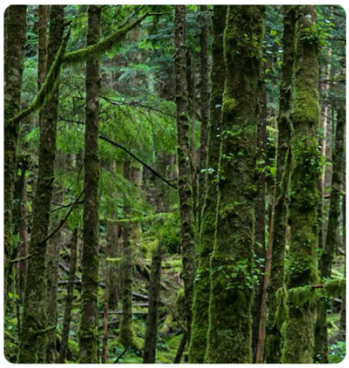
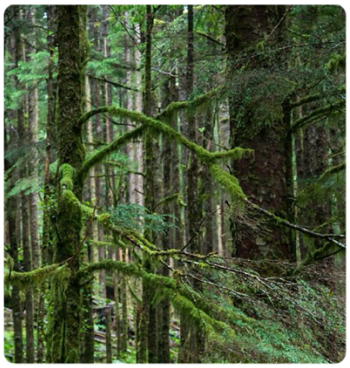
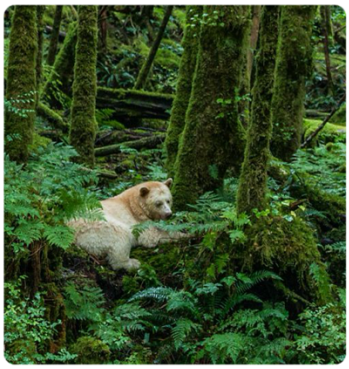
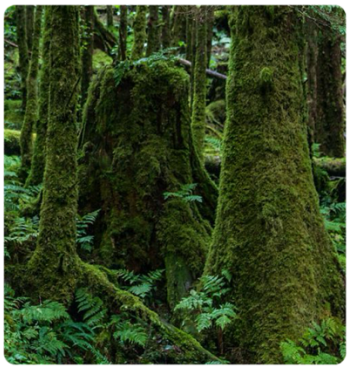
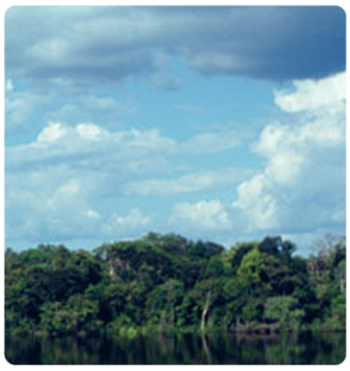





Project Finance for Permanence

Sustainable financing for conservation areas

CLIMATEFIT International best practice factsheet

Case ID: 13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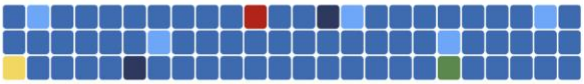

Summary

Conservation areas (ecosystems) like the Amazon Forest have global and local importance but are under increased pressure from climate change and human interventions such as deforestation. A key barrier to long-term conservation is a consistent lack of funding and management. Project Finance for Permanence (PFP) is defined as "an approach or single initiative that secures important policy changes and all funding necessary to meet specific conservation goals of a program over a defined long-term timeframe, with the ultimate aim of achieving the ecological, social, political, organizational, and financial sustainability of that program." PFPs have been applied in Brazil, Peru, Colombia, Bhutan, Canada, and Costa Rica. The smallest PFP has an investment volume of $77 million (Forever Costa Rica), while the largest has an investment volume of $642 million (Amazon Region Protected Areas (ARPA) for Life Brazil).

PFP is a large-scale conservation program rather than a conservation project, and it takes a long-term approach with implementation periods of ten to 25 years. It involves many partner organisations, including authorities, NGOs, donors, and conservation trust funds. PFP's business model is based on the reconciliation of conservation goals with financial means. The PFP approach is modelled after the private sector practice of "project finance" in which funding is raised for complex projects. The essence of project finance is that financial closing is a condition upon the development of an agreed business plan. The financial model is usually composed of two phases for implementation: (a) initially covering the estimated financial gap during the agreed implementation period through a transition fund; and (b) ensuring sufficient recurrent in-country funding to cover needs beyond that period. The ultimate financial objective of any PFP is to ensure long-term financial sustainability of conservation priorities. Ten enabling conditions that are key to the success of PFPs are described in this report. It requires evaluation about whether the enabling conditions are met, and whether there are other approaches that are more cost efficient given that you need the time and the investment at the beginning to develop all these agreements.

Keywords: Project finance for permanence, conservation areas, blended finance, donations, transition fund

Actor(s) interviewed: Landscape finance director at WWF; Senior director strategic planning and finance at WWF.

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Further reading: A guide to Project Finance for Permanence

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Best practice information card

Table 1. Project Finance for Permanence. Information card

Location	Project Finance for Permanence (PFP) has been applied in Brazil, Peru, Columbia, Costa Rica, Canada, and Bhutan.
Population size	NA.
Project area size	Different for each PFP. The smallest under implementation protects 1 million hectares of conservation areas (Bhutan), the largest 60 million hectares (Brazil).
Area type	Terrestrial (often forests) or marine conservation areas (e.g., Amazon forests in Brazil, Peru, and Columbia).
Climate challenge	Conservation areas are under increasing pressure from climate change, human activities, biodiversity loss, and the increasing risk of zoonotic spillovers linked to degraded ecosystems.
Key Community System(s)	Ecosystems and nature-based solutions.
Objectives	PFP is an initiative that secures important policy changes, and all funding necessary to meet specific conservation goals of a program over a defined long-term timeframe, with the ultimate aim of achieving the ecological, social, political, organisational, and financial sustainability of that program.
Climate challenge solution	Protection of conservation areas through numerous measures: ecological monitoring, social monitoring of communities living in and around conservation areas, habitat restoration, tourism related activities, sustainable use of natural resources by the local community, nature-based sustainable enterprises.
Key benefits	Numerous ecosystem services, carbon sequestration (reduced deforestation), social and economic benefits for local communities,
Implementation status	Different for each PFP. Currently, six PFPs are under operation (implementation)
Investment volume (€)	Different for each PFP. The smallest is $77 million (Forever Costa Rica), the largest is $642 million (Brazil).
Key financing barriers	Consistent lack of funding from (public) authorities causes a global gap to finance for the protection of conservation areas.
Financial model	The ultimate financial objective of any PFP is to ensure long-term financial sustainability of a country/region's conservation priorities through: (a) initially covering the estimated financial gap during the agreed implementation period; and (b) ensuring sufficient recurrent in-country funding to cover needs beyond that period.
Financial sources	Public: national and/or regional-level public entities. Private: NGOs, philanthropies, international cooperations. Other sources could be involved depending on which sustainable finance mechanisms are used.
Financial instruments	Blended finance through a combination of multiple sustainable finance mechanisms. Examples include taxation, results-based financing (debt for nature swaps, payment for ecosystem services), fees/user charges (carbon pricing, user charges, entrance fee), grants, donations.

Project Finance for Permanence (PFP) is defined as "an approach or single initiative that secures important policy changes and all funding necessary to meet specific conservation goals of a programme over a defined long-term timeframe, with the ultimate aim of achieving the ecological, social, political, organisational, and financial sustainability of that programme". The approach was conceived in 2011 by a group of conservationists, former bankers, and management consultants who imported ideas from the mainstream financial sector to create a new model to protect and finance large ecosystems. This model was based on experiences from three successful major conservation initiatives: Amazon Region Protected Areas (ARPA) in Brazil, Forever Costa Rica, and the Great Bear Rainforest in Canada. In 2021, the Amazon Sustainable Landscapes Program (ASL) and the World Wide Fund for Nature (WWF) published a guide that describes PFP, captures the experience from practitioners, and offers a guide to public and private organisations wishing to implement a PFP. The PFP approach has been applied in Northern, Central, and Latin America, as well as South Asia.

This factsheet about PFP is different from the nineteen other CLIMATEFIT best practice case study factsheets because it describes a holistic governance and financing approach that has been applied in multiple countries, instead of detailing the business and financial model of an individual programme or project. It can inspire actors interested in developing a comprehensive adaptation plan, including investment strategies and an investment plan. We decided to include PFP as one of our twenty best practice case study factsheets because it exemplifies an approach that can be tailored to national contexts, with each case illustrating different ways to blend public and private sources through multiple instruments to secure sustainable financing for large-scale conservation. This factsheet is mainly based on the PFP guide published in 2021 by ASL and WWF, two older reports, and an interview conducted with WWF. Compared to the other factsheets, this one focuses on the overall approach rather than the detailed business or financial models of individual cases.

Overview and timeline

Conservation areas refer to protected areas and other effective area-based conservation measures. A protected area is a "geographically defined area, which is designated or regulated and managed to achieve specific conservation objectives" (Cabrera et al., 2021, p.94). Other effective area-based conservation measures are defined as "geographically defined areas other than protected areas, which are governed and managed in ways that achieve positive and sustained long-term outcomes for the in-situ conservation of biodiversity, with associated ecosystem functions and services and, where applicable, cultural, spiritual, socio-economic, and other locally relevant values" (Cabrera et al., 2021, p.93).

Simply put, **conservation areas are naturally managed ecosystems crucial for our planet's biodiversity and for critical ecosystem services on which humans depend**. Conservation areas have become a global priority with the 30x30 goal, which means that by 2030, 30% of the planet should be protected, either through land or marine conservation areas. "Protected" means that protection is legally secured. Often, protection is the only way of securing carbon sequestration and ensuring the continuous and smooth provision of ecosystem services. **Conservation areas are under increasing pressure from climate change, human activities, biodiversity loss, and the increasing risk of zoonotic spillovers linked to degraded ecosystems**. Without long-term conservation investments, the situation could worsen. Organisations like WWF believe that traditional approaches to conservation are becoming obsolete with increased global warming and climate variability. An increasing investment through a partnership of governments, communities, indigenous peoples, non-governmental organisations, and the private sector is necessary to secure greater protection.

A key barrier to long-term conservation is a **consistent lack of funding and management**. It is common knowledge that there is a **global gap in financing for the protection of conservation areas**. Conservation areas are usually public goods that require large amounts of public investment to secure conservation. Even if governments prioritise conservation, they are often cash-strapped, and the environment is usually not a top priority compared to sectors like health or education. Other challenges following from budget constraints include a lack of sufficient staff, operating expenses, and basic infrastructure.

PFP is a conservation programme rather than a conservation project, and it takes a long-term approach with implementation periods between ten and 25 years. The **long-term approach** is an important aspect because PFP is about financial sustainability, conservation sustainability, and sustainability of people-related benefits and ecosystem services that conservation areas provide. Designing a PFP process prior to implementation can easily take three to five years or longer. The implementation period itself is at least ten years, with the longest PFP implementation period to date being 25 years. The long-term approach is also a consequence of the scale of PFP programmes, with conservation areas between 10 million and 60 million hectares, and with **many partner organisations**, including (national) governments, civil society organisations, local communities, NGOs, etc. The inclusivity of many partners is also considered an important difference from traditional conservation projects. The many partner organisations involved agree on priorities, goals, milestones, or desired impacts, and most importantly agree on how to achieve them, including an agreement on long-term financing estimates and financing sources. A final difference between PFP and traditional conservation projects is that by the end of the implementation period of a PFP, all recurring costs need to be covered by sustainable recurring in-country sources of sustainable funding. This is an important condition for the permanent protection of conservation areas.

A **PFP approach consists of five phases**: identification, assessment, readiness, design, and implementation. The phases are described in detail in the 'Business model and financial model' section. One of the most important milestones in a PFP process is the 'single closing', which marks the end of the design phase and the start of the implementation phase. That is a moment in time when all the main commitments, both conservation development and financial, are made to the PFP. Implementation does not start until that single closing; it does not start until all the main parties to the deal have agreed on all the plans, all the funding needs, and where that funding is going to come from.

Some examples of PFP programmes are described below. The early ones, like ARPA, Great Bear Rainforest Canada, and Forever Costa Rica, did not strictly follow the five phases as outlined in the 2021 PFP guide. The 2021 guide further refined and structured the PFP approach based on early PFP adopters. There are examples of other large-scale conservation efforts with one or more characteristics of PFP, in some instances led by other major organisations like The Nature Conservancy. Such examples can be found in the United States, Madagascar, and Mexico.

- **ARPA** is considered one of the largest programs, if not the largest, for the conservation and sustainable use of tropical forests in the world. Its mission is to consolidate a minimum of 60 million hectares of conservation units in the Amazon biome.[1]
- **Great Bear Rainforest is the first PFP in Canada** — and was one of the first in the world. Led by Indigenous communities, environmental groups, and philanthropic organisations, it covers 6.4 million hectares on British Columbia's north and central coast.[2]
- **Forever Costa Rica**, a private non-governmental organisation, created in 2010 as one of the first PFPs in the world. The program supports 61 protected areas for the conservation of marine-coastal and terrestrial biodiversity.[3]
- **Heritage Colombia (HECO)** has the goal to ensure long-term conservation and financing of 20 million hectares by 2020, representing 10% of the country's territory.[4]
- **Peru's Natural Legacy, (also known as PdP)**, is the high-level commitment from Peru to create financial sustainability for its entire national protected areas system. The overall aim of the initiative is to consolidate the effective management of the natural protected areas system, of at least 19 million hectares, within a period of 20 years.[5]

Measures of a PFP conservation programme can take many forms, such as ecological monitoring, social monitoring of communities living in and around conservation areas, habitat restoration, tourism-related activities, sustainable use of natural resources by the local community, nature-based sustainable enterprises, etc. Generally, it can be every kind of activity that the local context requires to maintain the ecosystem and biodiversity, and to reduce deforestation threats in conservation areas.

Table 2. Project Finance for Permanence. Timeline with key moments

Date	Key moment
2002	**ARPA** is launched at the World Summit on Sustainable Development in Johannesburg, South Africa.
2007	Funding agreement signed for the **Great Bear Rainforest** PFP in Canada, becoming one of the first PFPs in the world to start implementation.
2010	Agreement signed for the **Forever Costa Rica** PFP program, starting its implementation.
2019	Implementation started of the **Peru's Natural Legacy** (PdP) PFP.

Governance and key stakeholders

The PFP 2021 guide was co-authored by the **ASL** and **WWF**, two organisations strongly involved in multiple PFP programmes. ASL is an Impact Programme financed by the Global Environment Facility (GEF) with the objective of protecting globally significant biodiversity and implementing policies to foster sustainable land use and restoration of native vegetation cover in Amazon regions of Brazil, Colombia, and Peru. ASL supports PFP initiatives in each of the three original participating countries. WWF and other global organisations, such as the **World Bank** and the **United Nations Development Programme (UNDP)**, offer technical support and supervision.

Generally, there are four groups of actors involved in PFP programs, as described in the 2021 PFP guide:

[1] More information about The Amazon Region Protected Areas in Brazil
[2] More information about The Great Bear Rainforest in Canada
[3] More information about Forever Costa Rica
[4] More information about Heritage Columbia
[5] More information about Peru's Natural Legacy

- **"Authorities**: Entities responsible for the management of conservation areas, be they government, indigenous, or private. It is important that authorities responsible for the national budget (the Ministry of Economy, Finance, or Treasury Department) participate."
- **"Non-governmental organisations**: Private, non-profit organisations with technical knowledge in conservation area management and a network that can help the coalition reach consensus and fundraise. In all PFP initiatives to date, international NGOs have played strategic roles that include building partnerships, fundraising, providing technical assistance, and supporting communications efforts. National NGOs have been instrumental in giving credibility to PFP processes, providing technical assistance, and designing realistic conservation goals that consider the capacity of implementing entities to absorb additional funding."
- **"Conservation trust funds**: Entities with independent governance, and the capacity to mobilize funds and meet fiduciary standards (including proper use of initiative resources). In the event a country does not have an established conservation trust fund with the requisite capacity, as was the case in Canada and Costa Rica, the coalition must either identify another entity that meets the required standards or create a new conservation trust fund."
- **"Donors**: PFPs usually distinguish between public and private donors. Public donors are bilateral and multilateral cooperation agencies that operate in the country where the PFP approach is to be applied, whereas private donors tend to be philanthropic foundations, NGOs, individuals, and companies."

Table 3. Project Finance for Permanence. Key stakeholders and their responsibilities or roles

Stakeholder	Type	Role and responsibilities
Authorities	Public or private	Responsible for the management of conservation areas
NGOs	Private	Technical support and supervision of PFP programs. Support can take the form of building partnerships, fundraising, providing technical assistance, and supporting communications efforts. These NGOs have knowledge in conservation area management, including financing.
Conservation trust funds	Public or private	These have the capacity to mobilize funds. They usually take up the role of PFP fund administrator, overseeing donor funds.
Donors	Public or private	Donations to the program, usually the first funding commitments. They can also take a leadership role to promote the PFP with governments and other donors

The governance structure is different for each PFP program and is advised to be built around existing structures that work well. Nonetheless, each PFP program and its coalition of partners has common governance elements which can be considered as minimal requirements to ensure a good functioning of the program. Examples of the governance models of the ARPA program and the PdP are shown in Figures 1 and 2 respectively.

- "At a minimum, PFP initiatives should establish an **independent steering committee**. This is the highest decision-making body of a PFP and is responsible for proper use of the initiative's resources. The final shape of the committee will depend on the national context."
- "Once the coalition is formed, a **coordinator** could be appointed to facilitate, monitor, and report back on the progress of the development of a PFP to the coalition. The coordinator may work for one of the coalition members, or be an individual hired to fulfil this role at the beginning of the readiness or design phase, depending on the context."
- "One or more **technical working groups** along thematic lines. These groups will advance the design of specific PFP components: the conservation plan, financial model, closing conditions, fundraising campaign, operating manual (with governance and institutional arrangements), and disbursement conditions."
- "A **PFP fund administrator** is responsible for overseeing donor funds (see section 2.4.8.). In all PFPs studied, a conservation trust fund that already existed or that was created specifically for the PFP functions as the fund administrator. At the request of the steering committee, the fund administrator's performance is periodically evaluated by a team of external evaluators."
- "Most PFPs require a **team dedicated exclusively to ensuring the initiative's conservation goals are properly achieved**. This team is usually physically located in the offices of the corresponding authority, which better integrates them into existing management structures for conservation areas."

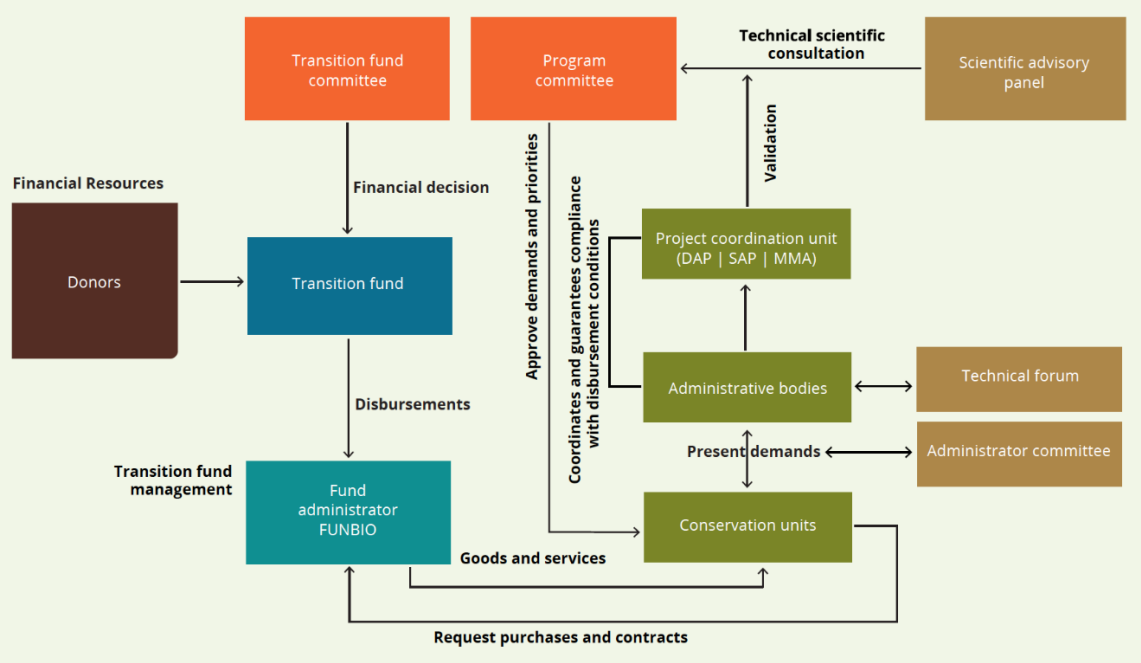

Figure 1. ARPA (Brazil) governance model.[6]

[6] Cabrera, H. N., Planitzer, C., Yudelman, T., and Tua, J. (2021). *Securing sustainable financing for conservation areas: A guide to Project Finance for Permanence*. Amazon Sustainable Landscapes Program and WWF. PDF

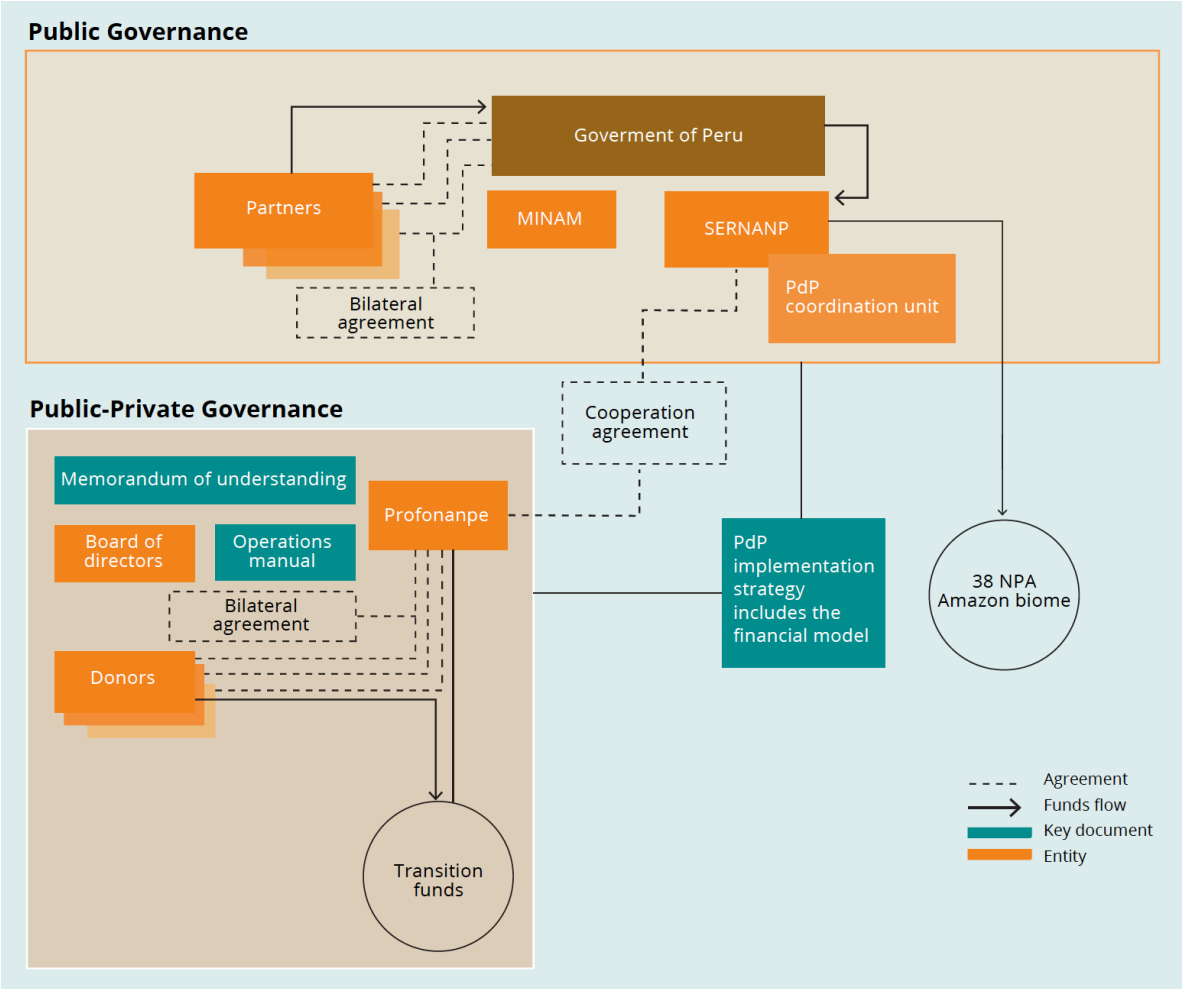

Figure 2. PdP's governance model.[7]

Business model & Financial model

Business model

PFP's business model is based on reconciling conservation goals with financial means. The PFP approach is modelled after the private sector practice of "project finance", in which funding is raised for complex projects. The essence of project finance is that "financial closing is a condition upon the development of an agreed business plan, the establishment of all the necessary preconditions for business success (e.g., customer contracts), and the commitment of all needed funds – together comprising the complete set of resources and conditions needed for project success." PFP is considered a holistic approach for that reason because the goals have been determined, commitments have been made, and financial means have been secured – at least for the first number of years – before implementation starts. As mentioned before, in a PFP initiative, this milestone is called the single closing

Protection of conservation areas (marine, terrestrial, forests) is important because these areas offer **numerous values** on both a global and local scale. These have been described on OPPLA's PFP case study page[8]:

- Protected areas provide a suite of ecosystem services that help vulnerable communities during extreme weather events. These include protection from soil erosion due to heavy rainfall, coastal storm surge and wave attenuation, and flooding.
- Enhancing and maintaining natural carbon stocks.

[7] Cabrera, H. N., Planitzer, C., Yudelman, T., and Tua, J. (2021). *Securing sustainable financing for conservation areas: A guide to Project Finance for Permanence*. Amazon Sustainable Landscapes Program and WWF. PDF
[8] OPPLA. (nd). *Protected Areas and Resilient Landscapes – Project Finance for Permanence in Colombia, Perú and Bhutan*. OPPLA URL

- Reduction in carbon emissions through reduced deforestation, reduced degradation, natural re-growth and reforestation.
- Social and economic impacts to local communities that participate in local adaptation strategies, each of which will explicitly account for risks and impacts of climate change. This increases communities' sense of ownership. Creation of green jobs relating to construction & maintenance of nature-based solutions (NbS)
- Minimising species extinction and ecological losses and fostering an increase of biodiversity.
- Increase awareness and social learning of NbS & their effectiveness and co benefits.

As mentioned before, a PFP program is structured in five phases. Here we provide a brief description of each phase as written in the 2021 PFP guide. More details can be found in the guide:

- "During the **identification phase**, an organisation interested in applying the PFP approach explores its potential and the status of key enabling criteria. If there is interest from other key stakeholders and basic criteria in place, an organisation can invest in a full assessment."
- "During the **assessment phase**, viability, feasibility, and readiness criteria are explored in detail to determine whether the criteria for PFP are in place, and to begin framing the outline of a potential PFP. During this phase, stakeholders also start learning more about the approach. The assessment allows parties to either: (a) conclude a PFP is not suitable at the present time, (b) determine that work is needed to strengthen enabling conditions and fill identified gaps before a PFP can be developed, or (c) move to the readiness phase to advance with developing a PFP."
- "During the **readiness phase**, a coalition is formed, roles are defined, and funds are raised for the design phase. It culminates in a declaration of interest to develop a PFP. This phase involves detailed and extensive training sessions on the PFP approach for coalition members to ensure understanding and ownership of the PFP."
- "The **design phase** focuses on fully developing the PFP, and includes defining conservation goals and funding targets, fundraising, and prioritizing sustainable financing mechanisms. The design phase is complete once a closing agreement has been signed, confirming that all agreed closing conditions have been fulfilled and sufficient funds have been secured."
- "The **implementation phase** includes establishment of a conservation trust fund (as needed), the launch of an endowment and/or sinking fund developed in the design phase, execution of conservation activities, distribution of donor funds to implementing agencies over time, and implementation of new or expanded in-country sustainable financing mechanisms."

The **cost of a PFP** depends on each individual case, considering differences in scale and measures undertaken (Table 4). The PFP guide indicates that, based on existing PFP cases, the total cost of the first four phases before implementation is approximately $1 million annually. Considering that the preparation and design of a PFP take around three to five years, this means a total of $5 million. It is a significant upfront investment, but it is justified because the investment during implementation is so large. Spending some of that upfront allows taking the time and involving the right partners to ensure a successful program. In the ARPA program, $215 million was required from the transition fund (see financial model section below) to be invested over 25 years. Despite this high upfront investment cost and the investment scale of implementation itself, the PFP approach leads to significant cost reduction because of economies of scale and efficiency. Instead of numerous individual projects, PFP is a one-off, large-scale, and intense conservation plan, pooling resources, and significantly reducing transactional costs. Compared to individual projects, there is no constant search for new funds because this is secured before implementation.

Measures in conservation areas can also create **revenue streams** where ecosystem services can be monetised. For example, tourism can be an important source of income, specifically when visitors to conservation areas must pay an entrance fee. Another example is a payment for ecosystem services in Peru that allows hydropower companies to repay or reward upstream conservation in protected areas, or communities that live near or in protected areas. **Indirect value capturing** comes from enhancing the value and quality of ecosystem services through the protection of conservation areas. This, for example, secures water availability in the face of climate change.

Financial model

The financial objective of any PFP is to ensure **long-term sustainable financing** for the protection of conservation areas. Sustainable financing is defined in the PFP guide as "the ability to secure sufficient, stable, and long-term financial resources, and to allocate them in a timely manner and in an appropriate form to cover the full costs of protected areas and to ensure they are managed effectively and efficiently with respect to conservation and other objectives". The financial model is roughly composed of two phases for implementation, as shown in Figure 3, as well as what can be considered a preparatory phase, prior to implementation. Before implementation, the financial model consists of a **robust cost estimate** for achieving PFP goals, **estimates of existing funding sources** (including revenue from existing or new prioritised sustainable financing mechanisms), resulting **financial gaps, estimated funding targets for in-country and donor funding**, and where necessary, an indication of what restricted funding from individual sources will be

spent on. In nearly all instances, there is a financing gap that requires two phases that together make for a blended finance model (Figure 3):

1. During the first implementation years, the financial gap is covered by **donations** from international or national public and private donors. Donations can be sourced from international cooperation, the private sector, civil society, and philanthropy.
2. At the same time, the government is supported to find and develop **new sources of sustainable funding** (such as payment for environmental services, compensation, and the application of carbon neutrality), so that the long-term management of the protected areas system is fully self-sustaining by the end of the program. The reliance on donations diminishes over the course of the implementation period by ensuring sufficient **recurrent in-country funding** to cover needs beyond that period (e.g., public treasury, revenues from user fees, sustainable financing mechanisms).

Table 4 provides an overview of the funding structure in five PFP cases. The transition from donations to new sustainable in-country funding happens through a **transition fund**, which the PFP guide defines as "a pool of one-time funding (usually donations) held by a fund administrator that will be completely spent down over a defined long-term period (typically 10–25 years) as in-country sources of sustainable financing steadily increase to eventually cover all long-term recurring costs of a program. PFPs often employ transition funds to temporarily help developing countries cover the costs of conservation area systems until those countries can fully cover those costs themselves. A transition fund is a specific type of sinking fund."

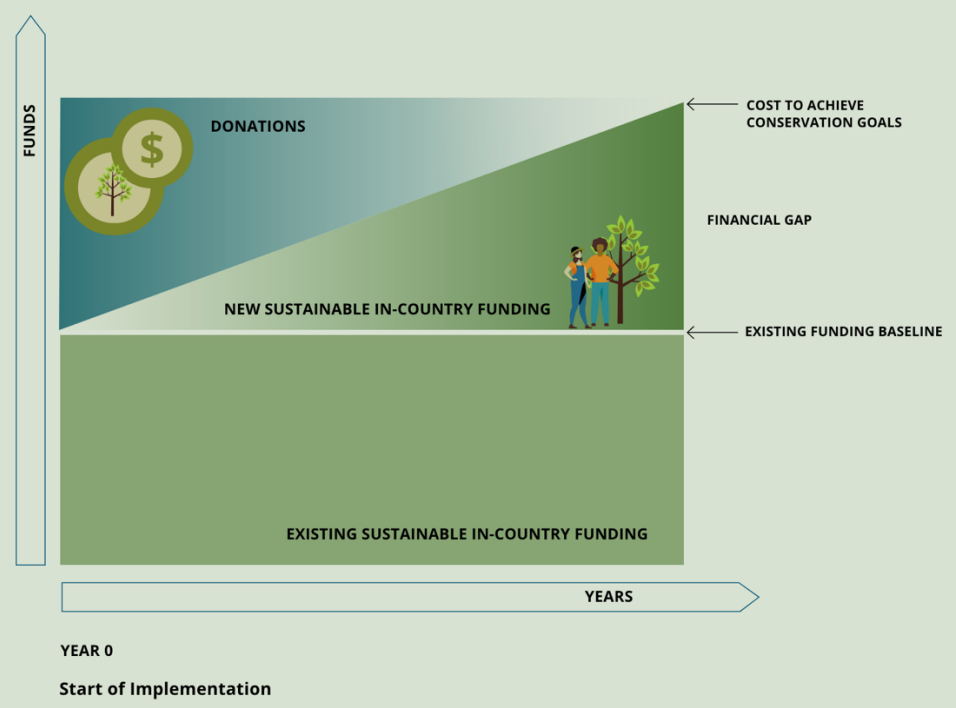

Figure 3. Simplified approach of PFPs that employ a transition fund.[9]

For example, the **ARPA program had a $210 million transition fund**, with funding from the following sources: $60 million from the ARPA Endowment, $35 million from the Amazon Fund, $35 million from Germany, $27 million from the GEF, $14 million from the Roger & Vicki Sant Trust (via WWF-US), $14 million from the Gordon & Betty Moore Foundation, $7 million from Margaret A. Cargill Foundation, $4.5 million from the company Anglo American, $4 million from the Bobolink Foundation, $3 million from the Inter-American Development Bank, $1 million from Joseph Gleberman, $1 million from the Linden Trust for Conservation, $1 million from an anonymous donor, $210,000 from Brazilian private donors.

Table 4. Area involved and funding leveraged in PFPs.[10]

PFP	Area	Donor funding	Expected in-country funds

[9] Cabrera, H. N., Planitzer, C., Yudelman, T., and Tua, J. (2021). *Securing sustainable financing for conservation areas: A guide to Project Finance for Permanence*. Amazon Sustainable Landscapes Program and WWF. PDF
[10] Idem.

ARPA	60 million hectares of conservation units, which includes 6 million hectares of new conservation units	$215 million	$427 million
Bhutan for Life	2 million hectares of protected areas	$43 million	$35 million
Forever Costa Rica	1.05 million hectares of terrestrial protected areas and 1.55 million hectares of marine protected areas	$57 million	$20 million
Great Bear Rainforest	7.4 million hectares of ecosystem-based management, which includes 2.6 million hectares under strict protection through 100 First Nations' conservancies	$18 million (CAN $)	$220 million (CAN $)
PdP	16.7 million hectares of natural protected areas	$70 million	$70 million
HECO	20 million hectares (= 10% of its territory)	$100 million	$100 million

A PFP is most successful when there is **early buy-in from one or two large donors** (public and/or private) that are convinced of the importance and potential to implement a PFP in the chosen context. In most cases, this "**anchor donor**" role is played by a private foundation with philanthropic resources. Securing funding from the first donors facilitates attracting funding from other donors. Theoretically, any financial instrument could be employed as a sustainable finance mechanism to ensure recurrent in-country funding. Some instruments mentioned in the PFP guide include public funding/budgets, entrance and user fees, debt for nature swaps, concessions and easement payments, taxes and levies, compensation payments, payment for ecosystem services, microfinance, and fees on licences and permits. In 2021, PdP explored 16 different mechanisms to raise, generate, mobilise, and/or transfer resources for financing biodiversity conservation. Some of these mechanisms were new to Peru (e.g., carbon tax, green bonds, conservation easements), while others, such as environmental compensation and payment for ecosystem services, are more traditional. In Colombia, the government decided to provide HECO with 5% of the recently created carbon tax for the implementation of this programme.

Enabling conditions

The PFP guide describes **ten enabling conditions** **that a region must consider before initiating a PFP**. Additional enabling conditions may be required depending on the local context and the financial instruments used to secure funding.

1. **Conservation priorities, programs, and challenges**: Will a PFP contribute significantly to goals for nature and nature's services to people over the long term?
2. **Political stability, legal and financial framework, and corruption**: Is the country politically stable, is there a limited risk of corruption, and is there a reliable in-country legal and financial framework (to implement terms of a PFP initiative)? Is the economic structure risk acceptable?
3. **Meeting international commitments**: Does the in-country government have a good track record of keeping international commitments?
4. **History of conflict and existence of a complaint mechanism**: Are appropriate actions being taken and risks mitigated regarding existing or potential conflict with local communities?
5. **Long-term sustainable financing**: Is there sufficient potential to develop long-term, sustainable sources of funding?
6. **Potential for high-level political commitment**: Is there potential for sustained in-country political commitment at the highest levels of government (e.g., to change necessary policies, secure financing, etc.)?
7. **Fundraising potential**: Is there sufficient potential fundraising interest in the proposed PFP?
8. **Capacity of implementing institutions to develop and implement a PFP**: Do relevant in-country implementing institutions (e.g., the protected area agency, Ministry of Environment or other relevant authorities, etc.) have sufficient capacity to successfully plan and implement a PFP initiative, and absorb large amounts of new funding?
9. **Capacity of in-country entities to assist design and coordination of a PFP**: Is there an in-country entity with the capacity and relationships to help develop the PFP initiative, and coordinate in-country negotiations leading up to a deal?
10. **Deal broker**: Is/are there a trusted, independent deal broker(s) who can be a strong and effective negotiator(s)?

In total, **each PFP case has 50 people who work around three to five years half time or full time for the development and preparation of the PFP** . They may not be engaged during the whole development period, but that development period usually happens over three to five years.

PFP actors developed a feasibility assessment tool to gage initial readiness, to gage initial enabling conditions, a step-way approach to see whether there is enough commitment, and enough potential to start the full

endeavour. That is a good starting point to see where a nation or region is regarding the criteria that are key to success.

Outcomes

Researching the outcomes of individual projects is outside the scope of this case study. During the interview with WWF, we learned that in the Brazilian ARPA PFP, deforestation in conservation areas included in the PFP was 20% of what it was outside the protected areas. This represents one of the most significant impacts that PFPs have seen to date. The Great Bear Rainforest PFP in Canada created over a thousand permanent nature-based sustainable jobs for members of First Nations, representing a little over 10% of the workforce in those nations. It also supported First Nations' rights and their jurisdiction over natural resources, giving them higher negotiating power with the provincial and federal governments in Canada.

Lessons learned

Successes and limitations

There are generally five main success factors of every PFP, as described in the PFP guide:

- "**Ecological**: The program must ensure the long-term health of an ecosystem. **Geographic areas must be sufficiently large and well protected** to maintain biodiversity, possibly including migration corridors for long-ranging species."
- "**Social**: Conservation areas in the program must be **supported by those who live in or near** them to secure a "license to operate." Such support typically comes from societal benefits the program provides (such as improved ecosystem services), and the ability to provide continued economic opportunities in the region."
- "**Political**: A strong, high-level, sustained **government commitment** and good national governance are necessary to support program design and implementation across administrations."
- "**Organisational**: There must be **institutions with the capacity** to successfully design, execute, and monitor activities that contribute to the program's conservation goal."
- "**Financial**: There must be **sufficient funds**, and strong funds management and control processes to obviate the need for significant future fundraising for the specific conservation goals and activities of the PFP."

According to the interviewees, the **main limitation or rather challenge of each PFP is securing enough recurrent in-country funding to enable the continued protection of conservation areas** after the implementation period of a PFP. Actors have raised concerns about the risk that some of that recurring financing could be diverted from the PFP goals and activities that need recurring investments. PFPs try to mitigate this by diversifying sources of recurring funding in-country. PFPs also invest in public communication and awareness efforts in each country so that local populations and governments are aware of the importance of protecting conservation areas. However, this challenge of continuous funding is also found in any other conservation programme or project with a limited period. At least in a PFP, the objective is to prepare the authorities to keep financing protection beyond the PFP implementation period.

Transferability conditions and potential

The main transferability conditions are the ten enabling conditions described above. The more of these conditions that are present, the more feasible a PFP becomes. The effort and money required to design a PFP means that interested actors must really consider these conditions to determine if doing a PFP is worthwhile and required. In addition to these ten conditions, 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 of which are for political reasons. There is no minimum area size that a PFP must have before it becomes worthwhile to invest in the expensive and multi-year phases designing the PFP before implementation. It warrants evaluation on whether there are other approaches that are more cost-efficient given that you need the time and the investment at the beginning to develop all these agreements. The smallest PFP that is currently prepared is for an area of 500,000 hectares. Finally, the more actors that are involved, the more complex it becomes to reach an agreement.

Related factsheets

Project Finance for Permanence shows some similarities with the Greater Cape Town Water Fund (ID 01). In both cases, a large global NGO plays a leading role in providing technical support, after which the governance structure can be transferred to the programme's context and local or national stakeholders. Both cases also

rely heavily on philanthropic contributions to start the programme and during the initial parts of operation. In both cases, philanthropic contributions may play a role until the end of the operation of the programme, but the intention is to shift reliance towards in-country contributions. In PFP, this can be done through a variety of sources and instruments. In the Greater Cape Town Water Fund, financial contributions come from water-dependent industries and the City of Cape Town government.

References

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