PA’s SUSTAINABLE FINANCING: NEW APPROACHES BEYOND PROJECT BOUNDARIES

Session 2: Institutions
Panel B: Donors Support for Protected Areas Sites

Peruvian Trust Fund for National Parks and Protected Areas
PROFONANPE – PERU

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PROFONANPE AT A GLANCE

CHARACTERISTICS
- Specialized Environmental Fund
- Trust Funds Management
- Debt-for-nature swaps
- Funding and oversight of programs and projects by public and private organizations

PROFONANPE is the first fund of its type to operate in Peru

CREATION OF PROFONANPE

Private non-profit institution, established on December 29th, 1992

To secure its long term functioning, PROFONANPE received a grant from the Global Environment Facility (GEF)-World Bank for US$ 5.2 million in July, 1995

This seed capital is administered as an endowment fund, allowing to cover PROFONANPE’s operational costs and small conservation initiatives
A. Strengthening Protected Areas’ management and administration
- Recurrent Costs
- Small-scale Infrastructure
- Basic Equipment

B. Investments
- Master Plans
- Large-scale Infrastructure
- Equipment

C. Involving civil society and the private sector
- Strengthening of Protected Area Management Committees
- Promoting management contracts for PAs
- Sustainable economic activities

From 1995 to 2002 PROFONANPE has channeled resources to finance activities for an amount exceeding US$15 millions

FUND-RAISING SCHEMES

- Debt-for-nature swaps: 41.34%
- Grants: 58.66%

TYPES OF FUNDS

- Endowment Funds: 9.26%
- Sinking Funds: 90.74%

NEW APPROACHES BEYOND PROJECT BOUNDARIES
Recovering and maintaining natural balance is a long term challenge

Requires planned, ongoing and long term initiatives

Traditional short term projects may not serve these purposes

Achieving biodiversity conservation, sustainable development and sustainable financing will require leaving behind past practices

A number of young national organizations designed to manage trust environmental funds have emerged as innovative and appropriate arrangements

SHORT TERM PROJECTS

Traditional development assistance has supported short term projects

Projects usually lack strategic vision

They are rarely linked to other projects

This approach will not be effective in conserving biodiversity

ENVIRONMENTAL FUNDS*

EFs in Latin America and the Caribbean region manage over US$ 600 million from different sources

EFs have shown to be an effective mechanism within Latin American legal systems

EFs have created a sustainable institutional setup to maintain their financial strategies for extended periods, exceeding the lifetimes of conventional projects

EFs have developed institutional stability and continuity beyond government administrations

However:

EFs have not escaped some of the limitations of traditional development assistance:

- Project design often includes specific objectives and goals to be achieved in specific PAs and in short periods
- Not all donors provide funding for recurring expenses or research programs
- Few donors are willing to contribute to endowment funds
- Some donors tend to approve projects through partial disbursements

WHAT CAN DONNORS DO TO IMPROVE THE LONG-TERM FLOW OF FUNDS FOR PROTECTED AREAS?

i. Promoting the establishment of new environmental funds specializing in financing protected areas
   - Particularly in megadiverse countries

ii. Assessing the effective viability of widespread endowment funds
   - Donors should reassess their policies regarding financing through such mechanisms

iii. More aggressively promoting protected areas' capacity to generate their own resources

iv. Strengthening financial management skills among national protected areas systems

HOW CAN DONORS' FUNDS BE MOST EFFECTIVELY APPLIED TO PROTECTED AREAS?
Rethinking projects’ rationale may hold the key for the future:

**By supporting the design and implementation of National Management Programs for protected areas**

National Management Programs may provide a mechanism of significant potential effectiveness. This may be achieved by:

- restoring the true value of planning function;
- providing a comprehensive view and strategic coherence;
- turning each project into a piece of a long term strategy;
- giving to their components and projects a time and space structure for interventions;
- optimizing EFs proven success.

**Needs:**

- Appropriate planning cycles for managing protected areas
- Renewed technical efforts to design National Management Programs
- Strategic consensus-building amongst donors, governments and EFs through more complex co-financing arrangements
- Structuring financial packages comprising funds from diverse sources and flows through various financial schemes

**WHAT MAKES A COLLABORATION ARRANGEMENT ATTRACTIVE TO DONOR FUNDING FOR PROTECTED AREAS?**
A closer relationship would make more effective and attractive collaboration arrangements:

**Among donors**
- Harmonize specific financial assistance strategies, priorities and policies
- Co-finance national management programs for protected areas networks or systems
- Reach understandings that go beyond just the operational context

**Among donors, intermediaries and executors**
- Provide feedback on national strategies, policies, priorities and experiences
- Maintain an open flow of information
- RedLAC (21 EF’s from 19 countries) would be a successful experience to replicate in other continents