

An Overview of CEPF's Portfolio in the Atlantic Forest Hotspot: Brazil

The Atlantic Forest is the world's most diverse forest in terms of its woody plants. It contains an estimated 250 species of mammals, 340 amphibians, 1,023 birds, and approximately 20,000 trees. Twenty of its 25 species of primates are endemic to this hotspot. The vast majority of animals and plants threatened with extinction in Brazil are represented in the Atlantic Forest.

The Atlantic Forest once stretched 1.4 million square kilometers but has been reduced to less than 8 percent of its original forest cover. What remains are mostly isolated fragments that are scattered throughout the landscape now mostly dominated by agriculture. Unlike most hotspots, the Atlantic Forest contains several large metropolitan areas, including the two largest cities in Brazil. The region is home to approximately 70 percent of Brazil's population (112 million people) and its industrial centers generate about 80 percent of the Brazilian GDP. No other biodiversity hotspot is subject to greater human pressure; it ranks in urgency as one of the hottest of the hotspots.

Key threats to what remains of the Brazilian Atlantic Forest include deforestation due to agriculture and expansion of pastureland, logging, poaching, urbanization and industrialization, and tourism development, all contributing to the pervasive habitat fragmentation that is so apparent in this hotspot.

The Critical Ecosystem Partnership Fund (CEPF) began funding for this hotspot in early 2002 with an \$8 million initial investment strategy to be implemented over 5 years. The focus of this strategy is on two sharply defined corridors within the Atlantic Forest Hotspot. These focal areas are the **Central Corridor**, including parts of the states of Espírito Santo, Minas Gerais and Bahia; and the **Serra do Mar Corridor** including parts of Rio de Janeiro, Minas Gerais and Sao Paulo .

The delimitation of the Central and Serra do Mar corridors is based on the original limits proposed by the Biodiversity Corridors projects of PPG-7 (International Pilot Program to Conserve the Brazilian Rain Forests), and on analysis that delimited the bio-geographic regions of the Atlantic Forest by overlaying maps of the distribution of endemic birds, primates, and forest butterflies. Vegetation maps, based on orbital imaging data from the Radambrasil project, was used to draw the limits between the areas considered bio-geographic centers and those considered transition areas, since these limits could not always be clearly delimited on the basis of species distribution alone.

The Central Corridor is biologically diverse and supports many threatened species of restricted distribution. In a survey carried out in a privately owned reserve near Ilhéus, Bahia, 454 species of trees were found in a plot of one hectare, a world record for plant species richness. Another study conducted at the Santa Lúcia Biological Station in a

lower montane habitat (600-900 meters) in north-central Espírito Santo revealed 443 tree species in an area of equivalent size. In terms of endemic and threatened mammal and bird species, the Central Corridor is also of critical importance. The communities of primates in Southern Bahia and in the highlands of Espírito Santo are particularly interesting, because these are among the very few areas where all six Atlantic Forest genera of primates occur together. Twelve primate species occur in the region and represent 60 percent of the primates endemic to the Atlantic Forest.

The Serra do Mar Bioregion is an area of 111,580 square kilometers extending from Rio de Janeiro to northern Rio Grande do Sul. Currently, about 30.5 percent of the area remains covered by native forest. Originally, 95 percent of this region was covered with dense ombrophilous forest, including patches of mangroves and *restingas*. The Serra do Mar Biodiversity Corridor, the focus of CEPF investments, partially overlaps with this bioregion. For the purposes of the CEPF, this Corridor is defined in the south by the Paraíba do Sul watershed and in the north by the Paraíba do Sul River. The area covers about 7.5 million hectares and represents nearly 35 percent of this bioregion. The area targeted by CEPF investments does not include northern Paraná and southern São Paulo, because those areas have a large NGO presence in place, academic institutions (some with the greatest technical capacity in Brazil), and state governments with strong environmental programs. Furthermore, compared with other regions in the Atlantic Forest, the excluded areas have access to considerable funding for conservation projects.

Within these focal corridors, CEPF will fill a unique niche by providing incremental value to projects that complement the objectives established by the existing PPG-7 subprogram for the Atlantic Forest. The CEPF focuses on catalyzing innovative NGO approaches to corridor conservation efforts, directing a majority of resources to the Central and Serra do Mar corridors.

CEPF investments are aimed at encouraging NGOs to increase their participation in conservation within the corridors through innovative public/private alliances and partnerships. NGOs are particularly capable of promoting and enforcing regulatory mechanisms in protected areas such as national parks, biological reserves and natural heritage private reserves (RPPNs); of identifying and developing economic alternatives for conservation; of mediating conflicts; and of disseminating information to users and stakeholders.

The CEPF grants portfolio focuses on key projects in the Central Corridor and the Serra do Mar Corridor that address the recommendations of the Atlantic Forest Priority-Setting process. The strategy, as described in the CEPF Ecosystem Profile (2002), includes the following strategic funding directions to guide CEPF's funding and to maximize its impact.:

1. *Stimulate landscape management initiatives led by civil society in the Central and Serra do Mar Corridors*

This strategic direction has led us to support a rich variety of competent local civil society organizations working on the improvement of natural resource management in the two corridors. In this category, we look for projects aimed at maintaining or restoring genetic connectivity in the highly fragmented forest

areas of the two corridors. Because so much of the forested lands remaining in the Atlantic Forest occur as isolated fragments, conservation efforts must focus on efforts to improve the uses of the land between these fragments. The economic circumstances of the region require that such efforts to allow gene transfers to flow across larger areas also make agricultural practices more sustainable. To demonstrate how these objectives can be mutually supportive, CEPF has made grants for practical field research that can improve understanding of natural processes in the region, for the preparation of local land management and species conservation plans, for public education about agroforestry systems and biodiversity and for small capacity building grants to community NGOs.

2. *Improve management of existing and future public protected areas through targeted civil society efforts*

Here we are specifically targeting the system of public protected areas within the two priority corridors, seeking projects conducted by non-governmental organizations that will stimulate the establishment of new protected areas, improve their management, study their biodiversity, and improve the capacity of the public officials administering them. These grants illustrate the CEPF approach of reinforcing local partnerships between non-governmental and public sector organizations to achieve conservation and sustainability outcomes.

3. *Increase the number of private protected areas through civil society efforts*

The focus of this strategic direction is very specific and aimed at taking advantage of the Brazilian legislation that allows private landowners to create private reserves recognized as part of the National System of Conservation Units. These reserves serve as an effective means of increasing the amount of habitat under protection and when strategically placed, help create connectivity between existing protected areas and other forest fragments. Unfortunately, the process for establishing these reserves, called Reservas Particulares do Patrimônio Natural (RPPN), is a cumbersome one that creates disincentives for landowners; even those very interested in using its provisions. . Therefore, the objective of this strategic direction is to develop a program of incentives to help landowners create RPPNs and to encourage their establishment in areas that can best contribute to creating connectivity among forest fragments. An RPPN is usually sited because of the importance of the area for biodiversity protection, its landscape value, or other variables which depend on protection or restoration to maintain fragile or threatened ecosystems. They can therefore play a key role in complementing the existing system, providing increased connectivity as well as increasing the representation of priority areas included in the protected areas network. At the beginning of CEPF investments, the two corridors boasted a total of 63 RPPNs covering 13,000 hectares. Through the efforts of a substantial small grants program operated by SOS Mata Atlantica, with CEPF funding, this total is growing quickly.

4. *Create an action fund to improve civil society identification and management of critical areas of habitat*

Pursuing this strategic direction, s CEPF created the opportunity to develop a series of small grant programs with specific themes. The priority setting process that led to the strategy for CEPF clearly identified the need to help build the

capacity of many of the small groups working on biodiversity conservation; so one theme would target capacity building. A second theme identified was the situation of critically endangered species and their habitats. Therefore, an additional small grants program would be sought to focus solely on this theme.

Coordinating CEPF Grantmaking on the Ground

The locally incorporated Conservation International – Brazil, in partnership with SOS Mata Atlantica as the Alliance for the Conservation of the Atlantic Forest, serves as the coordination mechanism for CEPF in the Atlantic Forest. This team provides a locally based mechanism to assist CEPF in the review and decision-making process for all proposals received for the Hotspot. All proposals are reviewed by the coordination mechanism representatives from members of the Alliance as well as a minimum of two external reviewers. This integrated local coordination ensures that CEPF funding decisions are based on local knowledge, confidence in the proponents, and clear links to a shared set of priorities. In addition to reviewing project proposals, the team plays an active role in assisting grantees with project preparation, monitoring of project implementation, and dissemination of information about the Atlantic Forest and the CEPF portfolio. Also included in this role of coordination is the organization of annual corridor meetings with the participation of all CEPF grant recipients as a means of sharing experiences and lessons learned, as well as providing the opportunity for grantees to develop their own partnerships and alliances.

Approach to Grantmaking - Network of Core Programs

To date CEPF has committed \$5,204,702 in support of 26 projects in the Atlantic Forest (Chart 1, all charts are presented at the end of the overview). A full illustration of the status of the portfolio to date as well as a timeline of grant commitments are provided in Charts 2 and 3.

The establishment of a group of core programs that would serve as the foundation of the Atlantic Forest portfolio of projects under the CEPF strategy was a first priority when grant funds became available. These core programs include the CEPF coordination mechanism, institutional strengthening programs for both corridors, an incentives program for the creation and implementation of private reserves, and a species-specific grants program to address critically endangered species issues throughout the entire Atlantic Forest Hotspot. Out of this effort have come five innovative, locally managed programs that account for more than 40 percent of the entire investment portfolio.

The core programs of the Atlantic Forest, aside from the coordination mechanism, are all small grant programs (making grants of \$10,000 or less) managed by local NGOs. To help build the capacity of local organizations and groups working in conservation, a highlighted need within these two particular corridors based on the priority setting process, CEPF is funding an institutional strengthening small grants program in each of the two corridors. In the Central Corridor, **Instituto de Estudos Sócio-Ambientais do Sul da Bahia** (IESB) is implementing the project, “*Small Grant Program for the Central Corridor of the Atlantic Forest*” (approved May 2003), and **Associação Mico Leão Dourado** (AMLD) is implementing the project, “*Small Grants Program- Institutional Development of NGOs in the Serra do Mar Corridor*” (approved July 2003). These two programs are already well underway and have reached more than 50 small grantees within the two corridors. Through these programs, approximately \$500,000 will be

distributed among small grantees, and the entire mechanism of proposal reviews and project monitoring is locally managed by these two Brazilian organizations. Both programs have offered a series of training seminars for their grantees, training in project design, proposal writing, basics of biodiversity conservation, legalities of establishing an NGO and operating as professional non-profits. In addition, these programs hold annual meetings inviting the entire group of small grantees to share their experiences with each other. As a result of such meetings, groups of small grantees have formed partnerships to submit larger project proposals directly to CEPF and to other potential donors; fulfilling one of the anticipated impacts of the capacity building programs. The future of these two corridors depends on the development of a more broad and stronger NGO base focused on biodiversity conservation and these two targeted programs are making great strides in developing such a base.

SOS Mata Atlantica is implementing a small grants program aimed at the creation and implementation of private reserves (RPPNs). The, "*Program for the Support of RPPNs in the Atlantic Forest*" (approved January 2003), receives \$674,318 from CEPF, but is also leveraging an additional \$200,000 from the private sector (**Bradesco Cartoes**) through a fundraising scheme using Bradesco Bank's credit cards as a means of promoting SOS Mata Atlantica and biodiversity conservation. SOS Mata Atlantica is using the proceeds from this Bradesco partnership to expand the small grants program for RPPNs. SOS Mata Atlantica also plans to continue this trend of leveraging additional funds. To date, the program has made 59 small grants within the two corridors, assisting in the creation of 61 new reserves and improving the implementation of 29 already in existence. This program is proving to be a model, recognized not only within the Atlantic Forest, but also throughout the whole of Brazil and beyond.

The final small grant program is the "*Protection of Threatened Species of the Brazilian Atlantic Forest*" (approved October 2003), managed by **Fundação Biodiversitas para Conservação da Diversidade Biológica** in partnership with the **Centro de Pesquisas Ambientais do Nordeste** (CEPAN). This program is making small grants to groups working to protect critically endangered species throughout the entire Atlantic Forest Hotspot. With a total budget of almost \$600,000, we expect to see more than 40 small grants made to help protect the most endangered species on the IUCN Red List for this Hotspot. After the first round of proposals, the program has approved 16 small grants worth over \$100,000.

These small grant programs are key elements of the CEPF strategy as they place a large portion of the grant-making authority into local hands within the region. In each of the small grant programs, a local organization is in charge and has full responsibility for proposal revision, decision-making and project monitoring. These programs represent over 25 percent of the total CEPF investment portfolio for the Atlantic Forest and have been completely decentralized to these local organizations. Through these programs, CEPF aims to reach between 150 and 200 small grantees that would not have been reached through more traditional means.

An additional point to note is that the organizations managing these small grant programs also play a special role in terms of CEPF coordination of the Atlantic Forest. This group meets together with the coordination program (the Alliance of CI-Brazil and SOS, plus the CEPF grant director) on a semi-annual basis to review the strategy and

portfolio of projects. In essence, the coordination of CEPF in the Atlantic Forest is made up of all of these groups, making it one of the most diverse and locally managed forms of coordination in the CEPF global portfolio.

The Atlantic Forest grants portfolio also includes more traditionally funded efforts. For example, the **BirdLife International** Brazil Program received a grant to work on site-based conservation efforts in 5 specific areas within the two corridors, **Instituto de Pesquisa da Mata Atlantica** (IPEMA) is carrying out conservation planning and action for the State of Espirito Santo, and the **Instituto Rede Brasileira Agroflorestal** (REBRAF) is working to protect and restore the buffer zone of the Tres Picos area in the state of Rio de Janeiro. Several other grants are underway, and are listed in a later section of the briefing materials.

A final feature to note with regard to CEPF's approach to grant making in the Atlantic Forest is that the CEPF grant director is decentralized from the Washington, DC office and resides within the region. This is the first experience CEPF has with placing a grant director within a funding region, and the experience is proving to be a success. The contact and involvement with each of the grantees, and even several of the small grant recipients, is far more prevalent in this region than in others. The grant director is able to participate in virtually all key meetings of the coordination mechanism, the small grant programs as well as other corridor-level government, private sector and NGO-led planning meetings. This is beginning to lead to important leveraging and partnership opportunities within the Hotspot, and is expected to grow throughout the implementation of the portfolio.

Working with The World Bank

The current portfolio of projects, and the partners involved, is very encouraging for CEPF in the Atlantic Forest. There are still over two years remaining for the current investment strategy, close to \$3,000,000 in resources and several new projects to be developed and implemented during this period. Throughout this time, CEPF plans to continue to share experiences, plan strategy, and maintain dialogue with many of the key actors involved in the Hotspot. In particular, CEPF will continue to dialogue with the World Bank mission in Brasilia. This relationship began with a first meeting in March of 2003 in Brasilia between CEPF and the World Bank team. This generated ideas about sharing information on key projects and highlighting important strategy changes to one another. Since this first meeting, CEPF has been mentioned in several Brazil-related World Bank publications and future meetings will continue to take place.

In addition, a World Bank team from Washington, DC and Brasilia, and led by Warren Evans, visited CEPF in the Atlantic Forest in early July of 2004. The group visited with several CEPF grantees based in the Rio de Janeiro area and also carried out a site visit to the Associacao Mico Leao Dourado as well as a small grant recipient from the RPPN program. This proved to be a valuable opportunity for the Bank team to better understand CEPF's approach in this region, receive grantee feedback on their own experiences working with CEPF and also to sense the advantages of having the grant director placed within the region.

Future collaborative plans will likely include some form of a joint mid-term assessment of

CEPF progress in the Atlantic Forest, similar to the three assessments already carried out jointly in other CEPF regions. Such an assessment would likely involve a team meeting with, and reviewing the progress of, each CEPF grantee, assessing impacts to date, lessons learned, and making recommendations for future investments and management of the fund.

In addition to this coordination with the World Bank, a close dialogue is being maintained with the International Pilot Program to Conserve the Brazilian Rain Forests (PPG-7) that is currently implementing efforts in the Central Corridor, as well as with the UN Foundation's Brazilian World Heritage Biodiversity Program being implemented through UNESCO.

Conclusion - Expansion of Efforts in the Atlantic Forest

CEPF is making positive strides within the two targeted corridors of the Atlantic Forest where funding is currently available. More work in these areas will be necessary once CEPF's initial investment is over, but the aim is to prepare these corridors with strong and able local actors, targeted programs for private reserves and for threatened species that will continue to gain support from other funding sources and an improved system of protected areas with better management and improved connectivity among them. In addition, strong links to other important corridor-wide programs will have been made in an effort to ensure that the shared set of conservation objectives continue to be addressed well into the future.

It is important to note, however, that the Atlantic Forest covers more than just these two corridors and it is important that efforts extend beyond these two should new funding become available. Important areas not funded in the initial CEPF investment, such as the Northeastern Corridor of Pernambuco and the Southern portions of the Atlantic Forest found in southern Sao Paulo state, Parana state, Argentina and Paraguay should also be considered. These important areas need resources and a mechanism which can ensure effective implementation. With the lessons already coming from CEPF in the Central and Serra do Mar corridors, expansion into new areas could benefit greatly by using an expanded version of the CEPF coordination mechanism, as well as the successful models of small grant programs. There is already interest from key NGO players in the region to expand the SOS Mata Atlantica RPPN program to Parana and Pernambuco, and other examples will likely come. Something powerful has begun with CEPF in the Atlantic Forest, and expanding on this early success could have great impacts across the entire Hotspot.

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Charts: Atlantic Forest Hotspot: Brazil

Chart 1. Approved Grants by Strategic Direction

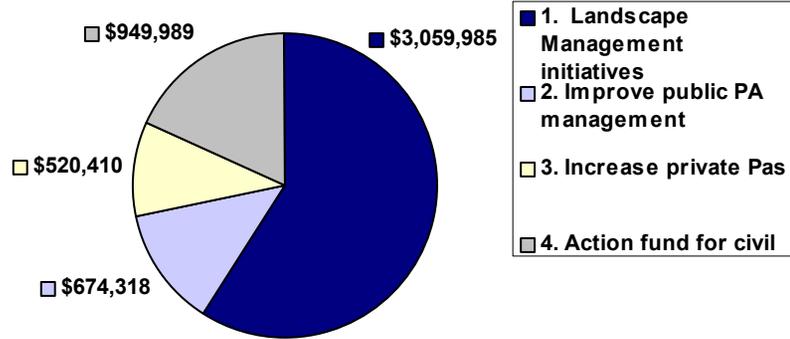


Chart 2. Portfolio Status by Strategic Direction

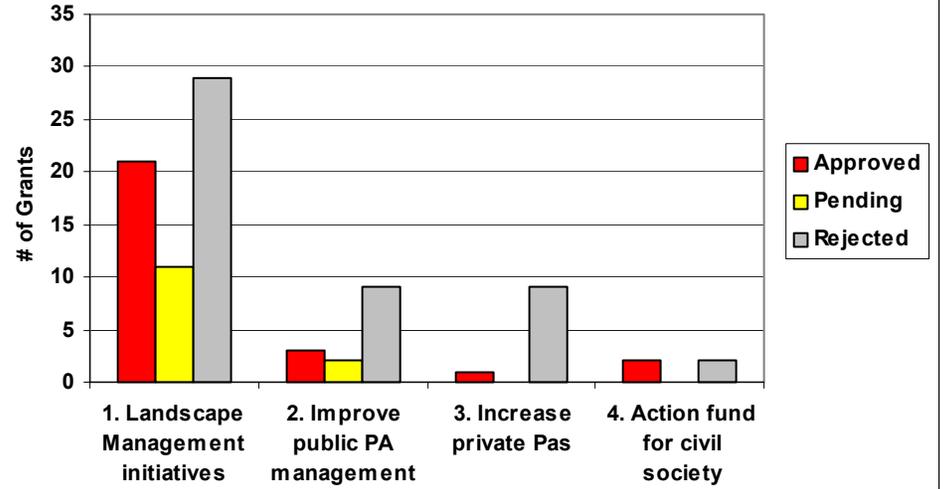


Chart 3. Combined Value of Grants Awarded

