

Governance challenges at Profonanpe

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Case Studies

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The Peruvian Trust Fund for National Parks and Protected Areas (Profonanpe) is a private conservation trust fund based in Peru with over 20 years of experience in financially and technically supporting the country's Protected Area (PA) system and their buffer zones. Throughout this time, Profonanpe has maintained a close working relationship with the Government of Peru through a direct collaboration, initially with the Natural Resources Institute (INRENA) under the Ministry of Agriculture, and currently with the National Service for Protected Areas, *Servicio Nacional de Áreas Naturales Protegidas por el Estado* (SERNANP), housed within the Peruvian Ministry of the Environment and in charge of the management of the National PAs System, *Sistema Nacional de Áreas Naturales Protegidas* (SINANPE). Since its inception, Profonanpe's role in conservation and PAs management has grown from providing sustainable operational financing to cover part of PAs' recurrent costs to advocating and promoting innovations to PAs management patterns in Peru. This case study describes the key components to Profonanpe's successful collaboration with SERNANP outlining the key governance mechanisms, approach and processes in place at Profonanpe that have allowed a smooth collaboration between the various partners.

2.1 Background and context

Profonanpe is a Peruvian private, nonprofit institution created in 1992 and located in Lima, the capital city of Peru. Profonanpe's current institutional objective is to raise, manage and channel funding for the conservation of biodiversity harbored in natural PAs and their buffer zones. Profonanpe accomplishes this objective, in part, by serving as the financial arm for SINANPE.

Profonanpe began operations through a grant from the *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ) and received an initial capital support for the creation of its endowment fund in 1995 in the form of US\$5.2 million from the Global Environmental Facility (GEF) through the World Bank (WB). This endowment fund was initially designed to provide long-term funding to cover PAs recurrent costs.

Since the GEF/WB initial capital support to its endowment fund, Profonanpe has increased its funds more than 25 fold and now includes funding from multilateral organizations, bilateral agreements, private companies and international foundations. Also in this time, Profonanpe's role in Peru's conservation has evolved to one of supporting research, innovation and promotion of PAs. Overtime, Profonanpe has generated an annual average of US\$8 million to fund various conservation programs and projects. About 55% of the resources channeled to PAs has focused on investments that contributed to building infrastructure and buying equipment for PAs. In addition to financially supporting PAs recurrent costs (representing 20% of its disbursements), Profonanpe also played a key role in supporting the design of policy instruments and strategic planning (10%), and in enforcing participative management strategies (15%).

One of the main features of Profonanpe's efforts over the years has been supporting the development of innovations in the management of PAs, contributing to the design and implementation of pilot mechanisms which, after demonstrating their relevance, are mainstreamed into the regular activities carried out by the national authority.

By securing and channelling new funds, Profonanpe makes possible a regular flow of financial resources, thus ensuring continuous and sustained activities for the preservation of the natural and cultural heritage of PAs. To accomplish this goal it encourages active public and private involvement, both domestic and international. A core element to Profonanpe's work, therefore, is facilitating the coordination of different actors to mobilize resources for PAs.

Profonanpe's current mission:

- Establish its strategic nature as SINANPE's financial arm
- Ensure the financial sustainability of Peru's PAs by expanding and diversifying funding sources and mechanisms
- Actively foster new PAs through private and regional and municipal government initiatives
- Become a key factor in the process to encourage and execute the participatory management model for PAs

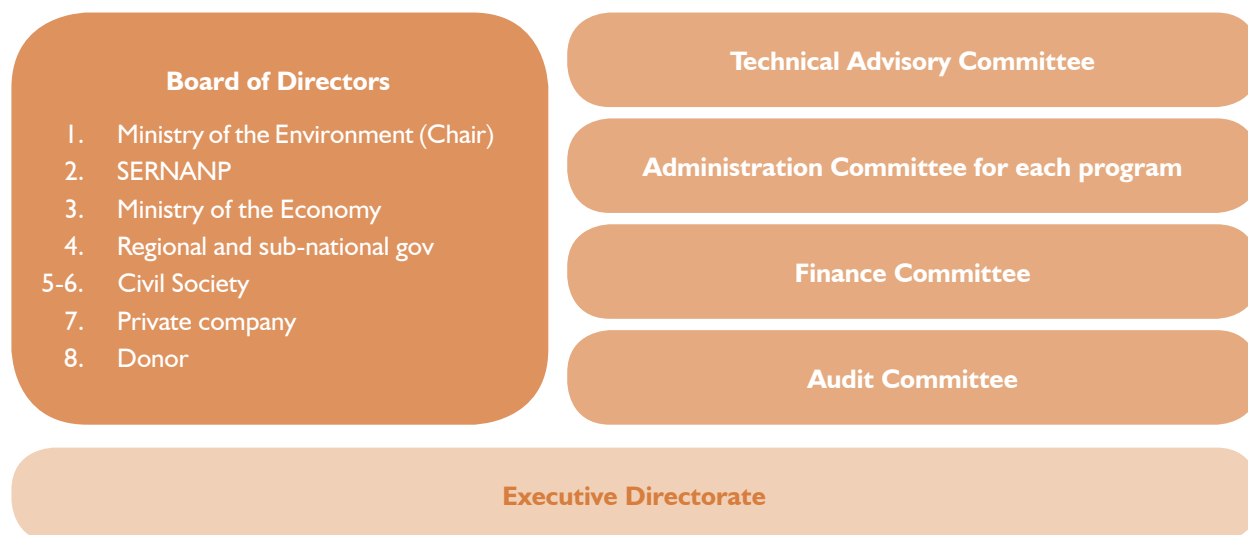
Since Profonanpe's inception, its activities have benefited 46 of the current 75 areas protected by the state and their areas of influence. From a geographic standpoint, these PAs account for 78.3% of SINANPE, or 15,315,410.55 ha.

2.2 Basic governance structure

Profonanpe's Board of Directors includes eight seats, of which four are filled by government appointees. The other 50 percent of the Board consists of two representatives from civil society, one representative from private industry and a final representative from one of Profonanpe's donors.

The Board composition has recently changed. In 2008, the number of government representatives increased from three to four out of eight members. Although, this increase means a stronger decision power for the Government over Profonanpe's activities, this has not resulted so far in Government interference in Profonanpe's activities. Profonanpe's publicly recognized achievements and its institutional and organizational structure make it difficult for political changes to cause disruptions to the organisation. This is described more in detail below.

The following figure shows the governance structure in place at Profonanpe.



The Board turns to several committees for specific recommendations on certain topics. These committees are the following:

- The Technical Advisory Committee, composed of external experts and scientists whose most important function is to provide specialized advice to both the Board of Directors and the Executive Directorate on technical matters related to PA policies and operational strategies, biodiversity conservation, ecological issues, legal and administrative regulations, research priorities, scientific guidelines, procurement policies, international environmental issues and financial management.
- Administration Committees (for each Program administered by Profonanpe), in charge of general project supervision, annual work plans and annual report approvals, rescheduling of project activities and/or budgets.
- The Finance Committee, in charge of portfolio investment follow-up, giving technical recommendations to both the asset managers and the Executive Directorate, providing technical advice to the Executive Directorate and analyzing and recommending to the Board of Directors proposals for adjustments to the investment policy prepared by the Executive Directorate.
- The Audit Committee, whose main functions are to ensure that Profonanpe fulfils the formalities and requirements relating to the application of external audits, reviews and comments on the audit plan, participates in the formulation of responses to internal control, reviews and analyses the audit report and reviews the effectiveness and efficiency of the work performed by the external auditor.

2.3 Elements of coordination and cooperation

Profonanpe's governance structure centers on several key foundations that permit the organization to work smoothly and efficiently with the Peruvian Government and donors. Some of the key elements to this cooperation are the following:

1. **A clear division of responsibilities between Profonanpe and SERNANP** – Profonanpe has always positioned itself as SINANPE's financial arm, in which Profonanpe is in charge of securing and mobilizing funds, and disbursing generated funds (generated through various financial mechanisms including endowment and sinking funds, programs, etc.) according to annual action plans prepared and agreed in close collaboration with SERNANP. SERNANP, on the other hand, is in charge of the overall implementation of activities and projects financially supported by Profonanpe. Part of this division includes a close coordination of activity planning so that annual work plans, budgets and procurement plans are all developed and agreed upon by both Profonanpe and SERNANP through inter-institutional cooperation agreements. As a final agreement, all of these plans are approved and validated by the Board of Directors. All activities financed by Profonanpe during the year falls within this annual planning.
2. **Donor agreements have clear provisions** – While financial agreements are being written and negotiated with donors, potential roadblocks and challenges are identified and addressed so that the final agreement includes a clear provision of how the fund will be managed in possible scenarios and how potential challenges and problems are dealt with. Additionally, donors retain a voting seat on Profonanpe's Board, providing them with a voice in case of potential disagreements and/or conflicts.
3. **Profonanpe's operating documents are well-established** – Procedural manuals, such as Profonanpe's statutes, bylaws and operation manual, among others, contain clear roles, responsibilities and procedures for the different Profonanpe governance and decision bodies including the Board and the Executive Directorate and their interaction with SERNANP.

Additionally, when new Board Members are appointed, they receive all the legal and procedural documentation pertaining to Profonanpe also in addition to the documentation necessary to understand the most pertinent issues facing conservation and PA management in Peru enabling them to make informed decisions.

An important part of the smooth interaction between the Executive Directorate and the Board is also the leadership of the Executive Director, maintaining a clear distribution of roles and responsibilities between the different governance and decision bodies.

4. **Profonanpe's reputation is a strong asset for maintaining independence of the organization vis-à-vis government influence** – Since its inception to date, one of Profonanpe's most important achievements in its institutional performance is its independence from government interference. Profonanpe's publicly recognized achievements and current strengths, reputation and institutional consolidation insulate the organization from political changes and influence.

2.4 Achievements

When Profonanpe began operating, it was mainly focused on securing recurring operational costs for Peru's PAs since sufficient funding was not available through government sources alone. For approximately its first decade of operations, Profonanpe successfully focused on securing additional operational funding for PAs.

Subsequently, the National Authority on PAs began achieving significant increases in budgets provided by the public treasury. Profonanpe was able to evolve its role away from supporting operating costs towards a role supporting research and innovation for PAs management. Currently, Profonanpe is supporting the implementation of a large number of pilot programs covering more than 20 PAs and formalizing around 12 agreements with regional (sub-national) governments.

2.5 Lessons learned

In expanding from an original endowment of US\$5.2 million to acquiring over US\$134 million in funding, including attracting about US\$50 million in endowment funds through debt-for-nature swaps and other co-financing mechanisms, much of Profonanpe's governance structure centers around having established a clear organizational mission and role and applying that role to Profonanpe's relationship with government and donors.

Profonanpe facilitates funding agreements between donors and Peru's PAs, and a key component to this work includes establishing clear funding agreements and operational procedures that anticipate challenges and prescribe clear roles and responsibilities across differing governing entities and partners. On that basis and as alignment on plans and agreements about the division of responsibilities is clearly established, Board decisions are always made based on a consensus among Board members.

Finally, in addition to a close working relationship with the Peruvian Government, Profonanpe is also able to rely on its reputation and proven accountability to maintain an ideal distance from government influence or political change. Coordination and consensus-building across agencies and organizations and identifying synergies has guided efforts towards a shared vision of conserving Peru's biological diversity. Cooperation across institutions plays, therefore, a paramount role by making it possible for Profonanpe to meet its institutional mission.

