecologic Zoning Pastaza Area and Morona east bank, planned management of 3 native communities’ lands with titled areas, establishment and Management of a Communal Reserve under a Master Plan, biological exploration – feasibility study, feasibility study of a Reserve of the Biosphere, activities for conservation and production which arise from the participative process, strengthening of CTAR’s planning capacity, Municipal strengthening, including registration of people without identification documents (Right to Name), strengthening of communal self-management and support capacity of Indigenous Federations, CORPI and AIDESEP, education, and rescue of ancestral knowledge on natural resources, improvement of health conditions, health promoters, nurses and traditional midwife training, including rescue of traditional medical practices, provision of supplies to health posts, communication and dissemination of educational information and Binational Plan, radio program in native languages.

Benefited areas: Morona and Pastaza Rivers’ Basins

7.17. Project Administration: Native Communities’ Participation in Managing Protected Natural Areas of the Peruvian Amazonian Forest - PIMA

Source: Donation to INRENA from FMAM through the World Bank.
Duration: 2002 - 2006
Starting date: 2002
Project's cost: (DEG 7 500 000.00) equiv. US$ 10 000 000.00
Modality: Financial Assistance

Administration Service Contract: entered in November 2001 by PROFONANPE and INRENA, as a eligibility condition by the World Bank, through which PROFONANPE assumes the responsibility of managing the financial resources, preparing tender documents, drafting contracts, carrying out accounting, acquiring goods and services, paying consultants and suppliers.

Activities considered: Creating or re-rating of ANPs, strengthening Participation Mechanisms, provision for training to Indigenous Communities on participation
mechanisms and sustainable methods for managing ANP projects, providing infrastructure and equipment to ANPs, Management Plan for Indigenous Communities’ Lands, natural resources utilization contracts, Biodiversity investment sub-projects, monitoring and assessment, technical assistance and administration.

**Benefited areas:** Alto Purús, Santiago-Comaina and Gueppi Reserved Zones, Pacaya Samiria National Reserve and El Sira Communal Reserve.
Annex 1

Annual Evolution of Fund Raising
## Annex 2
### Funds Raised in 1995 - 2003 (in US$)

<table>
<thead>
<tr>
<th>SOURCE</th>
<th>MODALITY</th>
<th>DATE</th>
<th>DURATION</th>
<th>AMOUNT</th>
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<tbody>
<tr>
<td><strong>Investment Portfolios</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>GEF - WB Grant</td>
<td>Intangible Endowment</td>
<td>May-95</td>
<td>Perpetuity</td>
<td>5,223,986</td>
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<tr>
<td>Bilateral debt swap with Canada</td>
<td>Intangible Endowment</td>
<td>May-95</td>
<td>Perpetuity</td>
<td>354,920</td>
</tr>
<tr>
<td>Bilateral debt swap with Germany</td>
<td>Sinking Fund</td>
<td>January-96</td>
<td>10 years</td>
<td>6,089,309</td>
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<tr>
<td>Bilateral debt swap with Finland</td>
<td>Sinking Fund</td>
<td>March-96</td>
<td>5 years</td>
<td>6,054,516</td>
</tr>
<tr>
<td>Bilateral debt swap with Finland</td>
<td>Intangible Endowment</td>
<td>May-96</td>
<td>Perpetuity</td>
<td>100,000</td>
</tr>
<tr>
<td>Bilateral debt swap with Germany</td>
<td>Mixed Endowment</td>
<td>October-99</td>
<td>10 years to perpetuity</td>
<td>1,987,281</td>
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<tr>
<td>Bilateral debt swap with Germany</td>
<td>Mixed Endowment</td>
<td>October-99</td>
<td>10 years to perpetuity</td>
<td>1,987,281</td>
</tr>
<tr>
<td><strong>Technical and Financial Assistance</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grant from Finland</td>
<td>Technical Assistance</td>
<td>February-98</td>
<td>2 years</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Grant FANPE - GTZ</td>
<td>Technical Assistance</td>
<td>May-98</td>
<td>Indeterminate</td>
<td>54,000</td>
</tr>
<tr>
<td>Grant KfW Germany</td>
<td>Financial Assistance</td>
<td>September-98</td>
<td>5 years</td>
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<tr>
<td>Grant GEF - WB</td>
<td>Technical and Financial Assistance</td>
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<td>6 months</td>
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<tr>
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<td>Technical and Financial Assistance</td>
<td>January-02</td>
<td>1 year</td>
<td>371,850</td>
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<tr>
<td>Bilateral debt swap with U.S.A</td>
<td>Sinking Fund</td>
<td>August-02</td>
<td>10 years</td>
<td>10,604,004</td>
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<td><strong>Earmarked Funds and Other Grants</strong></td>
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<tr>
<td>Grant Canadian Embassy</td>
<td>Equipment and Vehicles</td>
<td>January-95</td>
<td>____</td>
<td>113,321</td>
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<tr>
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<td>Earmarked Fund</td>
<td>January-95</td>
<td>2 years</td>
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<tr>
<td>Grant MacArthur Fundation</td>
<td>Earmarked Fund</td>
<td>September-95</td>
<td>3 years</td>
<td>80,000</td>
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<td>Grant MacArthur Fundation</td>
<td>Earmarked Fund</td>
<td>January-96</td>
<td>1 year</td>
<td>50,000</td>
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<tr>
<td>Grant Royal Dutch Embassy</td>
<td>Contingency Fund</td>
<td>March-96</td>
<td>Indeterminate</td>
<td>6,505</td>
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<tr>
<td>Grant Canadian Embassy</td>
<td>Earmarked Fund</td>
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<td>1 year</td>
<td>4,312</td>
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<td>Grant Royal Dutch Embassy</td>
<td>Earmarked Fund</td>
<td>March-99</td>
<td>3 months</td>
<td>25,000</td>
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<tr>
<td>Grant FANPE - GTZ</td>
<td>Earmarked Fund</td>
<td>March-99</td>
<td>3 months</td>
<td>22,000</td>
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<tr>
<td>Grant MacArthur Fundation</td>
<td>Earmarked Fund</td>
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<td><strong>Funds Administration by Comission</strong></td>
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<tr>
<td>Grant GEF - UNDP</td>
<td>Financial Assistance</td>
<td>August-00</td>
<td>?</td>
<td>159,623</td>
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<td>Financial Assistance</td>
<td>November-01</td>
<td>10 years</td>
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<tr>
<td><strong>Approved Funds to be executed from 2003</strong></td>
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<tr>
<td>Grant GEF - WB</td>
<td>Financial Assistance</td>
<td>May-03</td>
<td>6 years</td>
<td>15,000,000</td>
</tr>
<tr>
<td>Grant Royal Dutch Embassy</td>
<td>Financial Assistance</td>
<td>May-03</td>
<td>6 years</td>
<td>4,000,000</td>
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<tr>
<td>Bilateral debt swap with Germany</td>
<td>Financial Assistance</td>
<td>March-03</td>
<td>10 years</td>
<td>7,500,000</td>
</tr>
<tr>
<td>Grant KfW - Germany</td>
<td>Financial Assistance</td>
<td>2003</td>
<td>5 years</td>
<td>7,446,809</td>
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**Total** 83,892,696
## Annex 3

### RETURNS ON PORTFOLIO INVESTMENTS

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<tr>
<td>Endowment GEF-World Bank</td>
<td>17.6</td>
<td>9.2</td>
<td>-5.4</td>
<td>2.3</td>
<td>8.5</td>
<td>5.8</td>
<td>5.6</td>
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<td>Endowment Debt swap with Canada</td>
<td>12.2</td>
<td>10</td>
<td>-0.7</td>
<td>8.7</td>
<td>8.1</td>
<td>8.6</td>
<td>5.4</td>
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<tr>
<td>Sinking Fund Debt swap with Germany</td>
<td>11.5</td>
<td>11.8</td>
<td>-7.1</td>
<td>11.0</td>
<td>10.6</td>
<td>8.9</td>
<td>5.6</td>
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<tr>
<td>Sinking Fund Debt swap with Finland</td>
<td>8.5</td>
<td>-0.2</td>
<td>5.3</td>
<td>5.8</td>
<td>9.7</td>
<td>6.7</td>
<td>5.9</td>
</tr>
<tr>
<td>Endowment Debt swap with Finland</td>
<td>10.4</td>
<td>9.1</td>
<td>-1.2</td>
<td>7.2</td>
<td>7.6</td>
<td>7.7</td>
<td>6.0</td>
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<td>Mixed Fund Debt swap with Germany</td>
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<td>4.8</td>
<td>0.9</td>
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<tr>
<td>Mixed Fund Debt swap with Germany</td>
<td>1.7</td>
<td>2.6</td>
<td>-0.1</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td><strong>General average</strong></td>
<td><strong>13.3</strong></td>
<td><strong>9.6</strong></td>
<td><strong>-3.3</strong></td>
<td><strong>4.9</strong></td>
<td><strong>7.6</strong></td>
<td><strong>6.2</strong></td>
<td><strong>4.5</strong></td>
</tr>
</tbody>
</table>
Annex 4

PAs supported by PROFONANPE

Total: 28 PAs
Area: 15 224 049 ha.
92,96% of the System area

10 NATIONAL PARKS
1 Cutervo
2 Tingo Maria
3 Huascaran
4 Cerros de Amotape
5 Rio Abiseo
6 Yanachaga-Chemillen
7 Bahuaja-Sonene
8 Cordillera Azul
9 Manu
10 Otishi

9 NATIONAL RESERVES
11 Pampa Galeras
12 Junin
13 Paracas
14 Lachay
15 Titraca
16 Salinas y Aguada Blanca
17 Calipuy
18 Pacaya Samiria
19 Tambopata

6 NATIONAL SANCTUARIES
20 Huayllay
21 Calipuy
22 Lagunas de Mejía
23 Ampay
24 Manglares de Tumbes
25 Tabaconas-Namballe

4 HISTORICAL SANCTUARIES
26 Chacamarca
27 Pampa de Ayacucho
28 Machupicchu
29 Bosque de Pumac

1 LANDSCAPE RESERVE
30 Nor Yauyas - Cochas

13 RESERVED ZONES
31 Laquipampa
32 Pantanos de Villa
33 Tumbes
34 Algarrobal el Moro
35 Chancaybaños
36 Aymara Lupaca
37 Gileppi

38 Rio Rimac
39 Santiago - Comaina
40 Alpahuaya - Mishana
41 Alto Paríis
42 Cordillera de Colán
43 Huayllash

6 FOREST OF PROTECTION
44 A.B. Canal Nuevo Imperial
45 Puquio Santa Rosa
46 Pui Pui
47 San Matías-San Carlos
48 Pagabamba
49 Alto Mayo

5 COMMUNITY RESERVES
50 Yaneshia
51 El Sira
52 Amarakaeri
53 Ashaninka
54 Machiguenga

2 GAME PRESEVES
55 El Angolo
56 Sunchubamba
Annex 5

PROFONANPE LEGAL BASIS

It is closely related to the regulations governing the State’s Protected Areas.

Article 68 of the 1993 Peruvian Constitution declares that State “must promote the conservation of biological diversity and Protected Areas.” This provision is coincident with PROFONANPE’s mission and objectives.

The specific legal basis is Law Decree N° 26154 of December 29th, 1992.

- Article 1 creates the Fondo Nacional para las Areas Naturales Protegidas por el Estado – PROFONANPE (National Fund for Protected Areas) as an intangible trust fund intended for PA conservation, protection and management by the State. It is constituted on the basis of the resources from grants provided by international co-operation and complementary funds transferred by the public and private sectors. It also declares that the resources of the mentioned Fund must be deposited in a first-ranked banking or financial entity in Peru or abroad. Returns of these deposits are resources available for activities identified by the fund’s management.

- Article 2 stipulates that the Fund will be administered by PROFONANPE, a public interest non-profit organisation under private law independently governed by its by-laws and Civil Code regulations, as needed.

Additionally, it creates a Board of Directors sitting seven members, three from the State and four from private or international institutions working on protection and conservation of National Parks and other Protected Areas. The representative from the Senior Directorate of the Ministry of Agriculture will chair the Board.

FONANPE AND PROFONANPE

Regulations:

Supreme Decree N° 024-93-AG of July 13th, 1993 as amended by Supreme Decree N°. 007-98-AG of May 29th, 1998, regulates the PROFONANPE Act. Some of the goals there under are:

- Contribute to PAs’ conservation, protection and management.
- Strengthen PA staff technical skills.
- Finance projects, programs, and/or activities related to PA conservation and management by the State and/or non-governmental organizations.
Annex 6

LAW OF PROTECTED NATURAL AREAS

Law N°26834 received a unanimous approval from the Congress on July 30\textsuperscript{th}, 1997. Experts view it as a modern and positive law based on more than thirty years of Peruvian experience in the subject. It furnishes important concepts for improving PA management and solve rights of use disputes among local communities.

Besides national Protected Areas, it acknowledges the existence of Regional and private conservation protection areas.

It also differentiates indirect use areas (National Parks, National Sanctuaries and Historical Sanctuaries) from those of direct use (Landscape Reserves, Wildlife Refuges, National Reserves, Community Reserves, Protection Forests, and Game Preserves).

It recognizes legitimate rights over territories and resources, especially of indigenous populations. It provides a complete outline of categories and zones necessary for different conservation and sustainability goals.

For the first time, it includes buffer zones; it recognizes and promotes private involvement in PA management through participatory planning, management committees, administration contracts and other tools. It places national PAs under INRENA responsibility thus turning INRENA into the head organization.

It establishes the following management categories within SINANPE:

\textit{National Parks}: Areas constituting representative samples of the country’s natural diversity and its main ecological units.

\textit{National Sanctuaries}: Areas where the habitat of one species or one flora and fauna community as well as natural formations of scientific and landscape interest are made intangible to ensure their protection.

\textit{Historical Sanctuaries}: Areas of major natural wealth around sites of special national significance.

\textit{Landscape Reserves}: Are places where geographical integrity is an example of a harmonious relation between man and nature and are home to important natural, aesthetic, and cultural values.

\textit{Wildlife Refuges}: Areas requiring active management to ensure their preservation as the habitat and source to meet the needs of a given species.

\textit{National Reserves}: Areas aimed at the conservation of biological diversity and sustainable use of wild flora and fauna resources, both aquatic and terrestrial.
Community Reserves: Areas intended for conservation of wild flora and fauna for the benefit of neighboring rural communities.

Protection Forests: Areas that guarantee the protection of headwaters of rivers, river banks, and other water courses and, in general, the protection of fragile soils against erosion.

Game Preserves: Areas reserved to wild fauna and the regulated practice of recreational hunting.

Reserved Zones are declared to be under SINANPE; and is not a valid class for regional and private conservation areas.

PAs are required to produce general and specific plans such as the PA Director Plan and master plans for each area.