

# Paracas National Reserve: fundraising with the private sector

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Case Studies

## Paracas National Reserve: fundraising with the private sector

### Source:

Pluspetrol Peru Corporation S. A. (Pluspetrol) is a Latin American corporation that develops gas and oil reservoirs. It has a presence in Latin America and Africa (primarily Angola), and is presently the largest gas producer in Peru.

Pluspetrol obtained a license from the Peruvian State to operate in the gas reservoir known as Camisea (one of the largest gas reserves in South America). This reservoir is located in Peru's central Amazon region and is connected to its coastal region via two gas pipelines that are nearly 1000 km long. From Camisea, the gas flows to a gas liquids fractioning plant that is located within the buffer zone of the Reserva Nacional de Paracas (RNP), a coastal-marine protected area (PA).

### Amounts:

The Pluspetrol donation is for a total of US\$ 7.0 million, US\$ 1.0 million of which has already been disbursed in four annual quotas of US\$ 250 thousand each to fund the RNP's basic administrative costs. The remaining US\$ 6.0 million have been allocated to establishing an endowment fund.

In order to better structure the investment portfolio, PROFONANPE and PLUSPETROL have agreed on a disbursements schedule to cover a ten-year period, as follows:

US\$ 3.0 million in 2008

US\$ 2.0 million in 2013

US\$ 1.0 million in 2018

### Agreement Period:

40 years, renewable via agreement by both parties.

### Purpose:

To contribute to the long-term financial sustainability of the RNP and its buffer zone, in accordance with the continental and marine biodiversity conservation goals and objectives contained in the reserve's five-year strategic plans.

### Intervention Area:

The Reserva Nacional de Paracas (RNP).



## Peru's Protected Areas (PAs) and Project Location



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## The Reserva Nacional de Paracas (RNP)



### Significance:

The RNP's flora and fauna have special features, including Peruvian coastal desert plant communities, diverse fauna, and numerous threatened and endangered species. Because of its location, the Paracas Sea is a highly productive area, due to the cold water of the Humboldt Current. It has coastal habitats that provide large feeding and breeding areas for numerous species, thereby favoring the establishment of communities in various biotopes. Some of the main habitats are:

- Coastal waters, with a rich variety of marine flora, because its water currents favor the presence of plankton, phytoplankton and algae. Studies done show a range of over 200 marine algae. It is also rich in an immense variety of marine invertebrates and mammals such as seals, dolphins and marine otters.
- Cliffs and ravines, which are very steep, rocky formations (sanctuaries and nesting places for birds).
- Rocky and sandy banks, which have highly diverse marine invertebrates, with a large concentration of birds such as grey gulls, Inca terns, red knots, common pelicans, blackish oystercatcher, Andean condor, Humboldt penguins, flamingos, etc.
- Coastal plains, with a flat to gently rolling physiography.
- Continental elevations, made up of hills and small mountains.

### Process:

1. Pluspetrol obtained the Camisea contract, which contemplates two major activities: natural gas extraction at the reservoir, and natural gas liquids fractioning on the coast. Two gas pipelines transport gas liquids, and one goes to the fractioning plant located in the RNP buffer zone.
2. In July 2003, the Ministry of Energy and Mines approved the environmental impact assessment for both the Fractioning Plant and Loading Facilities, and some 5 km of underwater piping to supply tanker ships.
3. The environmental impact assessment for the fractioning plant contemplated commitments that the company was obliged to accept, to implement programs and projects related with pollution reduction in the Paracas Bay and sustainable development in its area of influence. To date, these commitments have reached a total of US\$ 23.7 million.
4. In late 2003, following a long process of negotiations between the then Instituto Nacional de Recursos Naturales (now Servicio Nacional de Áreas Naturales Protegidas or SERNANP), Profonampe and Pluspetrol, the three decided to establish a socio-environmental fund for managing the RNP.
5. In September 2004, Pluspetrol and SERNANP finally signed an "Inter-institutional Cooperation Agreement" (Convenio de Cooperación Interinstitucional) to set up the RNP management fund.
6. In September of that same year, Pluspetrol, Profonampe and SERNANP signed a tripartite agreement for fund administration. The eligible activities were established as follows:



- Implementing the RNP Master Plan
  - Scientific research activities
  - Community environmental education activities within the scope of the RNP
  - Developing the means to disseminate RNP attractions and activities on a national and international level
  - Investments in equipment and infrastructure.
7. The initial disbursements (US\$ 1.0 million) were made between 2004 and 2008, and the first contribution to create the endowment fund (US\$ 3.0 million) was made in 2009.

### Mechanism:

The investment portfolio established with the Pluspetrol contribution is an endowment, which means that only the annual financial yields will be used to fund the RNP activities and projects.

Profonanpe and Pluspetrol selected the asset manager (a local financial entity), whose operations are to follow the investment guidelines agreed upon by PROFONANPE, Pluspetrol and SERNANP.

Described below are the current portfolio investment guidelines.

### Investment Guidelines

#### Overall Investment Guidelines

Type of Instrument	Minimum Limit	Objective	Maximum Limit
<b>Fixed Interest</b>	<b>65%</b>	<b>75%</b>	<b>85%</b>
Fixed Interest - US		37.5%	
Emerging Markets		37.5%	
<b>Variable Interest</b>	<b>10%</b>	<b>20%</b>	<b>30%</b>
USA		8%	
Developed Markets		6%	
Emerging Markets		6%	
<b>Alternative Interest</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>
Commodities (100% gold)		5%	

### Monitoring and Control:

The maximum decision-making and supervision body for the Paracas Fund is the Administrative Board (Junta de Administración – JA), made up of three members:

- a) Head of the SERNANP
- b) One representative of the Profonanpe Board of Directors
- c) The General Manager of Pluspetrol
- d) The Profonanpe Executive Director, to serve as the Technical Secretary.

The primary duties of the Administrative Board include:

- To oversee the management and correct use of the Paracas Fund's resources;
- To approve the Yearly Work Plans and Procurement Plans to be implemented using the fund; and
- To receive and respond to all related auditors' and technical reports.

### Success Factors:

- From the viewpoint of Profonanpe: to be in the right place at the right time. That is, to have reliable, first-hand information; to maintain the ability to discuss and interact with the national authority for protected areas; to have multi-disciplinary technical teams offering technical assistance to the national authority; to apply negotiation strategies based on institutional experience; to measure correctly the risks of the operation and identify measures to mitigate them; to manage systematically any reputational risks to Profonanpe and/or the national authority; and to apply effective communication strategies to make transparent all negotiation processes and agreements reached.
- From the viewpoint of the national authority: the capability of SERNANP directors to orchestrate an alternative that will benefit the RNP.
- From the viewpoint of Pluspetrol: concrete implementation of its social and environmental responsibility policy and its “good neighbor” policy.
- The contract model clearly establishes the voluntary nature of Pluspetrol’s financial contribution, and therefore makes explicit that this contribution is not part of the company’s contractual obligations towards the Peruvian State, particularly with regard to any future environmental damages.
- The tripartite contractual model has been replicated in other areas where there are corporations that extract natural resources and that have voluntarily turned to Profonanpe to manage funds supporting protected area conservation.
- On-going supervision – through the Administrative Board – of all activities planned under this fund.

