

ARPA FOR LIFE

Amazon Region Protected Areas

Annual Report 2019



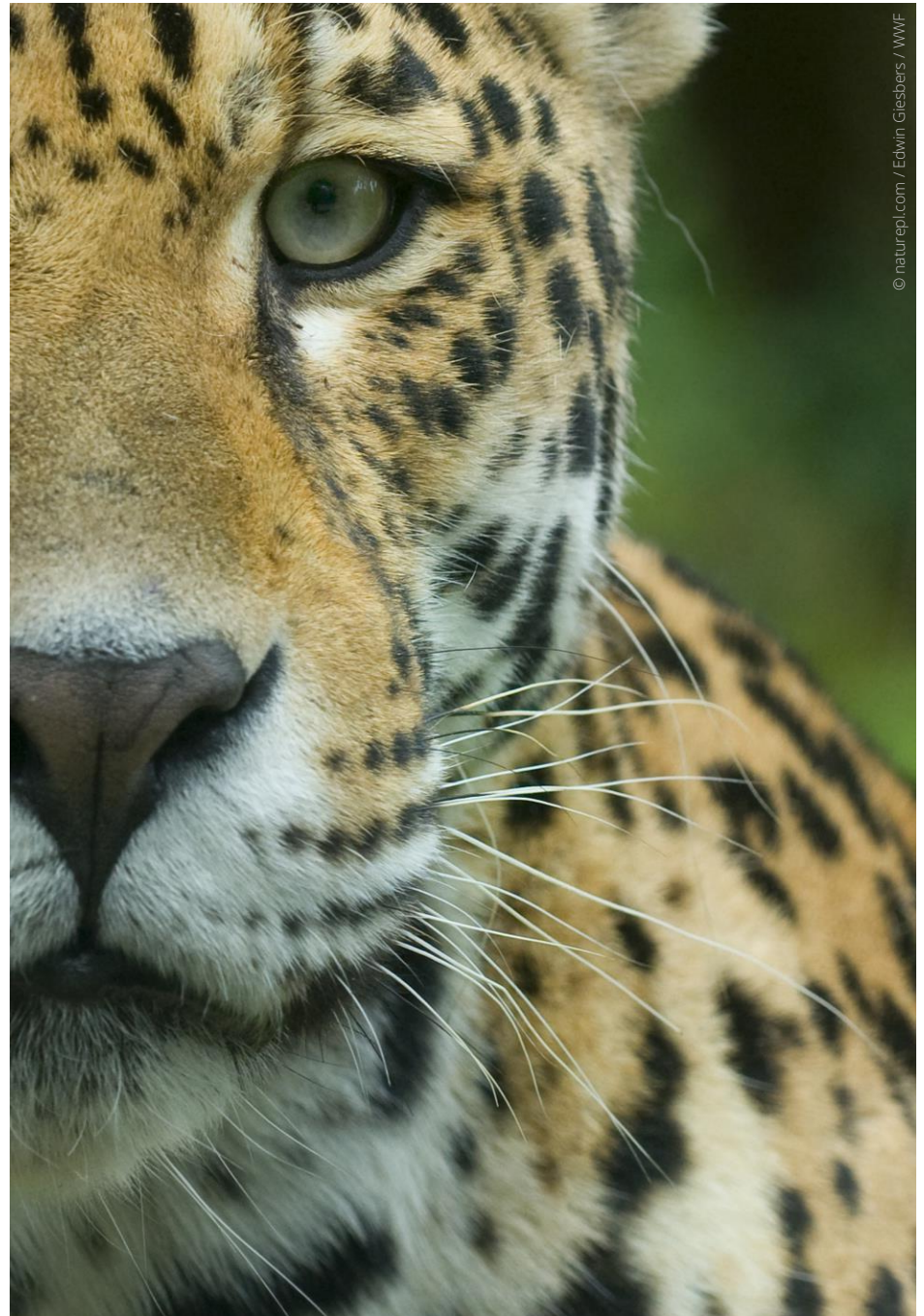
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The Amazon Region Protected Areas (ARPA) initiative was launched in 2002 as an ambitious conservation vision to safeguard 150 million acres of Brazilian Amazon rainforest—an area nearly three times the size of all US national parks combined. In May 2014, public and private donors joined the government of Brazil in pledging to secure these 150 million acres in perpetuity through an innovative conservation funding approach known as Project Finance for Permanence (PFP). ARPA is the largest tropical forest conservation program in the world. Today, ARPA touches the lives of countless people—from the 30 million who live in the Brazilian Amazon to the billions around the world who benefit from the massive amounts of carbon that Amazonian forests keep out of the atmosphere.

We are pleased to report on the progress of *ARPA for Life* five years after closing, and on the ARPA conservation program, now in its third phase.



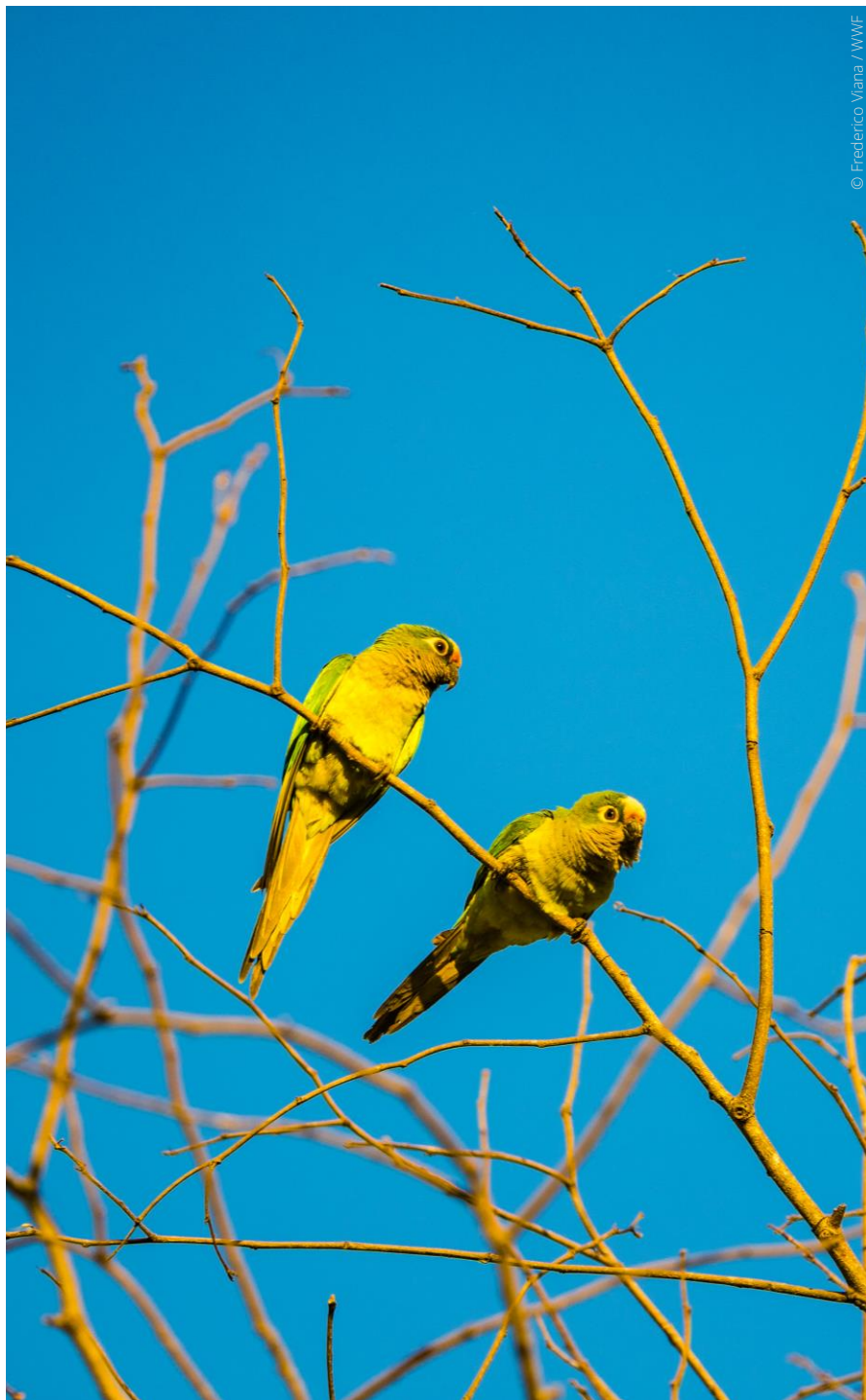
The Amazon Region Protected Areas program is now in its 17th year, and we are five years out from *ARPA for Life's* closing. ARPA's progress reflects the force of the PFP concept, an innovative approach borrowed from Wall Street that permanently and fully funds conservation areas. The dedication of partners, stakeholders, and the Brazilian people have helped propel this vision. At the same time, amid political and economic turbulence in Brazil, we are working together to create a sustainable path forward.

Achievements

- On June 5, 2018, the Brazilian Government officially decreed the Rio Branco-Jauaperi Extractive Reserve, bringing ARPA's total new protected area creation to 3,087,106 hectares of the 6-million-hectare target.
- As of August, 39 ARPA areas were deemed fully consolidated, having reached all required management benchmarks. We expect more areas to be consolidated by the end of 2019, with potentially 70% of ARPA areas consolidated by the end of the 2020-2021 biennium.
- Several ARPA areas are becoming models of effective management. For example, with resources from ARPA, the manager of Virúá National Park supported a pioneering project improving facilities within the park by constructing walkways and trails made with seized illegal timber. Thirty local community members were trained and employed in the construction. Preparations are underway to provide access for park visitors in wheelchairs or with other physical limitations. As a result of its effective management, Virúá National Park was recognized as a Ramsar site and is now a reference site for long-term ecological research in Brazil, supported by resources from the Brazilian Ministry of Science and Technology.

Challenges

- Jair Bolsonaro, a right-wing populist hostile to environmental protections, was elected President of Brazil in October 2018. During his first nine months in office, deforestation rates, including within protected areas, have increased significantly, and, when the final figures are released in December, are like to be the highest since 2008.
- Increased deforestation led to severe fires across the Amazon, with three times the number of fires in August 2019 than the previous year. Following intense international pressure, the government declared a 60-day moratorium on burning, which has reduced the number of fires. However, deforestation alerts remain high and enforcement actions against illegal deforestation are less than half of what they were last year.
- Brazil's Environment Ministry began a review of all NGO-implemented Amazon Fund projects, alleging misuse of funds, and froze approval of new Amazon Fund grants. It is not clear if or when a R\$45-60 million proposal from Funbio for ARPA will be able to move forward.



History & Mission

In 1998, in response to growing concerns about the future of tropical rainforests and a request from WWF's Forests for Life Campaign, the Government of Brazil pledged to formally protect at least 10% of the Brazilian Amazon. The ARPA Program was created to embody this pledge as a historic public-private partnership that strengthens and expands wilderness protected areas in the Brazilian Amazon. ARPA's mission is to secure long-term protection for an ecologically representative sample of the Brazilian Amazon in a system of well-managed parks and reserves, while also helping to meet the needs of communities in the region.

Since its launch in 2002, ARPA has redefined large-scale conservation, becoming the most successful protected area program in history. Today, ARPA boasts 117 protected areas consolidating more than 60 million hectares—surpassing its original goal. Many of these protected areas had been "paper parks" without effective management structures in place—until ARPA. In addition, ARPA has inspired significant conservation planning and capacity upgrades that are improving the management of protected areas across Brazil's Amazon region. The system of protected areas implemented through ARPA is delivering critical benefits, protecting key habitats and biodiversity previously absent or underrepresented in the Brazilian protected area system, and contributing to the maintenance of ecological processes and environmental services throughout the Amazon.

Reducing Emissions & Generating Benefits

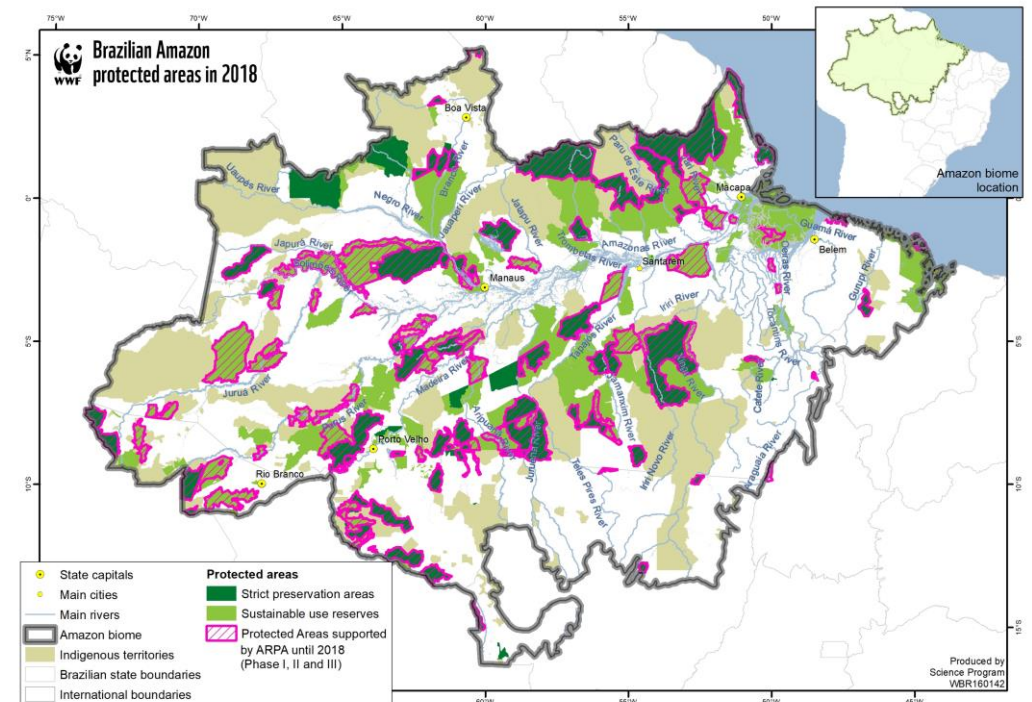
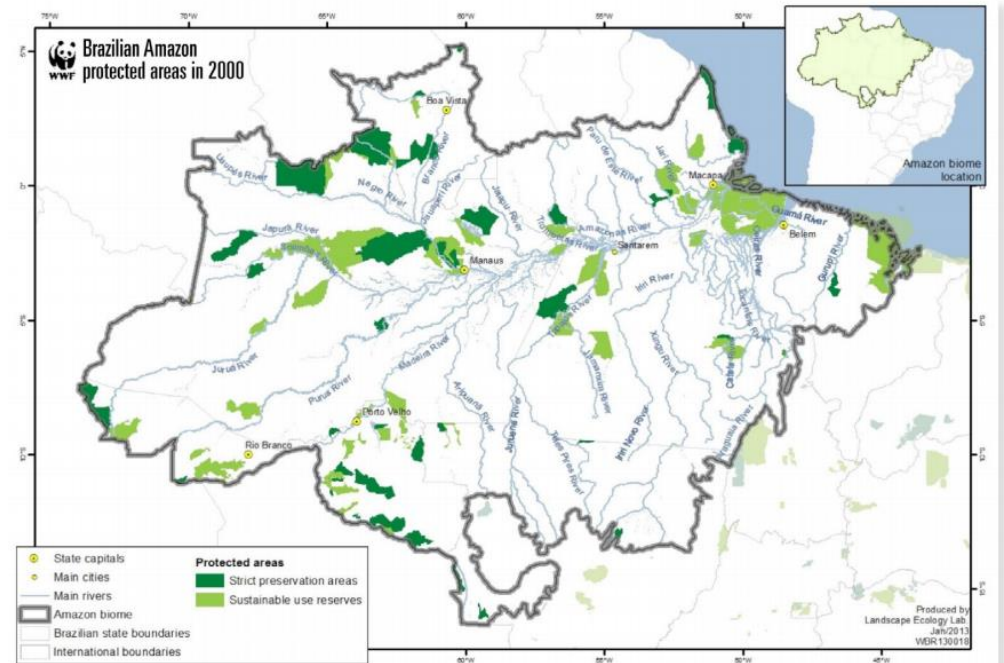
ARPA is contributing to significant reductions in carbon emissions. With ARPA in place, we will avoid an estimated 5.1 million tons of carbon dioxide emissions by 2050. That is roughly equal to the total amount of US energy-related carbon dioxide emissions in 2016.

ARPA includes extractive reserves and sustainable development reserves that provide non-timber forest products, including food, fiber, and medicine, for nearby populations centers and promote sustainable forest-based livelihoods in the Amazon. Research indicated that ARPA generates significant economic benefits through tourism and multiplier effects related to research, infrastructure, and management in addition to direct government spending in the region. Maps showing Brazilian Amazon protected areas in 2000 and 2018 (next page) illustrate the positive impact ARPA has had on protected areas in the Brazilian Amazon.



Maps of Protected Areas in the Brazilian Amazon

Before ARPA and Today





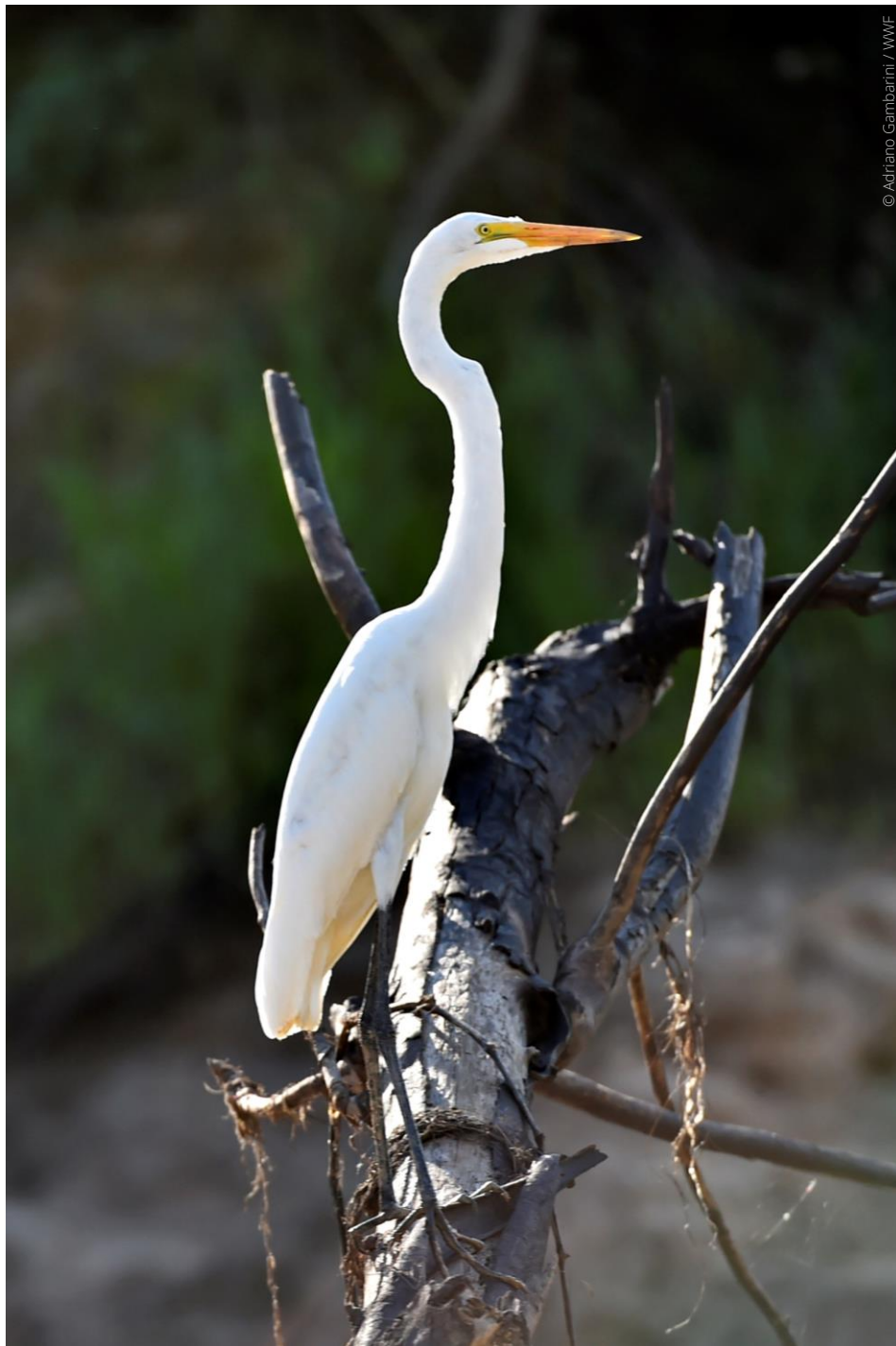
ARPA for Life Disbursement Conditions

WWF continues to focus on two major objectives: 1) secure committed *ARPA for Life* funds and oversee the successful operation of the Transition Fund; and 2) build stakeholder capacity to ensure institutional and ecological sustainability. The ARPA system has surpassed its original target and is well into Phase III. However, several of the *ARPA for Life* disbursement conditions are being met only partially, including new protected area creation, protected area staffing, and biological monitoring. Government counterpart funding was being met as of 2018, but the economic situation in Brazil and strict limits on future government budget increases could create obstacles going forward. All donations committed at closing have been secured except for the Amazon Fund's contribution. Program governance, financial management of the Transition Fund, and ARPA operations are on track thanks to the hard work and commitment of the fund manager, Funbio, the technical staff of the Ministry of Environment Program Coordination Unit, and the park management staff at the Chico Mendes Institute for Biodiversity Conservation and the state agencies.

As of March 30, 2019, the date of the last semester report from Funbio, Transition Fund disbursements totaled almost R\$89 million since disbursements began in November 2014. Seventy-six percent of the resources went to ARPA areas for expenditures on their biannual operational plans, 6% for operations of the ARPA Program Coordination Unit within MMA, and 17% for Funbio's management. As of April 2018, when ARPA Phase II came to a formal end, the rest of ARPA's 117 areas were migrated to the Transition Fund and monthly disbursements accelerated. As of the previous semester report in September 2018, less than R\$70 million had been disbursed, meaning that Funbio disbursed R\$20 million in six months from September 2018 to March 2019.

Disbursement Conditions Update

| # | Disbursement Condition | Status | Comments |
|----|---|--------|--|
| 1 | Program Operation Manual (MOP) aligned with ARPA goals | | The MOP was updated in May 2019 and the modifications were approved by the Transition Fund Committee. |
| 2 | No net loss of Protected Areas within ARPA | | This condition was updated in May 2019 to reflect a new baseline of 60.2 M hectares for ARPA. ARPA is now currently at 60.8 M hectares, so there has been no net loss. However, there are many existing proposals for degazettements and downgrading of PAs in the Amazon. |
| 3 | PA Financial Reports | | All of the ARPA Management Agencies (ICMBIO + state agencies) submitted the required reports. |
| 4 | Consolidation Plans | | ICMBio's Consolidation Plan was presented in 2013, and the state management agencies completed theirs in 2015. |
| 5 | Additional donor resources secured as pledged by GoB | | GEF funding was approved in 2018 and \$20 M of the \$30 M has been disbursed to date. However, funding from Amazon Fund continues to be delayed and, now, due to disagreements between the fund donors (Germany and Norway) and the Government of Brazil, consideration of new projects has been frozen. |
| 6 | ICMBio 2014 Budget increase | | This disbursement condition has been deleted since it was met in 2015, and no longer requires periodic review. |
| 7 | Biodiversity Monitoring implemented | | Last year, ICMBio and state management agencies made great progress in implementing basic biodiversity monitoring protocols in ARPA PAs. Although ICMBio had a slight shortfall in achieving 100% coverage in 2018, we expect this condition to be met in 2020. |
| 8 | New Protected Area Creation | | 3 M hectares of the 6 M hectare target have been created. In June 2018, the TFC extended the deadline for new PA creation until 2019, to allow PA creation processes underway to come to fruition. It is unlikely additional PAs will be created at the federal level under the Bolsonaro administration, although it is possible that some states (e.g., Amazonas) may create new areas. |
| 9 | Increase in non-salary government funding | | Although progress and trajectory varies, ICMBio and most state agencies met this condition. Only Amapa and Para had shortfalls in meeting their counterpart funding targets in 2018. |
| 10 | Consolidation Performance | | 39 PAs were fully consolidated by August 2019. According to the original consolidation plan, 100% of ARPA PAs were scheduled to be consolidated by the end of the 2018-2019 biennium. MMA is taking this seriously and organizing missions to visit PAs with low levels of funds execution and consolidation. They will also prepare revised consolidation plans with the goals of having all areas fully consolidated by the end of the next biennium (2021). |
| 11 | PA Staffing | | This condition requires two staff for Tier I areas and 5 staff for Tier II areas. Amazonas, Acre, Mato Grosso and ICMBio did not meet these staffing targets in 2018. ICMBio is now re-organizing its staffing for PAs based on regional groupings. |



Lessons Learned

Inspired by the success of the Project Finance for Permanence approach used in *ARPA for Life*, WWF has conceptualized a global initiative, called *Earth for Life*, and is working with a range of governments and partners to build similar long-term financing mechanisms in some of the most important forest and marine systems in the world. With initiatives recently closed in Peru and Bhutan, well underway in Colombia, and with many more countries interested in launching similar efforts, WWF will work with the WWF Network, governments, and partners to ensure each PFP initiative is designed and executed to deliver conservation results, community benefits, and the financing necessary to safeguard these systems over the long run. The lessons learned over the first five years of *ARPA for Life* will be incredibly helpful in this effort.



Financial Strategy

When we developed *ARPA for Life's* financial model in 2012, the Brazilian economy was growing at a healthy rate and the ~3% annual growth in government expenditures for protected areas included in the model (based on the trajectory of GDP growth in Brazil) seemed a reasonable assumption. The economic crisis that followed proved this assumption false. In hindsight, ARPA should have invested more in identifying and projecting potential revenue streams from sustainable finance mechanisms beyond the government of Brazil's budget allocations as part of the financial model.

REDD+ funding is a promising source of revenue given ARPA's role in reducing emissions from deforestation. With the passage of a 2016 constitutional amendment limiting federal government budget growth to the rate of inflation, revenues from sources like REDD+ and environmental compensation will now be critical to meeting the government counterpart funding requirements. We need to create additional mechanisms over the next few years if we want to meet these requirements. WWF is applying these lessons to the design of financial models for *Earth for Life* initiatives in Peru and Colombia.

Governance

Over the years, ARPA's government-led model has involved benefits and drawbacks. For 15 years, ARPA's strong alignment with the Brazilian government's environmental land conservation policies provided a huge advantage. But now that ARPA is less well aligned with the policies and priorities of the Bolsonaro administration, we have yet to fully understand what the implications will be for ARPA. The significant role that the Brazilian states have in ARPA (40% of ARPA areas are administered by the states), at times considered a complication or disadvantage, now provides an important advantage given the federal government's retreat from leadership on environmental issues.

Establishing the ARPA Transition Fund Committee (TFC) as independent from the government—and with a clear non-government majority—is imperative to this and other PFP initiatives. The composition of the Committee and commitment of its members to ARPA is also key. Paulo Sodre, Committee President, worked closely with other Committee members in the four years following *ARPA for Life's* closing to ensure that ARPA Phase III governance followed the rigorous requirements of the Operation Manual.

Program Management

Funbio has been critical to the success of ARPA Phase III and highly effective in their role as Secretary of the Transition Fund Committee. Through constant innovation and diligent management, Funbio has forged a client-focused relationship with the Brazilian government's executing agencies and has seen to the efficient deployment of funds to protected areas. There is room for improvement in procurement and contracting, but Funbio is adept at reorganizing as needed to improve delivery.



Challenges

The election of Jair Bolsonaro, who has broken with Brazil's long history of environmental leadership, poses the biggest challenge to ARPA thus far. We must devise a strategic and coordinated approach to prevent major rollbacks to ARPA's conservation achievements—and safeguard Brazil's overarching environment and human rights framework. We

have laid a strong foundation in the first five years of ARPA Phase III but will need ongoing engagement and support from ARPA donors to weather the storm ahead and guarantee ARPA's conservation achievements through 2039 and beyond.



Opportunities

We can counter the Brazilian government's attacks on protected areas by building a constituency for protected areas through public support. WWF-Brazil is launching a public awareness campaign on the value of protected areas to Brazilian society. On July 21, 2019, as part of the Protected Areas Coalition, WWF sponsored a national campaign promoting public access to and support of Brazil's protected areas.

Um Dia no Parque (A Day in the Park), sponsored events in hundreds of parks across the country, including many in the Amazon. Thousands of Brazilians participated in trail walks, bike rides, bird watching, and biodiversity monitoring activities, and learned about opportunities their local parks provide for their enjoyment. We plan on making this an annual campaign that engages an increasing number of Brazilians.

WWF collaborated with Conservation International and other members of the Pro-Protected Areas coalition on an assessment of the economic contribution of protected areas to Brazil's economy. Released in 2018, *What is Green Worth?* estimates the value of extractive product harvests, carbon storage, intact forest, hydropower generation, and monetary benefits to municipalities that receive the Ecological Value Added Tax. Understanding the immense value of ecosystem services provided by ARPA protected areas will aid in our advocacy for increased funding.

We continue to highlight *ARPA for Life* as an innovative model of sustainable financing. ARPA and the power of the PFP model were featured in the summer 2019 edition of WWF's magazine (["Rooted in the Amazon"](#)) and two videos (["Rainforest Redemption"](#) and ["Faces of the Amazon"](#)) were produced in 2019 illustrating the impact of ARPA's investments on people and nature.



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Thank you

WWF is profoundly grateful for your steadfast support of *ARPA for Life*. Together, we are advancing a flourishing, innovative approach to conservation that can be replicated on a global scale to secure nature, forever.

We proudly acknowledge you, the donor, and all the partners who make *ARPA for Life* a reality.



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