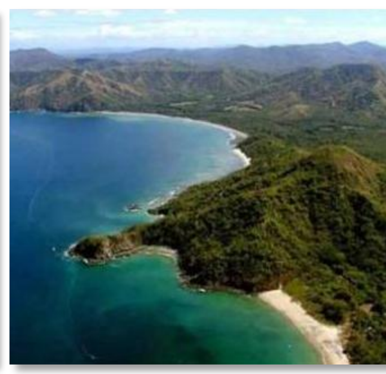
Linden Trust for Conservation

GORDON AND BETTY MOORE FOUNDATION

REDSTONE STRATEGY GROUP, LLC

Project Finance for Permanence

Assessments of three landscape-scale conservation deals: ARPA, Great Bear, and Forever Costa Rica



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Project Finance for Permanence (PFP) examples assessment summary

This assessment covers three examples of PFP's use as it has evolved through three deals: the Amazon Region Protected Areas (ARPA) in Brazil, the Great Bear Rainforest (Great Bear) in British Columbia, and Forever Costa Rica (FCR). This report is supplemental to the report "Project Finance for Permanence: Lessons from landscape-scale conservation deals."

PFP was assessed in each of the three deals in terms of the goals (i.e., the degree to which each example established the conditions for the overall program goal) and elements described in the PFP model (from Figure 1 and Appendix C in the main document "Project Finance for Permanence"). Each aspect of the goal statement and each model element were broken into subcomponents, and examples were rated on a five-point scale based on interviewee comments and Redstone's direct experience with the cases. Figure 1 summarizes the results, while the following sections discuss the findings from each example in detail.

As noted in Appendix B (in the main document "Project Finance for Permanence"), all five types of sustainability are partly determined exogenously to PFP. Similarly, PFP does not achieve sustainability in itself, but rather works to lay a durable foundation. The goal assessments should thus be read as evaluating the degree to which the PFP examples appear to have positively affected the conditions for sustainability along each dimension, with the recognition that each program is relatively young and that significant exogenous changes are always a possibility.

Figure 1
Goal and elements assessment

● Successfully achieved
○ Incomplete

Goal	ARPA	Great Bear	FCR
Summary assessment	◑	◕	◕
Ecological sustainability	◕	◕	◕
Financial sustainability	◔	◕	◕
Organizational sustainability	◕	◕	●
Political sustainability	◑	◕	◕
Social sustainability	◑	◕	◔
Global importance*	●	◑	◑

Element	ARPA	Great Bear	FCR
Summary assessment	◑	◕	◕
PFP preparation and program design	◑	◕	◕
Organizational, legal, and governmental closing prerequisites	◕	◕	◕
Fundraising to accomplish the program objective	◔	●	●
Closing and hand-off for implementation	◔	◕	●

* Global importance is determined exogenously to PFP. Nonetheless, it is included in the assessment (though not in the summary assessment rating) because (1) the location selection for PFP has a significant effect on the overall program goal, and (2) ARPA's ambition and significance warrant recognition and provide some context for the example's other ratings.

Broadly, all three programs did well in ecological and organizational sustainability terms, while ARPA faces remaining challenges with the other three goals, and FCR could improve its social sustainability (the latter being the only instance of a project performing less well on a goal or element than previous projects). In addition, while two of the three projects arguably have only moderate global ecological importance, other attractive characteristics made them important contributions to global conservation.

Moreover, clear relationships between the element and goal assessments are apparent. On a general level, the summary element assessments are predictive of the summary goal assessments. For example, considering PFP goals the greatest improvement between two projects is the jump in financial sustainability between ARPA and Great Bear. Not surprisingly, Great Bear was also the first to raise sufficient funds to accomplish the program objective, and perhaps most importantly, it introduced the concept of a financial closing.

Additionally, each example worked towards several program-specific goals to develop PFP and the field of conservation finance. For example, ARPA sought to demonstrate the feasibility of ambitious endowment targets, Great Bear sought to illustrate the value of large-scale ecosystem-based management, and FCR sought to test new funding mechanisms and to stabilize ongoing government support. The following appendices briefly assess the progress made towards these and other example-specific goals according to where they best fit in the PFP model.

1. ARPA assessment

This section describes the Amazon Region Protected Areas (ARPA) project in Brazil in four sections: 1) overview, 2) key findings, 3) goal assessment, and 4) element assessment.

Overview

In 1998, Brazilian President Fernando Henrique Cardoso pledged to protect ten percent of the Amazon biome. The lasting result of that declaration is ARPA, a system including both federal and state-based PAs, whose goal is to create sustainable management conditions for 60 million ha of the Amazon. Implementation of what was intended to be a ten-year plan began in 2003. As of the end of Phase 1, the program protects 32.5 million ha across 62 PAs, including 24 million ha in 44 newly created PAs. The program is currently transitioning to Phase 2, which aims to raise ongoing funding for 32 million ha of PA implementation and 13.5 million ha of new PA creation.

The endowment fundraising goals have evolved with the project. In the 2002 financial plan, the endowment goal was $240 million ($60 million for Phase 1 [Table 1], $80 million for Phase 2, and $100 million for Phase 3), though no deadline was set for raising funds.[1] This does not include fundraising for creation and consolidation, which has been quite successful, nor does it account for more recent increases in the total endowment fundraising goal. The 2010 ARPA financial plan revised the fundraising goal up to nearly $380 million by 2016, citing three factors: (1) significant appreciation of the Brazilian Real against the U. S. Dollar since 2003, (2) changes in program goals since the 2003 plan, and (3) higher on-the-ground nominal costs than the 2003 plan estimated. Interviewees suggested that the first two factors were the most significant causes of the goal increase.

The major parties involved in ARPA are the Brazilian government, the German Development Bank (KfW), the World Bank/Global Environment Facility (GEF), GBMF, the World Wildlife Fund (WWF), and the Brazilian Biodiversity Fund (FUNBIO). WWF helped launch the project through its challenge to President Cardoso and its offer of project support. For over a decade, it has continued to play crucial leadership roles, including conservation planning in conjunction with the government, fundraising with partners such as GEF and KfW, and advocacy for government support.

The federal government conducts its ARPA implementation activities through two offices in the Ministry of Environment: The Chico Mendes Institute for Biodiversity Conservation (ICMBio), which manages federal PAs, and the Office of the ARPA Coordinator within the Secretariat of Biodiversity and Forests, which collects monitoring results and supports the PA budgeting process. State government PA agencies are also deeply involved.

The funds management entity for the program is FUNBIO, which was created in 1996 with a $20 million donation from GEF to assist the government's efforts regarding the

[1] In 2003, an updated financial plan reduced the overall goal to $220 million, but raised the Phase 1 goal to $70 million (the Phase 2 goal remained at $80 million, while Phase 3 was reduced to $70 million). As discussed, more recent financial plans have further updated the targets. The numbers from 2002 are used here to best parallel the timing of the closing in the other cases. In any case, the conclusions do not change significantly.

Convention on Biological Diversity and the Brazilian National Program for Biological Diversity. FUNBIO currently operates several public-private partnerships in Brazil, including the environmental compensation fund for the State of Rio de Janeiro.

Table 1: ARPA Phase 1 endowment financial summary

Estimated funds needed (2002)	Fund raised	Gap
$60.0M	$29.7M[2]	$30.3M

Key findings

- **Overall, ARPA has achieved game-changing results for the Amazon.** Specifically, it has protected tens of millions of hectares, created the conditions for organizational and political sustainability, and made a good start on social sustainability. Financial sustainability and sustained political commitment are the main remaining challenges (Figure 2).

  The success of ARPA's unique public-private arrangement proved that a non-governmental entity like FUNBIO can be a valuable partner to government in conservation funds management. As a result, several new public-private conservation initiatives have been created.

- **The most-cited strengths of ARPA were:** 1) the Amazon "brand name"; 2) the President's commitment; 3) the use of FUNBIO; 4) the use of a full-cost financial plan; and 5) the existence of a band of ARPA "champions." (Note: various improvement opportunities were also noted for both FUNBIO and the financial planning.)

- **ARPA's main challenge is financial sustainability.** ARPA's design called for neither full-cost fundraising nor formal closings. Nevertheless, ARPA had the biggest fundraising target of all three examples reviewed, and without a closings structure, even for its individual phases, it faces significant financial risks. Moreover, due to the lack of a "deal broker," some interviewees expressed a desire for greater fundraising leadership. Interviewees explained that ARPA is only now coming out of a years-long period of low momentum due to a slow start on negotiations and fundraising for a second phase.

  On top of these challenges, most of the remaining funding gap is for PA consolidation and ongoing management, two areas for which it may be difficult to raise external funding. The new government also appears more focused on development than conservation. As a result, many interviewees suggested cutting down Phase 2 objectives and/or seeking alternate funding mechanisms, with environmental compensation payments appearing the most promising candidate.

[2] This excludes the 10 million euros committed by KfW but not deposited by the formal end of Phase 1 at the end of 2009.

Goal assessment

Figure 2

ARPA goals: strengths and weaknesses

Summary: ◑

Goal	Assessment	Strengths	Weaknesses
Ecological sustainability	◕	• "The most successful PA creation program in the world" • Phase 1 protection targets exceeded	• Targets for Phase 2 may be over-ambitious
Financial sustainability	◔	• Phase 1 operational costs funded sufficiently • Multi-party funding mix	• Phase 2 activities may be less fundable • No fundraising driver • No alternate funds source
Organizational sustainability	◕	• Use of FUNBIO is a consensus success • Public-private partnerships are now an accepted model	• FUNBIO too dependent on public funding
Political sustainability	◑	• ARPA is a Ministry of Environment mainstay	• Level of political commitment varies
Social sustainability	◑	• Adding extractive reserves	• Local stakeholders still not fully integrated • Hesitance towards new strict PAs
Global importance	●	• The largest tropical rainforest in the world • Profound biodiversity and climate importance	• None

- **Ecological sustainability is well underway.** In the words of one interviewee, ARPA has been "the most successful protected area creation program in the world." Two of ARPA's program-specific goals were to protect 50 million ha of the Amazon and to fundamentally reshape conservation in the area. Due to ARPA's Phase 1 achievements, including the protection of 32.5 million ha, the program has raised its target to 60 million ha.

- **Securing financial sustainability will be one of the main tasks for ARPA Phase 2.** Financial sustainability was a critically important element in the development of ARPA; the effort was intended to demonstrate the potential for financial sustainability for large-scale conservation projects. While operating funds were sufficient to cover the protected areas consolidated during Phase 1 (since less consolidation occurred than expected), the program continues to work toward financial sustainability. In addition, FUNBIO had to cover approximately 40 percent of its 2010 operating expenses from its own endowment because difficult economic conditions prevented it from recovering these costs from projects. Although this was an exceptional situation, it was compounded by delays in the initial fundraising for Phase 2. For these reasons, alternative funding mechanisms may have to play a large role in Phase 2 financing.

- **Organizational sustainability is one of the areas in which ARPA has been most successful.** It is widely accepted that FUNBIO has been an able funds manager, and ARPA's organizational structure seems secure. Even government interviewees cited FUNBIO's transparency, personnel continuity, and disbursement efficiency as major reasons for ARPA's successes.

- **Political commitment will be a major determinant of ARPA's future success.** On one hand, ARPA is well established as a major piece of the Ministry of Environment's portfolio, and many of its features (e.g., a thorough financial plan) can now be found in other Brazilian conservation initiatives. On the other hand, political will regarding ARPA has varied. Moreover, some high-level ministry officials worry that non-ARPA PAs are falling behind, and thus they may seek to "balance" PA budget appropriations.

  As a result, some interviewees proposed scaling back the additional 32 million ha of implementation and 13.5 million ha of PA creation planned for Phase 2. One suggested cutting the creation target in half and focusing consolidation on the most threatened areas.

- **Adding extractive reserves greatly improved the program's social sustainability;** going forward, it will be important to integrate local stakeholders to an even greater degree. To quote one interviewee, "PAs must be important to someone [in the region] other than PA managers." While local integration adds to initial program costs, and while it is important to be opportunistic, increased local integration greatly increases social sustainability. This benefit is most pronounced in PFP efforts that span multiple administrations, as local support can compensate for discontinuities in government personnel, capacity, and interest in the program.

  Local stakeholder support may be especially important to ARPA because it is a particularly long-lasting effort, and many PAs are extremely large and remote, making physical consolidation and enforcement difficult. Social sustainability could be improved, for example, by increasing FUNBIO procurements from locales near PAs or using assessments of the program's social impacts to direct PA management.

- **ARPA is arguably one of the most important conservation programs ever undertaken.** Not only is the Amazon one of the strongest conservation "brands," but ARPA is the world's largest tropical forest conservation program. According to WWF, if the project reaches its targets, the area under its purview will be 50 percent larger than the US National Park system, spread across an area larger than Western Europe. Moreover, as the first attempt at PFP, ARPA has played an influential role in more recent examples (including Great Bear and FCR).

Element assessment

The quality of ARPA's PFP elements is uneven (Figure 3), reflecting its status as the first PFP effort:

Figure 3

ARPA elements: strengths and weaknesses

Summary:

Element	Assessment	Strengths	Weaknesses
PFP preparation and program design		• Recruitment of many stakeholders • Ambitious goals • Multi-stakeholder • Phase 1 targets exceeded	• No "deal broker" • No fundraising driver • Lack of local integration • Unreachable endowment goal?
Organizational, legal, and governmental closing prerequisites		• Enlisting of FUNBIO • New ARPA Unit in Ministry of Environment • SNUC law	• Contracts do not mitigate FUNBIO's risk • Budget allocation towards ARPA not locked-in
Fundraising to accomplish the program objective		• Sufficient Phase 1 funds	• Late Phase 2 fundraising • No recurring funds
Closing and hand-off for implementation		• FUNBIO funds management	• Lack of closing

- **As it was the first PFP effort, ARPA's PFP preparation was ad hoc but largely sound. As the largest PFP effort, the affordability of its program design is the main open question.** ARPA successfully brought together a diverse group of stakeholders to capitalize on an opportune moment. Yet while certain partners took leadership at different points (e.g., WWF contributed to the momentum resulting in President Cardoso's pledge, helped bring in the World Bank and KfW, and continues to coordinate many activities related to ARPA), the lack of a clear "deal broker" has implications to this day, as key issues that require independent leadership remain unresolved (e.g., the efficient organization of Phase 2 fundraising). Interviewees' emphasis on the importance of ARPA "champions" (who played several "deal broker" roles) suggests how valuable a true deal broker might have been.

  Likewise, ARPA's program design is saleable, with growing stakeholder support over time, though financing remains unfinished. The Amazon "brand," the measurable and charismatic program goals, the development of a thorough financial plan, and FUNBIO's role managing program funds were all among ARPA's most consistently cited strengths. In particular, one of ARPA's program-specific goals was to develop a program design that would set a new standard for professional and business rigor in conservation finance planning. While the financial plan has proven only partially accurate (as noted, it has evolved several times), many interviewees applauded its existence as important to initial planning, fundraising, and implementation.

  Moving forward, ARPA has begun to broaden its activities and message to focus more on global and ecosystem service benefits. ARPA's initial concentration on biodiversity, a response to PPG7's more diffuse objectives, might be at risk for growing "obsolete," to quote one interviewee. Today, ARPA faces a world focused on climate change, a country focused on development, and a group of local communities apprehensive about their well-being. Expanding the program's focus may increase both stakeholder support and available funds.

- **The early government actions to create the ARPA Unit and pass the National PA system (SNUC) law helped build ARPA into the government's day-to-day operations; however, sufficient government PA funding is not secure.** SNUC, in particular, not only helped frame the initial stages of ARPA, but provided guidelines for "PA mosaic" creation that have been extremely useful since ARPA added sustainable use reserves to the program. Yet, as noted above, the view of some government employees that external ARPA funding is a reason to allocate public funding away from the program indicates that ARPA's integration into budgeting and other structures could be improved. Moreover, several interviewees mentioned that FUNBIO's contracts do not include retainers or other smoothing mechanisms, leaving the organization vulnerable to funding swings; however, this is common in projects of this scale. Interviewees also pointed out that FUNBIO is susceptible to legal and financial difficulties if, as in one recent case, a vehicle is stolen before the government transfers the title.

- **The trust and operating funds have a long way to go to reach full cost.** ARPA aims to raise a present value of at least $200 million, both to fund the program and to prove such ambitious endowments are feasible (another program-specific goal). At the end of Phase 1, the trust fund held $29.7 million, with another 10 million euros committed from KfW. Achieving the original Phase 1 target and reaching the Phase 2 fund target of $80 million may be a challenge because of the inherent difficulties of raising operating funds and a lack of fundraising leadership. However, implementation has only just begun, and it remains to be seen whether alternative funding sources can play a role going forward.

- **Phase transitions have not been marked with formal closings, removing the "sense of arrival" that can facilitate major fundraising pushes.** There are two clear lessons from ARPA's phase transitions: one is to begin well in advance, and the other is that fundraising momentum can dwindle without a clear closing objective. According to interviewees, ARPA is only now emerging from a multi-year period of inertia due to the ambiguous end of Phase 1 and the slow start on Phase 2 negotiations. While interviewees disagree on the feasibility of adding closing conditions to ARPA, many feel that the program needs at least to resolve issues surrounding funder disbursement conditions and liability for procured goods and services.

2. Great Bear assessment

This section describes the Great Bear Rainforest (Great Bear) project in British Columbia in four sections: 1) overview, 2) key findings, 3) goal assessment, and 4) element assessment.

Overview

The intense conflict between industry, environmental groups, and First Nations over logging in British Columbia's rainforest dates back over 30 years, but two developments in the mid-1990's radically reshaped the conflict. First, anti-logging groups launched a successful "markets campaign" to urge forest products customers (e.g., Ikea, Home Depot, and Staples) to avoid products sourced in British Columbia's rainforests. Second, a series of legal rulings, including the landmark 1997 Supreme Court of Canada case Delgamuukw v. British Columbia, strengthened First Nations' rights and title claims on provincial land.

Negotiation among the parties began in earnest in 1999, resulting in the Great Bear Rainforest program. On February 4, 2006, the parties announced an agreement to establish nearly 8.5 million ha of ecosystem-based management (EBM), including roughly 2 million ha of strict protection. By February, 2007, a formal closing was achieved on a C$120 million fundraising effort for conservation and economic development (Table 2). The ensuing years saw formal legal establishment of new PA and land use policies.

Identifying all of the major actors involved in the project would be cumbersome, as the sheer number of First Nations, NGOs, funders, and industry groups involved in Great Bear is an important feature of the project as a whole. One distinguishing feature of the stakeholder involvement is that both the federal government of Canada and the provincial government of British Columbia played relatively minor roles during the project, with both committing support quite late in the process.

The funds management entity is the Coast Opportunity Funds. Created in 2007, it consists of two separate but related funds: the C$60 million Conservation Fund, which is a permanent endowment for the protection of the included rainforest areas, and the C$60 million Economic Development Fund, a sinking fund focused on sustainable development among the area's First Nations.

Table 2: Great Bear endowment financial summary

Estimated funds needed	Fund raised	Gap
C$120.0M	C$120.0M	C$0.0M

Key findings

- **Overall, the Great Bear project has been a model for integrating conservation and economic development.** Specifically, it protected a large, unique ecosystem while providing robust economic incentives for local communities. However, open issues remain in all aspects of sustainability (Figure 4).

- **"Shuttle diplomats" were crucial to Great Bear's success.** Several interviewees used these words to describe the role of actors within each of the major stakeholder groups who led the negotiation process. As one interviewee noted, because the process involved a decentralized web of bilateral negotiations, the role of these individuals required great skill. Coming out of a history of conflict in the region, these leaders' able management of the multi-party stakeholder process facilitated the design of a program with strong stakeholder support.

- **Enabling capacity to use the economic development funds is the program's major remaining challenge.** Multiple interviewees noted that the challenge of developing communities' ability to take advantage of the Economic Development Fund remains large. According to one interviewee, the detailed budget for the funds management entity has left it somewhat constrained in its ability to engage in all of the necessary activities for developing technical capacity among the First Nations.

  Though the post-closing capacity-building challenge is large, it was not unexpected. Indeed, several organizations carried out extensive assessments of the possibility for economic development in the area. In the end, though, it became clear that even with considerable funding, open issues would remain in an effort of this scale and complexity. Notably, even in light of this decision, interviewees widely praised the economic development aspect of the Great Bear deal.

Goal assessment

- **Great Bear has relatively high ecological sustainability, though ecosystem-based management (EBM) is not yet fully implemented.** One interviewee described the project's approach as securing "core protection within a landscape of managed use." The project doubled the area under strict protection, but the sustainable management plan for the entire 21 million acre region remains a work in progress.

- **Financial stability seems secured, despite ongoing NGO funding needs.** Fundraising ultimately reached the goal of a C$60 million conservation endowment and a C$60 million economic development fund. However, the financial plan did not include all post-closing work by NGOs to enforce PA management and build local stakeholder capacity. Although these costs do not threaten the program's financial sustainability, future financial plans should budget for these costs or explicitly exclude them from the fund, as discussed in Chapter 4.

- **Great Bear's organizational design appears sustainable, but faces early tension with some First Nations over funds use.** The Coast Opportunity Funds' dual role managing conservation and development funding was explicitly praised by one interviewee, who felt that it reinforced the program's integrated approach. However, in some cases, guidelines for appropriate use of development funds were ambiguous. According to one interviewee, these administration guidelines were the "weakest part of the plan." This has resulted in the need to resolve misunderstandings between the funds management entity and certain First Nations.

Figure 4

Great Bear goals: strengths and weaknesses

Summary:

Goal	Assessment	Strengths	Weaknesses
Ecological sustainability		• Successful creation of 2M ha of strict protection	• Incomplete ecosystem-based management implementation
Financial sustainability		• Complete fundraising according to financial plan	• Underestimation of some ongoing costs (though some funds were set aside)
Organizational sustainability		• Strong NGO coalition • Positive interviewee consensus	• Lingering tensions with First Nations over uses of funds
Political sustainability		• Financial contributions by both federal and provincial governments	• Weak involvement outside of land-use planning
Social sustainability		• Model structure for incorporating local stakeholders	• Limited capacity for economic development
Global importance		• The largest coastal temperate rainforest in the world	• Not a biodiversity hotspot

Also, according to one interviewee, constraints in the operating budget sometimes hinder the organization's work to promote development. Going forward, it may be wise to modify the Coast Opportunity Funds' structure to allow for more flexibility in its interaction with First Nations.

- **Political commitment was limited, but sufficient.** While political support in Great Bear has been lower than in the other two cases examined, the program did secure C$30 million each from the British Columbian and Canadian governments. Several interviewees noted that the provincial government could have been more engaged outside of the official land-use planning process, as it was not involved in most negotiations between parties. However, in this case limited government involvement may have been appropriate, given the negative history between the stakeholders.

- **Social sustainability has been a hallmark achievement of Great Bear, though opportunities for improvement remain.** Great Bear is the largest effort to attempt to turn the conventional "conservation vs. jobs" tension into "conservation and jobs." The program design reflects a clear dedication to what one interviewee called "benefits to people," from its twin conservation and development funds to the formula used to link First Nations conservation commitments to development allocations.

  Due to the capacity-building issues described above, the development portion of the Coast Opportunities Fund has been deployed more slowly than anticipated.

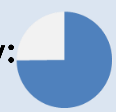
Nonetheless, capacity-building programs are improving the situation, and overall, most interviewees were optimistic that the program will ultimately create substantial development.

- **The Great Bear Rainforest is a significant landscape.** The region's significance is due in large part to its status as the largest intact coastal temperate rainforest in the world. Great Bear is also a major carbon store, an important location for salmon species, and one of the few areas where apex predators continue to thrive. While the scale is much smaller than ARPA (particularly the number of hectares of strict protection), the deal secured important large-scale protection for this well-known region, and it established new practices in conservation that have facilitated other efforts, including FCR.

Element assessment

Great Bear's PFP elements have been quite positive overall (Figure 5):

Figure 5
Great Bear elements: strengths and weaknesses

Summary: 

Element	Assessment	Strengths	Weaknesses
PFP preparation and program design		• Organization of stakeholders into empowered coalitions • Inclusion of diverse interests	• Decentralized process, no single central party • No clear development goals
Organizational, legal, and governmental closing prerequisites		• Various multi-stakeholder deals • Creation of Coast Opportunity Funds • British Columbia Park Act amendment	• Very late commitment of government support • Lack of clarity on type of protection in some areas
Fundraising to accomplish the program objective		• Achievement of fundraising targets	• Under-addressed ongoing NGO costs
Closing and hand-off for implementation		• Successful closing	• Full funding for EBM and capacity-building not possible

- **The program design was strong, despite the somewhat decentralized process from which it grew**. Despite the absence of a single central deal broker, stakeholders self-organized into coalitions and identified and empowered capable "shuttle diplomats" to negotiate on their behalf, producing a workable program plan.

  The salability of the design is highlighted by the fact that approximately 80 percent of surveyed funder foundations required scientific justification for the program, and in the end, foundations and other private funders contributed C$60 million. Several interviewees explained that the greatest challenge was getting the government to accept the program design, and this only came about through a united effort by First Nations, NGOs and funders. Still, the design had its weaknesses, which included ambiguities in EBM goals and economic development capacity issues which may be more challenging to address than anticipated.

- **Great Bear's prerequisites for closing set an effective stage for implementation.** The project employed a two-stage closing structure, with the land deal closing in April 2006 and the financial closing following in February 2007. Among other benefits, this structure allowed First Nations to participate in the process without creating the inaccurate perception that they had been "bought off" by accepting money in exchange for agreeing to support the project.

  There was widespread agreement that the results effectively addressed the concerns of all major stakeholders. Moreover, the organization created by the deal, the Coast Opportunity Funds, continues to explicitly integrate economic and conservation activities, indicating the success of the project's organizational implementation.

  Additionally, though government engagement was not always as strong as it could have been, the governments involved ultimately supported the project. The most important legal change came after the project's public announcement, when the British Columbia Park Act was amended to create a new PA classification called *conservancies*. This new designation recognized First Nations rights while achieving conservation and recreational objectives in a way that prior regulations had not.

- **The effort raised sufficient trust and operating funds to accomplish its conservation objectives, but further goals may require additional funds.** The project team successfully established the endowment and sinking fund for the total cost estimated in the financial plan. However, some NGOs feel that post-closing work was underfunded, though funds were set aside outside the endowment through Tides Canada. For example, new funds have been necessary to cover activities that some have argued should have been included in the original program design to a greater degree, including implementation of ecosystem-based management and capacity-building support for economic development.

- **Great Bear's financial closing represents a major accomplishment, even after accounting for unresolved issues.** Despite views of some interviewees that the funding objectives should have been expanded, the conditional closing concept helped cement major achievements, and was replicated to great effect in FCR.

3. Forever Costa Rica assessment

This section describes the Forever Costa Rica (FCR) project in four sections: 1) overview, 2) key findings, 3) goal assessment, and 4) element assessment.

Overview

This effort raised new external funding to create a trust fund for financing the expansion and permanent protection of the PA system (including marine PAs) in Costa Rica. FCR raised $57 million of external funds (~$47 million present value) and shortened the PFP process to three years (Table 3). The deal closed in October 2010, and implementation has only just begun.

In addition to early governmental involvement through the political sponsorship of then-President Óscar Arias, the major external organizations involved in the project were The Nature Conservancy (TNC), the Linden Trust for Conservation (LTC), and the Gordon and Betty Moore Foundation (GBMF). The United States Government also played a major role, contributing a debt-for-nature swap worth $27 million over 15 years. The project built on years of conservation planning led by TNC in partnership with the government. Fundraising was led by TNC, GBMF, and LTC working in partnership (with TNC leading on the debt swap with the U. S. Government).

The Forever Costa Rica Association is the resulting funds management entity that oversees this public-private partnership. Established in 2009, the organization recently developed a cooperation agreement with the government's PA management entity (SINAC[3]) on an implementation and monitoring plan.

Table 3: Forever Costa Rica endowment financial summary

Estimated funds needed	Fund raised	Gap
$47.0M	$46.9M	$0.1M[4]

Key findings

- **Overall, FCR has demonstrated the feasibility of PFP for a nationwide PA system.** It incorporated the complete network of marine, freshwater, and terrestrial PAs into a thorough financial plan and established an effective organization supported by the highest levels of government. Nonetheless, certain aspects—namely, mid-level governmental and local stakeholder engagement—could be strengthened in coming years to further improve the program's long-term prospects (Figure 6).

  Just as ARPA revealed the utility of public-private partnerships in Brazil, FCR's biggest success may be in proving the viability of applying PFP at the national level. Therefore,

[3] SINAC (the National System of Conservation Areas) is the Costa Rican agency responsible for administering the country's national parks.
[4] Even though the FCR program as a whole is fully funded, the program's marine activities were under-funded at closing by several million dollars, because some of the funding is restricted to terrestrial uses.

the strengths and weaknesses of implementation may affect not only the Costa Rican environment, but the possibilities for future large-scale conservation deals.

- **FCR illustrated the efficiency possible with a well-run PFP process.** FCR was the first example to include something close to a single "deal broker," a role largely performed by LTC, in addition to a well-structured project team and Steering Committee that worked towards a term sheet for a closing. That FCR successfully reached a closing in only three years is a testament to the efficiency of a well-structured PFP effort.

- **At the same time, FCR illustrates the potential challenges from a lack of initial focus on mid-level government and social sustainability.** One of the major successes of FCR has been its ability to maintain high-level political sponsorship across presidential administrations. However, interviewees frequently mentioned the team's limited engagement with two other stakeholders, whose support will be crucial if future presidents are less enthusiastic:

  – **Mid-level government officials** have the most direct contact with the effort and are more likely to keep their jobs when governments change. However, while the project team engaged the president and other high-level officials early on, it did not place as much emphasis on winning mid-level support for FCR, nor did the effort integrate government processes as well as it could have (e.g., by creating a version of the financial plan using government line-item budgeting). As one interviewee explained, FCR was fortunate to enjoy continued political support across a change in government.

  – **Local communities**, especially fishing communities, did not play a large role in the PFP process. While one interviewee said that the low level of engagement was sufficient given that it is impossible to engage all relevant communities, other interviewees pointed to the lack of buy-in among these stakeholders as a potential weakness in the long term.

  As noted above, there is no consensus on balancing pre-closing stakeholder engagement with speed to the deal. Indeed, increasing speed greatly lowers financial risk for funders, encourages discipline, engages the attention of relevant players, allows for opportunism, lowers costs, and facilitates the realization of more programs. Any long-term implications of the FCR team's decision to focus more heavily on speed than early engagement will become more apparent over time. That interviewees involved in implementation have raised questions on this topic, though, indicates that future efforts (and FCR going forward) may want to invest in more stakeholder engagement.

Goal assessment

- **FCR has made significant strides towards ecological sustainability, although the conservation design could potentially be strengthened.** Assuming successful implementation of the program design, FCR will at least double the size of the

Figure 6
FCR goals: strengths and weaknesses

Summary: 

Goal	Assessment	Strengths	Weaknesses
Ecological sustainability		• Marine, freshwater, and terrestrial PAs • Meets CBD standards for PAs	• Lack of fisheries management • Implementation challenges (e.g., connectivity, PA size)
Financial sustainability		• Funds raised equal to amount called for in the financial plan	• Restrictions on uses of bilateral funds
Organizational sustainability		• Effective, stable institution	• Uneven relationship with mid-level government officials
Political sustainability		• High-level support across administrations	• Limited engagement with mid-level officials
Social sustainability		• Some new MPAs will include managed use	• Limited engagement with local stakeholders • Externally driven
Global importance		• Conserves >4% of world's biodiversity • First developing country to meet CBD standards for PAs	• Small country already strong in conservation

country's marine PA system and secure the protection of over 26 percent of the country's continental territory, including both terrestrial and freshwater areas. Moreover, due to the pre-existence of the GRUAS II conservation assessment, there is scientific basis for the PA network.

Two of FCR's program-specific goals were to meet the UN Convention on Biodiversity PA standards and to demonstrate the potential for a package to cover an entire country's PA system. The program is on track to achieve those goals, which will set a strong foundation for Costa Rica's ecological future.

At the same time, several aspects of the program could be improved. Most notably, solutions for fisheries management in the marine PAs require additional work (though one interviewee noted that FCR has begun working on this topic). Additionally, while the conservation design is sophisticated, the realities of implementation have left some gaps that could undermine ecological sustainability (e.g., in connectivity and the size of some PAs).

- **FCR has made great strides towards financial sustainability for the PA system, though the new bilateral funds brought new restrictions with them.** As is the case in most large-scale conservation efforts, the government remains the primary source of funding. The deal, however, successfully diversified funding, including a debt-for-nature swap (DNS) with the United States. Consequently, the deal closed with $57 million, essentially meeting its funding target of $47 million present value (though one interviewee worries that current funding may not be sufficient to fund all PAs sustainably). The DNS funds, however, are subject to a separate set of restrictions imposed by the United States government, potentially causing a shortfall in funding for marine activities.

- **The new organization in itself is financially sustainable, but its long-term effectiveness will depend on the level of political support.** Several interviewees noted the importance of creating the new organization in allowing the deal to succeed (e.g., one interviewee noted that the US tends to prefer independent governance structures for debt swaps). With sufficient funding and high capacity, the FCR Association is a stable body. However, multiple interviewees also explained that the central government remains slightly uncomfortable with what might be seen as an "infringement on its sovereignty," and thus the organization's ability to exert control over the program is closely related to political support. At the same time, the disbursement milestones built into the Association's design represent an important means of securing continued governmental support, and experience from ARPA suggests that the presence of an independent entity that is not subject to political pressures may become recognized as a great benefit by those administering the government's programs.

- **High-level political sustainability is a key success of FCR; going forward, the program would do well to consolidate this support at other levels of government.** FCR largely owes its existence to President Arias' declaration of "peace with nature." Additionally, not only did presidential support help jumpstart the effort, but a new administration has also officially lent its support to FCR, a major political victory. Yet, one of the most common points made by interviewees was that FCR would have benefited, and would still benefit, from greater engagement with all levels of government throughout the process, especially because top-level support can be unpredictable. Mid-level officials retain their posts across administrations and are therefore critical to sustainability.

  Moreover, PFP efforts should build "horizontal" support among other relevant ministers (e.g., tourism) in addition to building "vertical" support with environmental officials from the president down to PA directors. According to multiple interviewees, there has been and may still be discomfort with FCR among certain sectors of government. In one sense, FCR is the opposite of ARPA: high-level political support may have been secured, but the broader idea of public-private partnerships may not yet be widely welcomed.

- **Social sustainability remains the major challenge for FCR.** As one interviewee noted, there was an explicit decision to focus on strict marine PAs rather than fishery management issues. As a result, the project team did not engage heavily with local fishing communities that may be affected by the program. More generally, several interviewees expressed concern that FCR did not engage private sector actors as effectively as it could have. These exclusions may reduce social buy-in going forward.

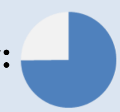
- **FCR is globally important in making Costa Rica the first developing country to meet CBD PA standards.** However, its significance is slightly diminished by Costa Rica's small size and preexisting commitment to conservation. Several interviewees noted that Costa Rica's small size was key to success—this reality does not take away from the phenomenal achievement of the project but underscores how much work remains globally.

  Furthermore, FCR may be especially important as a stepping stone to further, larger efforts. One interviewee compared FCR to the Wright brothers' first airplane flight on a beach in North Carolina: "You would not fly the first flight in a Minnesota blizzard; that flight, though, was crucial in demonstrating that flying is possible."

Element assessment

As the most recent effort at PFP, FCR has relatively strong elements. Its major challenge is to consolidate domestic political and social support for those elements (Figure 7). Specifically:

Figure 7
FCR elements: strengths and weaknesses

Summary: 

Element	Assessment	Strengths	Weaknesses
PFP preparation and program design		• Incorporates existing planning • Multi-stakeholder core group with clear leads • Strong conservation, financial, and institutional plans • Newer government stakeholder plan	• Limited effort to integrate local partners • Initial lack of mid-level government stakeholder plan
Organizational, legal, and governmental closing prerequisites		• Multi-party agreement to create new institution • Increased marine PA size	• Limited security regarding ongoing government funding
Fundraising to accomplish the program objective		• Goal of $47M PV met	• Government fundraising target slowed process
Closing and hand-off for implementation		• Quick, successful closing	• Some local stakeholder concerns unresolved

- **FCR effectively brought in existing planning and assessments and a diverse group of stakeholders with clear project team leadership, leading to high-quality conservation, financial, and organizational plans. Stakeholder planning**

is an opportunity for improvement. To the degree that the PFP team can rely on a strong extant base for the program design, it should do so, allowing it to focus on the highest-return activities. FCR accomplished this task effectively by using GRUAS II as a basis for conservation planning, which both reduced the workload and ensured a scientifically-based output. As one FCR interviewee explained, Costa Rica "was ready" for success due to a prior conservation assessment (GRUAS II) and organizational improvements within SINAC[5].

Moreover, FCR secured high-level government support at the outset (interviewees frequently cited President Arias' declaration as critical for FCR's success), and recruited an established NGO and a "deal broker." The main weakness, as interviewees pointed out, was that local partners were not integrated as fully or as quickly as would have been desirable to build support and ensure a smooth hand-off at closing.

As a result of these strengths, the team developed a conservation plan including marine, freshwater, and terrestrial protection that was then consolidated into a detailed, affordable, and saleable financial plan, and an effective and stable independent organizational plan.

Though many interviewees expressed concern regarding government engagement below the highest level, one of those interviewees also noted that the program has developed a five-year implementation plan to help the government commit to various deliverables, metrics, and costing. "It took us a while to figure out we needed [the plan]," explained the interviewee, but now it is clear that "if you don't have that, forget it—don't get involved."

FCR chose not to develop extensive local stakeholder plans. It is too early to tell how much it would have benefited from more extensive planning.

- **The Costa Rican government's commitment to doubling the size of marine PAs was an important pre-closing step.** FCR focused heavily on marine PA creation. Thus, it was essential that the government take steps to this end before closing.

  At the same time, though the trust's disbursement milestones help ensure that the government remains committed to the program, normal government budgeting mechanisms were employed, which means that budgets are not absolutely confirmed for the long-term, leaving the program potentially vulnerable to financial instability.

- **The effort raised sufficient funds to accomplish its objectives as set forth in the financial plan.** As discussed above, despite fundraising struggles, the deal closed with greater funding than some expected. Indeed, two interviewees disputed whether the fundraising objective was high enough. Nonetheless, given the economic conditions at the time of fundraising and the widespread praise for the conservation and financial plans, fundraising has been a success for FCR.

  The effort may have benefited from a more realistic fundraising plan. Several interviewees felt that the $16 million target for multilateral and bilateral funders was

[5] These improvements were made possible with the help of TNC.

not reasonable and that it slowed the fundraising process significantly and turned off skeptical potential funders. Other interviewees stated that the target was reasonable (and indeed was achieved), but that more substantial support for these efforts should have been provided from the beginning. A major question for further exploration is how to help maximize multilateral, bilateral, and government contributions to PFP efforts.

- **FCR closed successfully and exceptionally quickly.** One of FCR's program-specific goals was to reach the closing more quickly than Great Bear, which it achieved by completing the PFP process in only three years. One tradeoff, however, is that many interviewees expressed concern that the PFP team underinvested in engaging certain stakeholders (e.g., local fishing communities) due to the desire for increased speed to completion, and there are some design elements still left to complete (as is often the case in practice).