

Report of the Independent Evaluation of the
Critical Ecosystem Partnership Fund

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Acronyms

CABS	Center for Applied Biodiversity Science
CBC	Center for Biodiversity Conservation
CEPF	Critical Ecosystem Partnership Fund
CI	Conservation International
CU	Coordination Unit
GEF	Global Environment Facility
MSP	GEF Medium-Sized Project
RAF	GEF Resource Allocation Framework
SGP	GEF Small Grants Programme
STF	Save the Tiger Fund
TNC	The Nature Conservancy

Summary

Background

The Critical Ecosystem Partnership Fund (CEPF) is a joint initiative of Conservation International (CI), the Global Environment Facility (GEF), the Government of Japan, the John D. and Catherine T. MacArthur Foundation and the World Bank. Each of these donor partners committed to a \$25 million investment over 5 years: CI, GEF and the World Bank from 2000, the MacArthur Foundation from 2001 and the Government of Japan from 2002.

CEPF was conceived as a model to demonstrate the effectiveness of mobilizing innovative alliances among NGOs to achieve conservation objectives. The objective of CEPF is to provide strategic assistance to nongovernmental organizations (NGOs), community groups and other civil society partners to help safeguard Earth's biodiversity hotspots, i.e., the biologically richest yet most threatened ecosystems. CEPF had progressively established active grant making programs in 15 regions covering 34 countries within 16 hotspots by June 30, 2005. CEPF had committed grants of \$68 million by this date, of which \$47 million had been disbursed from an overall grant making budget of \$100 million.

CEPF is managed as a semi-autonomous unit within CI, whose Board of Directors has fiduciary responsibility for the program. CEPF is supervised by a Donor Council, representing each of the donor partners, supported by a CEPF Working Group comprising CEPF management and technical staff from the donor partners. CEPF has selected one or more NGOs as a Coordination Unit in most of the active hotspot regions, to represent the program and to manage grant making. CI is CEPF's single largest grantee, providing a variety of coordination, implementation, scientific and administrative services at both headquarters and field levels.

Even though CEPF has completed five years of operations, the program is still developing. Slightly less than half of the available grant funds had been received by grantees when this evaluation began, while projects amounting to slightly less than \$20 million or 20% of the total grant funds had actually been completed. Of the 15 active grant making programs, three had been active for 4.5 years, seven for 3-4 years and five for less than 2.5 years.

The CEPF donor partners initiated an independent evaluation of CEPF which began on August 15, 2005 and focused on grant making through June 30, 2005.

The Evaluation

The evaluation terms of reference (TOR) are explicit on the approach to be followed, stating that the emphasis "should be on the initiative as a whole, not on the effectiveness of respective field programs". The TOR also specify that the evaluation "should not assess the effectiveness of independent projects but rather the strategic orientation of the portfolios vis-à-vis the larger strategic mission of CEPF". The evaluation was carried out by a team of three independent consultants, the authors of this report. The needed tasks were planned and implemented on an accelerated schedule in order to provide timely inputs to the donors considering imminent refinancing of CEPF.

The evaluation focused on ten of the 15 active funding regions. Each was visited during September-October 2005, generally for 7-10 days, following guidelines developed by the evaluation team. The visits included field visits to selected projects, extensive interactions with local coordination mechanism staff, interviews and workshops with grantees and other key stakeholders, and discussions with CEPF's regional Grant Directors. Outstanding cooperation was received from all CEPF staff, grantees and partners in facilitating these visits at short notice.

Overall Findings

CEPF has made strong progress overall during its first five years. While achieving gains in biodiversity conservation within hotspot regions is a long-term challenge, a solid foundation has been laid for the future. The overall performance from a global perspective has been excellent, even though there is some variation in the performance of individual hotspot programs.

Particularly significant progress has been made in the following areas:

- A coherent planning process to guide grant making at the hotspot level has been developed and applied. The Ecosystem Profile methodology has improved significantly over the life of CEPF after a variable start, with strong scientific support from CI. The more recent Profiles have included thorough analyses of threats and opportunities, identified the key elements of an ecological baseline for measuring progress, and provided clear strategic directions to guide grant making. The later Profiles have been strengthened by broader and more effective stakeholder consultations. In some cases the Profiles have been used successfully to encourage the participation of other donors and coordinate the resulting additional investments.
- The hotspot grant portfolios are well aligned with the strategic priorities set out in the Ecosystem Profiles, most of which are expressed in fairly general terms. The portfolios typically consist of a few relatively large grants for program coordination and leadership, several medium-sized grants to relatively capable national and international NGOs for strategic, high-priority projects, and a larger number of smaller grants (many under \$20,000) to emerging civil society organizations carrying out an impressive range of grassroots activities, some of which are thematically clustered. While the aggregate early gains from such diverse initiatives are difficult to assess, the overall picture that emerges is that the projects fit together in a coherent way and that most of the hotspot portfolios are well integrated and of significant strategic value for biodiversity conservation. While individual projects were not a primary focus of the evaluation, design and implementation generally appears to be sound.
- The characteristics and capacity of the civil society constituency being supported by CEPF vary significantly between the hotspot regions, with the result that the term ‘civil society’ embraces a very broad range of organizations. The evaluation field visits provided ample evidence that the CEPF model is sufficiently flexible to effectively identify and support a range of civil society organizations of different types in varying contexts. Few of these grantees, particularly the less experienced emerging organizations, have access to alternative sources of funding.
- The most significant *direct* impacts from grant making to civil society have been: (i) capacity building among local and national conservation NGOs; (ii) contributions to extending and strengthening protected area networks; (iii) broadening environmental awareness through effective communications; (iv) enabling local, national and international partnerships to support biodiversity conservation; (v) effective advocacy by grantee organizations in connection with infrastructure and other development projects; and (vi) contributions to sustainable financing for conservation. The portfolios also contain a significant number of projects that combine community development and livelihood opportunities with biodiversity conservation, thereby contributing to poverty mitigation.

- Significant *indirect* impacts should also result from grants, notably when a particular approach tested or demonstrated successfully by a CEPF project is replicated or scaled up. Other indirect impacts can be expected to include: (i) policy changes by governments or new approaches by donors inspired by grantees; (ii) NGO grantees going on to more influential activities as a result of capacity building and experience gained during a CEPF project; (iii) local communities initiating new environmentally-friendly activities or obtaining services or action from government as a result of increased self reliance and organizational skills acquired during a CEPF project; (iv) institutional project partners such as research institutions, local governments and national environmental funds adopting CEPF approaches and introducing them to larger communities. Some of these benefits may not become evident until several years after the activity that stimulated them and are difficult, if not impossible to measure. That does not diminish their value, however.
- The Coordination Units, CEPF's representatives and grant managers on the ground, have provided high quality local program implementation services. The Coordination Units have effectively identified and supported emerging civil society organizations, especially those with little previous proposal development or project management experience, many of which are scattered widely in remote locations. CI provides the Coordination Unit at 9 of the 15 hotspot programs, although 4 of the last 5 programs activated have drawn on other NGOs in an impressively diverse range of local institutional arrangements. Although these arrangements have not been problem free, they have worked very well overall.
- With roles that go well beyond grant program administration, the Coordination Units have emerged as one of the key strengths of CEPF. With support from CEPF in Washington, especially the respective Grant Directors, these Units have been particularly effective in linking smaller grassroots activities, larger projects, policy initiatives, international collaboration, sustainable financing and other key elements of comprehensive, vertically-integrated conservation portfolios. The CUs have been particularly adept at pursuing constructive partnerships with governments – in some cases multiple governments – while simultaneously supporting civil society organizations which sometimes have uneasy relations with their governments as a result of their conservation advocacy activities. The label of Coordination Unit does not do justice to the contribution of these key strategic partners.

Performance Measurement

The approach to performance monitoring has evolved and improved since CEPF was launched in 2000 and it is a continuing work in process. CEPF is addressing large scale issues with its partners and has a budget that is only generous by previous NGO conservation standards. Expectations on what can be achieved at the hotspot level within short time periods should therefore be kept within modest bounds, despite the relentlessly success-driven discourse of the conservation and development communities.

It is extremely difficult to determine how specific investments or projects of CEPF affect long term conservation outcomes in a corridor, protected area, nation or region because such outcomes are usually the result of efforts of numerous government agencies, communities, NGOs and donors over an extended period and are not easily attributed to a specific short-term investment by one program. An overemphasis on generating short-term (e.g., less than 10 year) conservation successes on a broad front can be hazardous insofar it tends to constrain risk and innovation, and restrict the freedom needed to explore more risky undertakings or those requiring more time.

CEPF does not regularly assess or report progress at a hotspot level against either the conservation outcomes or the other goals identified in the log frames within each of the

ecosystem profiles. While the CUs have done very good work, they have not focused on analyzing the overall performance of their hotspot grant portfolios. Exceptional work has been done in communications, but the overall impacts of the portfolios and progress towards the conservation outcomes had not been systematically compiled and assessed. CEPF does plan to compile a formal report on progress against the log frames for each funding region at the close of the initial five-year funding period, starting early in 2006.

Most conservation outcomes are unattainable within a five year period. Effective management of protected areas and especially large corridors must continue indefinitely as there will always be new threats and conflicts. Active civil society involvement in governance is essential for equitable and transparent decision-making and accountability, even though conservation outcomes may not be these organizations' immediate or major priority. Therefore, to improve performance and evaluation, targeted conservation outcomes require an explicit subset of short-term benchmarks and targets that can track progress towards the species, site and corridors outcomes. While aiming for these long-term conservation outcomes, the process and implementation of CEPF grants generates considerable socio-economic, governance, livelihood and related impacts that are not effectively captured in the current performance and evaluation framework.

Monitoring in the form of site visits by the CUs appears inconsistent across the hotspots. The CUs do not perceive their performance monitoring roles clearly, mainly emphasizing conservation actions and management of grant funds. The overall responsibility for project monitoring as a support function as well as monitoring of progress towards outcomes requires further clarification. While CEPF has developed impressive grant management and grant application software, there is no comparable system for monitoring and evaluation, and no automatic or other compilation of project site visit observations or the progress reported by individual projects against the targeted outputs at the portfolio level. The viability of developing and introducing an integrated monitoring and evaluation system should be assessed. Care needs to be taken, however, not to impose a monitoring structure that is so rigid as to inhibit the vital innovation needed to push the boundaries of current approaches.

Relationship with Conservation International

The relationship with CI provides substantial benefits to CEPF. CI co-initiated, launched and manages CEPF, its Board of Directors has fiduciary responsibility for CEPF, its Center for Applied Biodiversity Science provides technical services, and several of its regional programs and Centers for Biodiversity Conservation are local coordinators for CEPF. CI also provides a range of management, administrative and information technology services in addition to having committed \$25 million to CEPF as an initial investment. Two CI funds, the Global Conservation Fund and Verde Ventures, as well as CI country programs have provided funding for grant applicants that CEPF was unable to support and have co-financed certain CEPF grants. CI therefore has an extremely close relationship with CEPF on several different fronts.

Start-Up Phase

CI's dual role as manager of the grants program and as a potential grantee presents a potential conflict of interest. CI is the largest grantee of CEPF and by June 2005 had received a total of \$29 million in hotspot coordination grants, project implementation grants and management fees. Recognizing this issue, CEPF's Financing Agreement limits grants to CI to 50% of the total available, with specific Donor Council approval, and the CEPF Operations Manual requires all

grant proposals, whether from CI or from external groups, to be subject to the same decision-making process.

As originally required by the CEPF Donor Council, the initial CEPF Spending Plan attached to the Financing Agreement in 2000 included grants to CI that equaled 50% of the available resources of \$11.6 million allocated to the first three hotspots, without the projects concerned having been specified or developed in detail. Subsequently, there was considerable pressure on CEPF staff to support funding for relatively large CI proposals, particularly during the first few years of CEPF. Although the pre-allocation requirement was subsequently changed by the Donor Council in 2001 at the request of CEPF management, these factors contributed to a widely-held perception that CI was being awarded significant CEPF grants without other options or considerations being fully explored, to the detriment of the overall program.

From CI's perspective, they were successfully engaging a range of new donors in supporting valuable conservation initiatives with an exciting new focus on civil society. CEPF had made a strategic decision to begin work in areas where CI already had a strong presence and existing relationships to build upon, so it was not surprising that their country and regional programs would lead the initial CEPF effort. However, this interpretation was not shared widely among the technical staff of donor partners, many external stakeholders or the broader conservation community.

These issues have received continual attention from the Donor Council, the CEPF Working Group and CEPF management, who have all worked hard to overcome the negative impacts of these early developments.

Recent Developments

Subsequent developments related to these issues were examined closely during the evaluation and some important trends became clear:

- The share of CEPF grants to CI fell from the initial 50% level to a cumulative 35% by June 30, 2005, and continues to decline. This trend is largely explained by CEPF expanding into new areas where CI does not have experience or a comparative advantage, and the consequent need to engage with and support new partners and Coordination Units.
- The evaluation team has concluded that CI has generally done an excellent job with the funds it has received from CEPF. The coordination and project implementation services from CI regional programs and Centers for Biodiversity Conservation, the scientific and technical support from the Center for Applied Biodiversity Science, as well as the administrative, management and information technology services from CI's headquarters have all been of high quality and have provided essential support to CEPF's civil society grant making.
- All transactions and financial flows with CI appear to have been transparently reported, even though some of these are relatively complex.
- The pressure on CEPF staff to support CI grant proposals as well as the expectation among CI staff that they should have priority access to CEPF funds has clearly reduced over time, although it has not been eliminated.
- While CI has generally done an excellent job with the grant funds it has received, it would be hard to argue convincingly that CI has been treated like any other potential grantee, as required by the CEPF Operational Manual.

- In some hotspots it is difficult to assess whether certain program activities carried out by CI staff with CEPF grant support “should” have been paid for by CI or by CEPF, with viable arguments on both sides.
- CI itself has recently committed to shifting towards a strategy of re-granting substantial proportions of its revenues to support strategic partnerships, rather than trying to “do it all” with their own field offices and personnel. This style of operating is much closer to the CEPF model, which gave CI one of its first experiences of an explicit focus on making grants to civil society with an emphasis on partnerships and alliances.

Despite these generally very positive developments, external perceptions continue to be negatively shaped by the earlier events. Furthermore, the rules and disclosure requirements governing CEPF grants to CI have not so far overcome the potential conflict of interest when a grantee is competing with other organizations for grants from a fund which it manages. Our conclusion is that a reorientation of the CEPF-CI relationship is needed, to set further limits and to further improve transparency. The result should be to strengthen the credibility of the arrangement in both reality and perception.

Major realignments in the CI-CEPF relationship were considered by the evaluation team, including making CEPF independent of CI or making CI ineligible for CEPF grants. However, such extreme measures do not appear necessary and it is evident that such changes would have an enormous negative impact on CEPF’s capacity to operate effectively and to continue developing the highly promising model that has emerged. Instead, the Donor Council may wish to consider the following elements:

- A global limit for CI grants that is lower than the current 50%.
- More systematic and independent peer reviews of all grant proposals from CI, including Coordination Unit grants (this should apply to all international NGO proposals).
- More consistent use of local independent advisory committees to advise on grant proposals (this should apply to all international NGO proposals).
- The Executive Director of CEPF to report to the Chairman and CEO of CI, who represents CI on the CEPF Donor Council.

Governance

Donor Council

The Donor Council has played an active role in accordance with its assigned responsibilities. The guidance and oversight provided by the Donor Council with the support of the Working Group appears to have been effective and timely, and the Donor Council has made important contributions to fundraising.

CEPF Working Group

The Working Group has played an active role in several of the improvements to CEPF and provided useful input and guidance to the CEPF on important issues. Continuing efforts to catalyze or facilitate operational collaboration between their own organizations and CEPF need to be strengthened, as described below.

CEPF Management

CEPF management has faced a challenging set of strategic and operational issues during the first five years. Most of these challenges have been met with great skill and there is clear evidence of management's capacity to learn from experience and adapt to new situations, notably in the selection and management of local coordination units. CEPF is clearly a responsive organization that appears to operate efficiently. During the evaluation management and staff demonstrated an exceptional capacity to respond to a myriad of requests for data and to rapidly generate products for review. The people engaged as staff, partners and grantees are, almost without exception, capable and impressive.

CEPF communications is exceptionally strong, particularly at a global level. For example, during the 12 months to June 30, 2005 visitors to the CEPF Web site downloaded over 65,000 copies of final project reports, probably drawn by the marketing of these reports in the CEPF newsletter. These visitors came from at least 130 countries and in total downloaded more than 418,000 CEPF documents and reports.

Engagement with Donors

As an investment, CEPF provides all of its donors with a relatively agile, flexible and fast-moving funding mechanism that supports civil society organizations in areas of global biodiversity significance by disbursing funds in smaller amounts than these organizations generally deal with. CEPF's emphasis on employing good science, engaging stakeholders, building local capacities, mainstreaming biodiversity and harmonizing donor investments in biodiversity is also of considerable strategic value to these organizations, while the capacity to support regional environmental collaboration involving multiple countries provides an important contrast to the more prevalent single country donor model.

CEPF's activities are consistent with and supportive of the poverty mitigation focus of the World Bank and the Government of Japan as well as the sustainable development focus of GEF. There appears to be a strong overlap between the CEPF hotspots and concentrations of rural poverty, suggesting that those projects supporting alternative livelihoods are likely to be benefiting the poorest of the poor, many of whom depend directly on the services provided by the same ecosystems that CEPF is helping to conserve. It seems evident that conservation programs such as CEPF are considerably more cost-effective than the massive investments that would be needed to restore such ecosystems if they were to become degraded and lose the ability to provide essential services to the poor (e.g., water, fuelwood, fodder, and flood protection, etc.).

World Bank

The potential for operational collaboration with the World Bank was originally highlighted as one of the key opportunities provided by CEPF's innovative donor partnership. The potential for such collaboration has not diminished, and appears even greater now that CEPF has implemented a series of convincing field programs and can share knowledge and lessons learned. Potential aside, however, there has so far been little effective operational collaboration between the World Bank and CEPF at the field level. CEPF is perceived a CI program and not part of the Bank's country programs. Consequently, some important opportunities to build linkages and to broaden CEPF's impact are being missed, although there are recent signs that this may be starting to change.

Global Environment Facility

GEF has two funding windows providing resources directly to NGOs for biodiversity conservation: the GEF Small Grants Program (SGP) and the GEF Medium-Sized Projects (MSPs). So far there have been surprisingly few interactions between CEPF and SGP. There are some important complements in the operational models of CEPF and SGP which could provide the basis for productive collaboration and cross learning. The MSPs have represented an important opportunity for NGOs to access GEF resources and there may be opportunities to scale up promising CEPF projects through MSPs.

GEF's recent adoption of the Resource Allocation Framework is expected to significantly change the nature of GEF operations. There may be a reduction in GEF funding to NGOs as well as fewer opportunities for MSPs to be developed. This suggests that CEPF is unlikely to decline in terms of its relative importance to GEF as an NGO funding delivery mechanism, and may represent an increasingly valuable opportunity to support civil society with an approach that complements but certainly does not duplicate SGP.

MacArthur Foundation

Grants made by the Foundation and by CEPF tend to be broadly complementary. In a few cases, earlier grants from MacArthur have been consolidated by subsequent CEPF grants. While there may be some similarities and overlaps, redundancies are not apparent. There are some key differences in grant making. For example, the Foundation does not have an on-the-ground presence corresponding to CEPF's coordination units. Also, the Foundation has gradually moved towards larger grants, and currently supports few projects corresponding to CEPF's smaller grants. At present, there is limited information flow between the Foundation and CEPF, although Foundation staff have provided valuable inputs to Ecosystem Profile drafts. Opportunities for improved information sharing should continue to be assessed and Foundation staff should be encouraged to participate where appropriate once collaboration between the World Bank and CEPF starts to take off.

Government of Japan

The Government of Japan appears to value its investment in CEPF for many of the same reasons as the World Bank and GEF. The Japanese Ministry of Finance has also been particularly concerned that CEPF grant programs demonstrate a positive contribution to poverty mitigation. As CEPF analyses have suggested and the findings of this evaluation have confirmed, CEPF is supporting long-term poverty mitigation efforts on several fronts.

Program Priorities

The CEPF model of support to civil society for biodiversity conservation in hotspots has made a very promising start and the experience to date does not suggest any need for radical changes in strategy or approach. Assuming that CEPF receives further financial resources to continue beyond the five year start-up period, priorities do need to be determined for the next phase.

The evaluation findings suggest a cautious approach. While the progress made in CEPF's first few years has been very positive, it is still too early to assess the sustainability of impacts. CEPF's ambitious long-term goals cannot be met in one or even a few five-year periods. Even though CEPF works mainly with and through civil society, many of the challenges being addressed by CEPF programs will ultimately require major changes in policies and behavior by governments and other actors, none of which can be brought about rapidly or without continued attention.

This suggests that consolidation and gradual expansion should be the strategic priorities for the next phase, to ensure that: (i) the benefits gained so far are nurtured and sustained; (ii) lessons from experience to date are identified and reflected in continuing operations; (iii) the tools and methodologies for monitoring performance are developed further; (iv) the relationship with CI is optimized and (v) operational collaboration with donor partners is strengthened.

Recommendations

Allocation of Resources

Broad decisions will need to be made on how and where new financial resources for grant making are to be allocated across the global program. Key decisions will include: (i) whether to reinvest in the initial CEPF funding regions, (ii) whether to expand the number of active hotspots and by how many; (iii) the level of resources to be allocated to individual hotspots; (iv) whether to expand the scope of CEPF to include new geographic areas or land use designations beyond the current focus on terrestrial hotspots.

Following the proposed principle of consolidation and gradual expansion, considerable care should be taken not to dilute the clear and transparent mission of CEPF, which is relatively easy to communicate and provides clear direction and inspiration to staff, partners and grantees.

Discontinuing support for any region does not seem warranted at this early stage in the development of CEPF, particularly as many of the conservation outcomes have an anticipated time frame of considerably more than five years. As this report has emphasized, significant, long-term progress towards these outcomes requires sustained investments.

The evaluation team was asked to consider the option of concentrating significantly more financial resources in individual hotspots with the aim of achieving greater impacts. While such decisions should be made on a case-by-case basis, we have concluded that there are some disadvantages to such an approach:

- CEPF's ability to use resources effectively is limited by the absorptive capacity of local civil society grantees. In the hotspots visited, even though some grant funds appeared to be oversubscribed after their initial call for proposals, there seemed to be a reasonably good fit between the available CEPF grants resources and the viable project concepts being put forward by local civil society organizations.
- CEPF's influence appears to owe more to its excellent people, astute decision making, leverage and flexibility rather than the sheer amount of financial resources that it can bring to bear. A significant increase in grant resources would require more staff and a greater

management effort from the Coordination Units to maintain the current high levels of technical support provided to grantees – one of the clear strengths of the program. While the CUs are proving very capable in their current role, to significantly and suddenly upgrade their grant management capacity could place excessive demands on these organizations.

- Increasing the duration of the program, i.e., going well beyond five year periods, would appear a more productive investment and one more consistent with the time frame likely to be needed to generate sustainable gains at a significant scale.

Conversely, an alternative approach which spreads resources over more regions than at present also has drawbacks. It is evident that CEPF senior management spends a considerable amount of time refining strategies, making critically-important decisions and providing other inputs to each hotspot region, especially during the start-up phase. Senior management also invests considerable effort in seeking new donor partners, negotiating global grants, securing cofinancing and supporting new trust funds. This level of effort per hotspot seems related to the number of hotspots and the diversity of institutional and management challenges they represent rather than the level of financial resources available for grant making. In other words, a significant element of fixed management costs are incurred by operating at each hotspot site. It can therefore be anticipated that a rapid and significant expansion in the number of hotspots would require at least a proportional expansion in CEPF's senior management capacity.

Performance Monitoring

A priority for the next phase of operations will be to strengthen performance monitoring at a hotspot level in two specific directions. First, both the Grant Directors and CUs need to be more involved in portfolio performance reporting on a regular basis. Second, the use of conservation outcomes as long-term operational targets should be complemented by the development and adoption of socio-economic, political and civil society measures and indicators that will provide more feedback on CEPF's interim progress towards these outcomes.

The performance assessments of each of the hotspots that are planned to start in 2006 represent an important opportunity that will probably require considerable resources, and this needs to be planned and implemented with considerable care if it is to prove of significant value to the program. A strategic and programmatic approach is needed to these assessments, that should constitute a major activity of the second five years for CEPF. Some of the key issues that should be taken into account are: (i) connecting these assessments to updates of the Ecosystem Profiles for programs that are to be refinanced; (ii) linking these reviews with the development and testing of new performance monitoring methodologies and systems, including indicators to reflect the nature of and changes induced in civil society to complement the conservation outcomes; (iii) ensuring that portfolio-level lessons are identified and disseminated; (iv) ensuring the reviews are participatory by involving grantees and other partners; and (v) exploring opportunities for cross-learning between portfolios to help achieve global program synergies.

Ecosystem Profiles

The Ecosystem Profiles have proven to be an effective tool for planning and guiding grant making, and have improved over time as lessons from the earlier experiences have been applied. The Profiles are reviewed carefully by the CEPF Working Group and eventually approved by the Donor Council, thereby providing these bodies with their most important opportunity to influence site level grant making.

The completed Ecosystem Profiles have strategic priorities expressed in fairly general terms. This has so far proved to be an advantage, by providing the flexibility to make decisions on the ground

as local grant making knowledge and experience accumulates and the capacity of each Coordination Unit grows. Now that the existing CUs have greater capacity and an enhanced understanding of local civil society grant making, consideration should be given as to whether strategic priorities should: (i) become more specific and targeted based on a better understanding of the local grant making opportunities; or (ii) remain more general to encourage decentralized decision making. Site-specific, case-by-case solutions will probably be required, based on a clear appreciation of the capacities of both the CU and local civil society organizations.

Updated Ecosystem Profiles and revised strategic directions and investment priorities may indicate the need for grant portfolios to be realigned in funding regions to be refinanced. Future Ecosystem Profile preparation processes should include consideration of poverty issues, payments for ecosystem services and the value of ecosystem services, reflecting the findings of the Millennium Ecosystem Assessment and consistent with the U.N. Millennium Project.

Coordination Units

The CUs have been highlighted as a major strength of CEPF, demonstrating the viability of an innovative range of institutional arrangements and providing services that go well beyond grant program administration. The role and functions of the CUs could still be defined more explicitly, however, including their responsibilities for project monitoring and portfolio performance reporting. The CU selection process should be opened up further to consider more national organizations, and consideration should be given to the use of more open bidding processes for new coordination grants. The coordination arrangements in the first three funding regions (Guinean Forests, Madagascar and Tropical Andes) should be reassessed as their initial five year funding cycle is completed in 2006 and, in the case of Tropical Andes, should be reestablished.

It will become increasingly important to consider the long-term future of the CUs once they emerge successfully from the early phases of grant making. There is a clear need to develop the capacities of local and national NGOs, as CEPF is already doing, and to seek opportunities to delegate increasing authority and responsibility to these organizations to increase the local ownership of conservation programs. On the other hand, a too-rapid wind down by the CU can jeopardize the sustainability of the gains made to that point.

Integration with Donor Partners

Strengthening the operational collaboration with donor partners should be an explicit and early priority of the next phase of CEPF. In order to be effective, this will require considerable efforts on behalf of both CEPF and the donor partner organizations.

Grants to International NGOs

Within the current portfolio, international NGOs have made important contributions not only as CUs but also by implementing strategic projects and managing small grant funds as intermediaries between the CUs and some of the smaller and more scattered or remote grantees. In total international NGOs had received 59% of CEPF's grants through June 30, 2005 (including CI's 35% share). CEPF management and some of the donor partners have expressed the importance of gradually reducing the proportion of grants going to international rather than local and national NGOs. Having studied the grants data, the evaluation team concurs. However, this issue has some complex aspects and care needs to be taken before imposing arbitrary limits on CEPF grant making to international NGOs. The international conservation NGOs often have significant capacities and experience in organizational management, communications, fundraising and negotiating transboundary issues. In some contexts, they can also negotiate more effectively

with governments and large private sector firms than national organizations. While we strongly support further decentralization of decision making within CEPF as the capacities of local and national organizations grow, there are clear conservation benefits to be derived from the participation of the international NGOs. Such decisions should again be made on a case-by-case basis.

Sharing Knowledge and Lessons

Although excellent work has been done in developing and disseminating communication materials for non-technical and non-specialist audiences, more attention needs to be given to the systematic analysis and documentation of CEPF results and experiences. Lessons learned are not emerging at the portfolio level yet, probably because of the general lack of emphasis on portfolio-level performance reporting at this early stage in the majority of portfolios and because of reluctance to acknowledge or document problems and difficulties, even if these eventually became important learning experiences that have led to a stronger program.

While CEPF is exceptionally strong in communications, it has not found it easy to identify and disseminate lessons. While CEPF has clearly adapted its approach and learned from experience, this has taken place as a result of informal information sharing within the organization combined with skillfully adaptive management. Either through CI or independently, CEPF should enhance its capacity to conduct more balanced analyses of its experiences that is distinct from communicating conservation successes.

Operational Recommendations

Certain operational areas have been identified where improvements can be made:

- In some hotspots there is some duplication of effort between the tasks carried out by the local Coordination Units and those of CEPF's US-based Grant Directors, most of which could be addressed by further decentralization of decision making to the local level. In general, there appear to be good opportunities for decision making to be further decentralized once hotspot grant programs have demonstrated their capabilities by successfully progressing beyond their start-up phase, although such delegation of authority and responsibility should be approached cautiously on a case-by-case basis.
- CEPF headquarters negotiates and arranges multiregional grants to single donors that are intended to complement grant made locally through the Coordination Units. Such grants have sometimes been able to provide comparable services to multiple hotspots or to take advantage of significant cofinancing opportunities, particularly with the private sector. However, in some cases the cost-effectiveness of these grants is not evident and key management information has not always been communicated effectively to the respective local Coordination Units. In such cases the CUs are unclear about their responsibilities for monitoring and supervision, and there is a lack of integration with the rest of the hotspot portfolio.
- CEPF's grant application procedures are demanding, so much so that they represent a severe challenge to many potential grantees. Although the application procedures have been simplified, there is room for further streamlining.
- The use of CEPF's grant management system by the CUs is variable and appears to face a variety of technical constraints that require continued attention.

Overall Message

The donors have launched a very promising and special program in CEPF. This innovative model fills a unique niche in international biodiversity conservation and is being implemented by a very professional global team plus partners who have made excellent early progress towards their long-term goals. We have no hesitation in recommending that the donor partners continue funding the program and seeking further expansion opportunities.

1: Introduction

Background

The Critical Ecosystem Partnership Fund (CEPF) is a joint initiative of Conservation International (CI), the Global Environment Facility (GEF), the Government of Japan, the John D. and Catherine T. MacArthur Foundation and the World Bank. Each of these donor partners committed to a \$25 million investment over 5 years: CI, GEF and the World Bank from 2000, the MacArthur Foundation from 2001 and the Government of Japan from 2002.

CEPF was conceived as a model to demonstrate the effectiveness of mobilizing innovative alliances among NGOs to achieve conservation objectives. The objective of CEPF is to provide strategic assistance to nongovernmental organizations (NGOs), community groups and other civil society partners to help safeguard Earth's biodiversity hotspots, i.e., the biologically richest yet most threatened ecosystems. CEPF had progressively established active grant making programs in 15 regions covering 34 countries within 16 hotspots by June 30, 2005. CEPF had committed grants of \$68 million by this date, of which \$47 million had been disbursed from an overall grant making budget of \$100 million (Table 1.1).

CEPF is managed as a semi-autonomous unit within CI, whose Board of Directors has fiduciary responsibility for the program. CEPF is supervised by a Donor Council, representing each of the donor partners, supported by a CEPF Working Group comprising CEPF management and technical staff from the donor partners. CEPF has selected one or more NGOs as a Coordination Unit in most of the active hotspot regions, to represent the program and to manage grant making. CI is CEPF's single largest grantee, providing a variety of coordination, implementation, scientific and administrative services at both headquarters and field levels.

The CEPF donor partners initiated an independent evaluation of CEPF which began on August 15, 2005 and focused on grant making through June 30, 2005. This is the report of the evaluation team. This chapter describes the evaluation approach and methodology, and provides a brief overview of CEPF.

The Evaluation

The evaluation terms of reference (TOR) are explicit on the approach to be followed, stating that the emphasis "should be on the initiative as a whole, not on the effectiveness of respective field programs". The TOR also specify that the evaluation "should not assess the effectiveness of independent projects but rather the strategic orientation of the portfolios vis-à-vis the larger strategic mission of CEPF" (Annex 1).

The evaluation was carried out by a team of three independent consultants, the authors of this report. The needed tasks were planned and implemented on an accelerated schedule in order to provide timely inputs to the donors considering imminent refinancing of CEPF. Information gathering and analysis was based on:

- Reviews of key background documents.
- Interviews and consultations with: CEPF management and staff, both in Washington, DC and in the field; CEPF grantees and partners (including at least one workshop with grantees in each hot spot visited); interviews with knowledgeable stakeholders not directly involved in CEPF-supported activities; management and staff of the donor organizations, including the CEPF Working Group; and CI management and staff.
- Direct analyses of CEPF's databases and grant management systems.
- Data and analyses provided by CEPF at the specific request of the evaluation team.

- Site visits.

Site Visits

A representative sample of active CEPF grant-making regions were selected for site visits based on the following criteria:

- Broad geographic balance between Africa, Asia and Latin America
- Balance of mature and more recent CEPF programs
- Variety of different local coordination mechanisms, including those with and without CI
- Single- as well as multi-country hotspots
- Diversity of portfolios, including small grant programs and multi-regional grants
- Logistical considerations

The locations selected for visit by at least one member of the three-person evaluation core team were:

- Caucasus
- Mountains of Southwest China
- Northern Mesoamerica
- Southern Mesoamerica
- Sundaland (Sumatra)
- Tropical Andes (Vilcabamba-Amboro Corridor)
- Tumbes-Chocó-Magdalena (Chocó-Manabí corridor)

These site visits were supplemented by commissioned case studies conducted by independent consultants¹ selected by and reporting directly to the evaluation team, to provide a broader view during the limited time available for the evaluation, in the following hot spots:

- Cape Floristic Region
- Madagascar
- Succulent Karoo
- Tropical Andes (Vilcabamba-Amboro Corridor) (also visited briefly by a core team member)

The evaluation therefore focused on ten of the 15 active hotspot regions. Each of these regions was visited during September-October 2005, generally for 7-10 days, following guidelines developed by the evaluation team. The visits included field visits to selected projects, extensive interactions with local coordination mechanism staff, interviews and workshops with grantees and other key stakeholders, and discussions with CEPF's regional Grant Directors. Outstanding cooperation was received from all CEPF staff, grantees and partners in facilitating these visits at short notice.

Separate, detailed reports on the findings from each site visit were prepared solely for the use of the evaluation team. This overall report draws on these reports, but does not attempt to summarize them.

CEPF Overview

CEPF provides strategic assistance to nongovernmental organizations, community groups and other civil society partners to help safeguard Earth's biodiversity hotspots. A fundamental goal is to ensure civil society is engaged in biodiversity conservation. CEPF focuses on hotspots in

¹ Manuel Glave (Tropical Andes), David Grossman (Cape Floristic Region and Succulent Karoo) and Sally Timpson (Madagascar).

developing countries, providing funding and technical assistance for civil society groups to: (i) help preserve the diversity of life and healthy ecosystems as essential components of stable and thriving societies; and (ii) undertake initiatives that will ultimately also contribute to poverty alleviation and economic prosperity.

CEPF follows CI's focus on biodiversity hotspots. Each hotspot is characterized by at least 1,500 endemic plants and less than 30 percent of its original natural habitat remaining. Together, the hotspots are home to 75% of the planet's most threatened mammals, birds, and amphibians. The first phase of CEPF targeted 17 of 25 originally recognized hotspots that include countries eligible for CEPF funds as World Bank member client countries and signatories to the Convention on Biological Diversity. Based on new research on biodiversity status and threats by nearly 400 experts, CI has identified nine new hotspots, increasing the total of critically important regions for biodiversity globally from 25 to 34. Although the 34 hotspots once covered 16% of the Earth's land surface, 86% of the original habitat has been destroyed and the intact remnants of the hotspots now cover <3% of the Earth's land surface.

Within the hotspots, CEPF investments target action in key biodiversity areas as well as threats to biodiversity in conservation corridors. The design process includes the identification of species, site and corridor conservation outcomes for the hotspot. The outcomes are meant to guide overall effort by the wider conservation and donor communities. As part of the preparation prior to investment in each hotspot, CEPF identifies its niche through a stakeholder-driven prioritization process that factors in socioeconomic features, threats and current investments alongside the biodiversity science in each hotspot. The CEPF niche and subsequent strategic directions and investment priorities are articulated in an investment strategy for each hotspot, known as an Ecosystem Profile. Each profile, approved by the Donor Council, is intended to guide both civil society in applying to CEPF for grants and CEPF decision making.

The 16 biodiversity hotspots supported by CEPF are:

- Atlantic Forest (Brazil)
- Cape Floristic Region (South Africa)
- Caucasus (Georgia, Armenia, Azerbaijan, Russia, Iran and Turkey)
- Coastal Forests (Eastern Arc Mountains & Coastal Forests of Tanzania and Kenya)
- Eastern Afromontane (Eastern Arc Mountains & Coastal Forests of Tanzania and Kenya)
- Guinean Forests of West Africa (Ghana, Côte d'Ivoire, Guinea, Liberia, Sierra Leone and Togo)
- Himalaya: (Eastern Himalayas - Bhutan, India, Nepal)
- Indo-Burma (Eastern Himalayas - Bhutan, India, Nepal)
- Madagascar and Indian Ocean Islands (Madagascar)
- Mesoamerica (Northern Mesoamerica: Belize, Guatemala, Mexico and Southern Mesoamerica: Nicaragua, Costa Rica, Panama)
- Mountains of Southwest China (China)
- The Philippines (The Philippines)
- Succulent Karoo (Namibia and South Africa)
- Sundaland (the Indonesian island of Sumatra)
- Tropical Andes (Vilcabamba-Amboro Corridor: Bolivia and Peru)
- Tumbes-Chocó-Magdalena (Chocó-Manabí Corridor: Colombia and Ecuador)

Preparation of ecosystem profiles and grant-making programs have been phased, with activities having started in three hotspot regions in year 1, six in year 2, one in year 3, three in year 4, and an additional two in year 5. All hotspot regions cover a five-year implementation period.

Key Data

Figure 1.1 shows the proportion of funds committed to grants by June 30, 2005 for each hotspot compared to the allocated grant budget for the 5-year investment period.

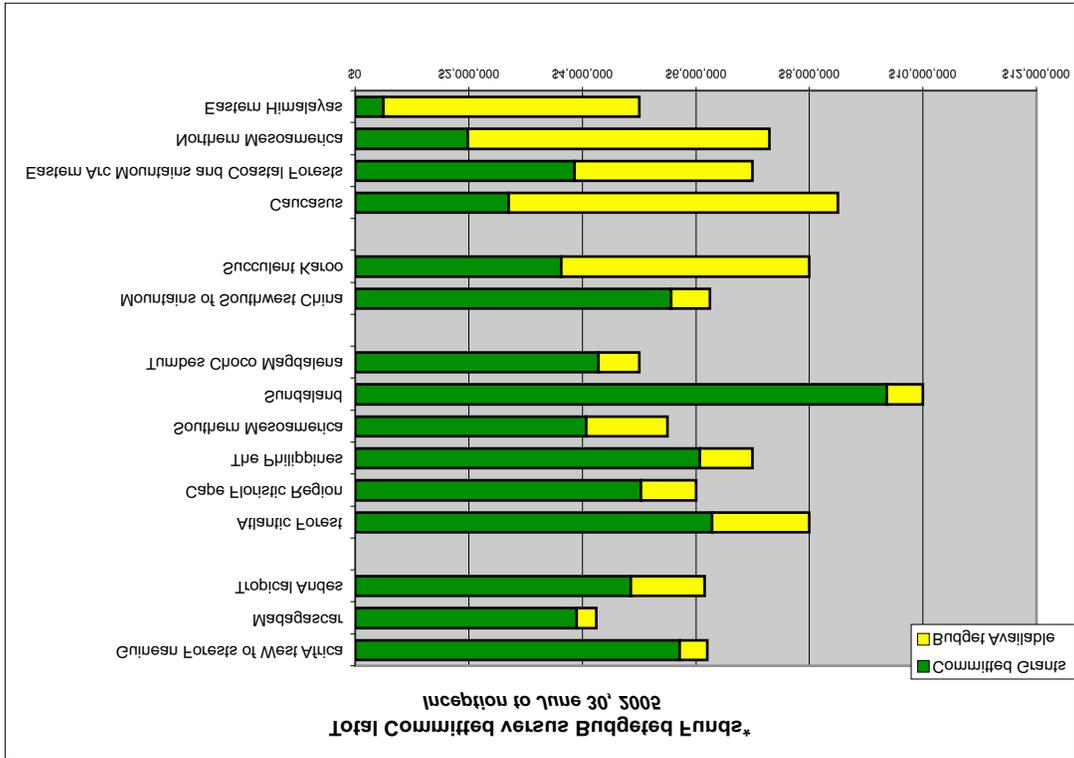


Figure 1.2 is a financial model prepared by CEPF that shows overall cash flows based on the initial funding commitment of \$125 million as well as the overall funding goal of \$150 million.

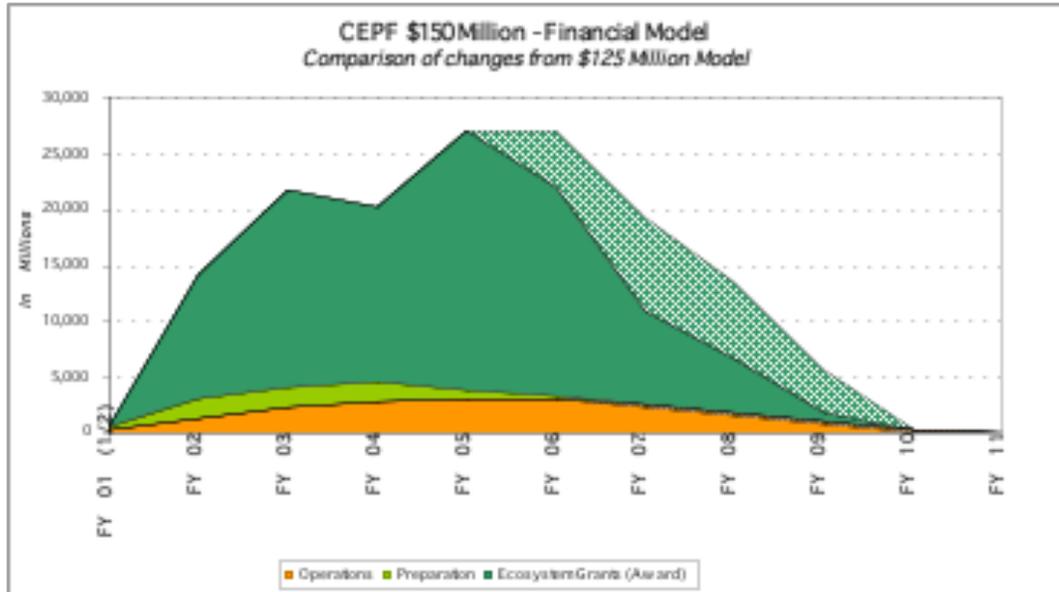


Table 1.1 summarizes the key elements from CEPF's financial statements to June 30, 2005, the effective cutoff date for the evaluation.

Critical Ecosystem Partnership Fund
Grants Awarded and Other Expenses
 To June 30, 2005

Start		Cumulative	Spending Authority	% of Authority
1/2001	Guinean Forests of West Africa	5,713,635	6,200,000	92%
1/2001	Madagascar and Indian Ocean Islands	3,899,128	4,250,000	92%
1/2001	Tropical Andes	4,858,856	6,150,000	79%
12/2001	Atlantic Forest	6,286,922	8,000,000	79%
12/2001	Cape Floristic Region	5,036,435	6,000,000	84%
12/2001	The Philippines	6,068,407	7,000,000	87%
12/2001	Southern Mesoamerica	4,073,237	5,500,000	74%
12/2001	Sundaland	9,366,704	10,000,000	94%
12/2001	Tumbes Choco Magdalena	4,280,585	5,000,000	86%
6/2002	Mountains of Southwest China	5,564,675	6,500,000	86%
2/2003	Succulent Karoo	3,628,460	8,000,000	45%
7/2003	Caucasus	2,699,238	8,500,000	32%
7/2003	Eastern Arc Mountains & Coastal Forests	3,864,815	7,000,000	55%
1/2004	Northern Mesoamerica	1,980,938	7,300,000	27%
2/2005	Eastern Himalayas	500,000	5,000,000	10%
		67,822,035	100,400,000	68%
	Ecosystem Profile Preparation	6,366,562		
	Operational Costs	9,918,821		
		16,285,383		
	Total Expenses	84,107,419		
	<u>By Grantee</u>	<u>Total</u>		<u>% of Total</u>
	<i>External Partners</i>	44,365,426		65%
	<i>Conservation International</i>	23,456,609		35%
	Total	67,822,035		100%

2: Ecosystem Profiles

CEPF has prepared Ecosystem Profiles to articulate grant-making strategies for each hotspot. Each Profile describes the biological significance of the region, identifies the proximate and underlying causes of biodiversity loss, links this with an inventory of conservation investments taking place or planned, and then identifies thematic and spatial priorities for CEPF grant making.

This chapter reviews the scientific and strategic rationale for the Ecosystem Profile approach, reviews linkages between the Profiles and existing planning processes, and discusses some specific issues that have arisen during the Profile preparation process.

Strategic Rationale

The CEPF Operational Manual requires CI to recommend specific biodiversity hotspots as priorities for CEPF investment annually, based on biodiversity status, political contexts, leveraging opportunities and other factors. The Donor Council then decides which hotspots to select for CEPF programs.

Biodiversity Hotspots

Following the work of Norman Myers, CI adopted the concept of hotspots to prioritize areas where conservation funding would contribute the most toward slowing the current rate of extinction. A region must meet two criteria to qualify as a hotspot: it must contain at least 1,500 species of vascular plants as endemics (>0.5 percent of the world's total), and it has to have lost at least 70% of its original habitat. A recent reanalysis by CI has led to a shift in the boundaries of some hotspots and reclassification of others. CEPF has started to reflect the new names and designations in communications but continues to invest only in the original geographic priority areas as agreed by stakeholders and the CEPF Donor Council as outlined in the ecosystem profiles.

The biodiversity hotspots are among the most challenging as well as the most important places to achieve conservation success. These are predominantly tropical islands or mountainous areas where biodiversity faces complex threats. Strong socioeconomic and political forces have often led to the fragmentation of original ecosystems into smaller areas that are highly contested by a variety of stakeholders. Distributions of wealth, access and power are often highly inequitable. Powerful private sector interests tend to dominate natural resource access and use, often with little constraint being exercised by weak government institutions. Local communities tend to be marginalized and poor, and usually have limited opportunities to influence the management of the resources that their livelihoods ultimately depend on. Reconciling ecosystem conservation on different scales across complex jurisdictional boundaries with sustainable development in situations of weak governance is perhaps the major challenge facing the conservation and development community. Mobilizing civil society to play a more effective role in this process is an essential component that has so far received little support. The Ecosystem Profiles articulate how this should be attempted in each CEPF hotspot.

Applicability of the Ecosystem Profile Approach

The hotspots range from the Eastern Arc at 30,000 km² to Indo-Burma at 2.4 million km². Some degree of geographic concentration or clustering of effort is therefore essential, particularly in the larger hotspots, if the modest resources available to CEPF are not to become dissipated. This is especially critical within the larger, heterogeneous hotspots such as Madagascar (0.6 million km²), Sundaland (1.6 million km²) and Tropical Andes (1.3 million km²).

International boundaries present another challenge. While five of the CEPF hotspots consist of sub regions within countries, the other ten include at least two countries, with some crossing as many as six national boundaries. Even though international collaboration adds political operational complexity, conservation on appropriate scales is essential and is embedded in the hotspot concept.

Conservation Outcomes

Identifying conservation priorities and targets and then measuring the degree of success of conservation activities, whether in the hotspots or elsewhere, is tremendously challenging. CEPF has adopted the conservation outcomes (results) methodology of CI, which provides a scientific basis for the grant making strategies in the Ecosystem Profiles. CI's approach to measuring conservation outcomes is based on identifying targets at three different scales: (i) the species level, including all species listed as Critically Endangered, Endangered and Vulnerable; (ii) individual sites identified as Key Biodiversity Areas; and (iii) biodiversity conservation corridors linking the key sites at a landscape level. CEPF does not have its own in-house technical scientific capacity nor was it intended to do so. For the Ecosystem Profiles, CI's country programs, regional Centers for Biodiversity Conservation, and Center for Applied Biodiversity Science and partner organizations have generated the needed species and habitat distributional data within the hotspots.

Relationships with other conservation planning approaches

Strategic planning for conservation rarely starts with a clean slate. Among the challenges encountered during the preparation of the Ecosystem Profiles was the need to work with international NGO partners that already had their own methodologies, while taking adequate account of conservation planning processes that had already taken place in the selected hotspots.

Finding Common Ground with Partners

To facilitate analysis and collaboration, CI aimed to encompass the boundaries of the hotspots with the World Wildlife Fund-US and The Nature Conservancy (TNC) Ecoregions. CEPF and its (non-CI) international NGO partners have generally managed to overcome any difficulties presented by these different approaches, notably in the Caucasus, China and East Africa, and the different priority-setting approaches do not appear to have been an impediment to collaboration. For example, the regional WWF office acting as CEPF Coordination Unit in the Caucasus was able to seamlessly blend the WWF Ecoregion approach with CEPF's own methodology and WWF in the Eastern Himalaya appears ready to follow suit.

From the outset in China, the new and emerging CEPF program engaged effectively with and supported both TNC and WWF, both of whom had considerable experience in the hotspot. The Sundaland Ecosystem Profile divided the target area into four sub regions, each of which was allocated to an international NGO (Wildlife Conservation Society, WWF-Indonesia and CI, who focused efforts within two regions), and then each organization had considerable flexibility to implement their own approach, with considerable success, although opportunities should now be sought to strengthen the links between these separate sub-programs.

In Mesoamerica, CEPF is poised to further the regional conservation planning and action agenda through a proposed ecoregional planning alliance with TNC in Northern Mesoamerica, and an ongoing territorial and land use planning alliance in Southern Mesoamerica involving national and international NGO partners and the Costa Rican Ministry of Environment.

Building on Earlier Efforts

In a few hotspots, notably Madagascar and the Cape Floristic Region, previous planning processes closely linked to CEPF's objectives were incorporated into ecosystem profiles and strategic planning. The Madagascar Ecosystem Profile, which was prepared at a relatively early stage as CEPF's methodology was still being worked out, was largely based on the National Environmental Action Plan and a 1995 CI-convened priority-setting workshop. As a result of the broad stakeholder inputs to this workshop, only limited additional consultations were considered necessary. While justifiable, this was not an entirely successful compromise. The dramatic advances in the Madagascar conservation policy since 2000, to which CEPF and CI have been key contributors, as well as the lessons from five years of grant making and the prospect of significant new international agency funding for the environment, now necessitate a significant and far reaching update to this Ecosystem Profile.

In South Africa, CEPF built on an earlier participatory planning framework that had developed a biodiversity conservation strategy for the Cape Floristic Region with GEF funding through World Bank. This process had involved a broad range of stakeholders over two years, although the subsequent transition to action had been slow. CEPF built on this information to develop its Ecosystem Profile and focused on engaging civil society in conservation-based activities. This was conducted effectively and had the effect of galvanizing the entire CAPE initiative. It is now evident that some of the critical bottlenecks and capacity deficiencies in local government agencies may have been underappreciated during the planning process, and will require renewed attention not only from CEPF but from its national and international partners.

The Mesoamerican Biological Corridor (MBC), an ambitious undertaking funded by GEF, GTZ, UNDP and World Bank joining protected areas and corridors in the eight country-region, provided an overarching framework for the development of the Ecological Profiles and corridor strategies in the Northern and Southern Mesoamerica hotspots. CEPF has actively supported and collaborated with the MBC and several CEPF grants respond to priorities identified by the MBC. Given these synergies between CEPF and MBC, and the compelling regional vision of the MBC as well as of the Central American Commission on Environment and Development, the umbrella initiative of the Central American governments, the option of uniting Northern and Southern Mesoamerica for the next phase of CEPF should be carefully considered. It would arguably be more effective – environmentally, politically, and in terms of CEPF costs, administration, and grant-making – to have one overall regional CEPF profile for the region, with strategic thematic and geographic subcomponents.

Strategic Planning

The process of drafting an Ecosystem Profile begins when the CEPF Donor Council approves a hotspot region as a priority. The preparation of an Ecosystem Profile begins with a priority-setting process that aims to include all significant biodiversity conservation stakeholders. The purpose is to secure broad-based scientific agreement on the biological priorities and to define conservation outcomes and needed conservation actions for the area. This priority-setting process usually involves national experts and participants from government agencies, NGOs, local communities and donor organizations. The results from the priority-setting process also provide baseline information and a logical framework that are both included in the Ecosystem Profile to be used in measuring the subsequent performance of the grant portfolio. Technical review teams and regional contacts from donor partner organizations have an opportunity to comment before the Profiles are submitted to the Donor Council for endorsement. Each Profile also has to be endorsed by the GEF Operational Focal Point in the respective country or countries. Once approved, each Ecosystem Profile is made public on the CEPF web site. Letters of Inquiry (LOIs) are invited and the application process moves forward, with all applicants required to

explain how their proposed activities will contribute to at least one of the Strategic Directions in the Profile.

Improvements Over Time

The Ecosystem Profile preparation process for the first three CEPF hotspots sites selected (e.g., Guinean Forests of West Africa, Tropical Andes, and Madagascar & Indian Ocean Islands) generally relied on CI staff and consultants. They compiled background information, consulted stakeholders and synthesized these inputs into a draft Ecosystem Profile in a rapid manner during the initial design phase of the overall initiative. Whether due to inexperience or insufficient time, these early draft Profiles were not well received by the technical staff of the CEPF donor partners, who generally found the materials poorly organized and contributing little that was new. A considerable amount of time was spent on discussing, reviewing and strengthening these initial Profiles.

Six Profiles for the second phase of hotspot start-ups were approved one year later in December 2001. These were based on considerably more participatory and transparent processes and in general were technically stronger. CEPF has effectively increased consultations and stakeholder engagement to ensure consensus, ownership and commitment among civil society to deliver on the strategies. CEPF has found that organizations or teams of individuals could produce a better product than individuals acting alone. This improvement in the quality of the Ecosystem Profile process and outputs has continued through subsequent hotspot introductions, and the final versions of the most recent Profiles are impressive documents.

The planning process has also benefited from the expanded use of maps, remote-sensing and geographical information system tools, often with technical support from CI's Center for Applied Biodiversity Science as well as some of the large international NGO partners (notably Birdlife International and WWF).

The costs of the Ecosystem Profile preparation process have steadily increased over time as the scope of work has expanded to involve more stakeholder meetings, workshops and translation fees. The average costs for the Profiles in each CEPF phase of hotspot introduction have been as follows: Phase 1: \$90,000; Phase 2: \$150,000; Phase 3-5 \$250,000. However, when the additional resources later provided to CI to revisit some of the earlier Profiles and retrofit outcomes monitoring methodologies are taken into account, the average costs of the first two phases increase by \$70,000, thus eliminating most of the cost changes over time.

Benefits from the Preparation Process

At each hotspot visited, the evaluation team met with stakeholders who had participated in the Ecosystem Profile preparation process. In general the process was highly regarded by the participants, particularly in the more recent cases. Numerous respondents explained that this was the first time so many diverse stakeholders had been brought together in their region to share information and experiences and to jointly develop conservation priorities and strategies. Many civil society organizations reported having had few if any previous opportunities to discuss and plan such issues in a common forum with government officials as well as researchers. CEPF and the local CU's convening power to bring together government and civil society for the first time had clearly provided several opportunities for the emergence of new as well as more constructive relationships both among NGOs and with diverse governmental agencies. Through its workshops and meetings, the Profile preparation process requires building consensus and mutual awareness of the issues as well as the aims and strategy of CEPF. The consultation process also appears to have contributed to broadening the vision of participants, making them more aware of ecological connectivity, ecosystem services and the fact that actions in one place

have impacts elsewhere. Especially in regions where such consultative processes are still exceptional, participants appreciated sharing knowledge and communicating with other stakeholders who were approaching biodiversity conservation with different perspectives, opinions and capabilities.

Use of the Ecosystem Profiles

The primary function of the Ecosystem Profile document is to provide an overview of the key issues germane to conservation and to define a clear and transparent strategy for CEPF grant making. This was achieved in all of the hotspots.

In some cases the value of the document has exceeded this goal. For example, in the Caucasus the national conservation agencies in Georgia and Armenia insisted that the Ecosystem Profile had become a key planning document that they referred to regularly, especially in determining where to establish new protected areas. Also in the Caucasus, CEPF has been very effective in using the Ecosystem Profile to encourage conservation investments from other donors, notably KfW and NORAD, and then helping these same donors work out where their own projects should be focused in order to most effectively complement existing activities.

With increased use of GIS mapping, the Profiles also provide a rich visual map that is a key communications tool for grantees, especially smaller NGOs, to place their activities within a larger landscape context, with the Atlantic Forest and Sundaland Profiles providing excellent examples.

There is little, if any, sign that Ecosystem Profiles have been used or adopted by CEPF's own donor partners, notably World Bank and GEF, with the sole exception of the Cape Floristic Region. In the most of the hotspots, there are relatively large World Bank and/or GEF projects with overlapping objectives to CEPF, but little sign of active cooperation. This issue is discussed further in Chapter 7.

Ecosystem Profile Issues

This section discusses some technical and operational issues that have arisen in the development and implementation of the Ecosystem Profiles. These observations should be read in the context of our general conclusion that the Profiles are a good methodology that has been applied with steadily increasing skill and effectiveness and has considerable future potential.

Linkage of Threats Analysis to Grant Making Strategies

One of the strengths of the Ecosystem Profiles, particularly the more recent ones, has been to combine CI's conservation outcomes methodology with extensive stakeholder consultations in order to pinpoint the species, sites and corridors to be prioritized by CEPF grant making. The next logical step is to recognize and understand the threats to biodiversity in these areas, assess the work already under way to mitigate these threats and then identify the niche and opportunities for CEPF to address these threats. While our discussions with the CUs and the CEPF Grant Directors indicate that these issues are reasonably well understood in each hotspot, the documentation does not consistently reflect this.

The Ecosystem Profiles provide an overview of the socio-economic and sometimes the political context within each hotspot and also identify the major threats to conservation. What is less clear in the Profiles is how CEPF has decided which of these threats it plans to tackle directly through its grants to civil society, which threats it plans to tackle in cooperation with partners, and which threats are simply beyond its scope to address with modest resources over a 5-year period. Not

surprisingly, the grant making strategies outlined so far are based much more on systematic work in conservation science than on detailed analyses of the socio-economic and political issues that need to be addressed in order to redress or mitigate the threats. In Guatemala, Indonesia, West Africa, Madagascar and other regions with weak governance, for example, resource overexploitation and the degradation of protected areas are usually consequences of much broader and deeper social, economic, political, and cultural problems and cannot be dealt with as site-specific problems of parks management.

The discussions in the Ecosystem Profiles have not so far attempted to systematically classify, prioritize or rank the various threats that have been identified, to analyze in any depth the current or planned actions by other stakeholders and then to provide clear, logical connections to the planned CEPF interventions as outlined by the Strategic Directions and Investment Priorities.

This is understandable during the initial, start-up phase of grant making but has implications for the process of updating the Ecosystem Profiles. A considerably enhanced level of analysis and insights can be anticipated, based on the knowledge gained and lessons learned during the first five years. Continuing advances should be expected in the biological information available to refine the targeted lists and baselines of species, sites and corridors to be refined. But considerably more efforts should be possible on the social and economic context. An enhanced understanding of the dynamics of civil society should lead to a clearer appreciation of grant making opportunities. In some cases these may be reasonably specific, for example prioritizing certain types of grantee organizations or certain thematic areas or sectors.

In developing a more analytical approach to the documentation of threats, we recognize the need for tact and diplomacy in preparing what will become a public document. Some degree of generality can therefore be anticipated when analyzing the role of partner organizations, especially government agencies in those cases where there has been a near-catastrophic failure of governance that provides a formidable barrier to more effective biodiversity conservation. Such concerns apply equally to most NGOs and international agencies, including CEPF's donor partners.

How Specific Should Grant Making Strategies Be?

Each Ecosystem Profile typically specifies 3-7 Strategic Directions which are further broken down into 2-5 Investment Priorities, and these are the principal guides to grant making. The categories that have been used thus far are generally fairly broad, providing considerable flexibility to the Grant Directors and the CUs.

The main advantages of such flexibility are to devolve such decisions to those with local knowledge and experience, so they can respond to new and innovative opportunities as they occur, and make adjustments that reflect lessons learned during early phases of grant making. Each of the CUs visited has convincingly argued the case for remaining flexible and able to respond to emerging priorities and unmet needs. Another reason for retaining some level of generality and flexibility derives from the very nature of the Ecosystem Profiles. While these are valuable documents and compare favorably with other strategic conservation plans, they are not comprehensive, all-inclusive studies of all major factors affecting conservation that can be used to pinpoint precise interventions.

On the other hand, the Ecosystem Profiles represent the most significant opportunity for the donor partner organizations to influence grant making within each hotspot, as the donors are not directly involved in subsequent decisions on which individual grant applications CEPF will support. Understandably, this has led to a certain amount of pressure to make the Strategic

Directions and Investment Priorities in the Profiles as specific as possible, so the donors can be confident that their overall objectives are being met.

If the Strategic Directions and Investment Priorities were to become so general that almost any grant proposal could be made to fit one of them, then it would be viable to question whether the Ecosystem Profile really is an operationally-relevant document or else simply a report prepared mainly for the donor partners. But this clearly has not happened. Our informal reviews of both accepted and rejected grant proposals reveal that the CUs and Grant Directors have gone to considerable lengths to ensure that there is a fit between grantees' proposed activities and the approved Investment Priorities. Rather, the overall impression is that the CUs and Grant Directors may have erred on the side of caution in their grant making, particularly to new and inexperienced civil society organizations.

During the initial five years of grant making the degree of specificity of the Strategic Directions and Investment Priorities in the Ecosystem Profiles does appear to have been appropriate if allowances are made for two key factors. First, the technical quality of the Profiles improved significantly over time, after an unconvincing start; second, the Grant Directors supported by the CUs have generally proven to be effective and skilled at making informed grant making decisions, as described in later chapters. Given these two factors, the rather general nature of the grant making guidance provided in the Ecosystem Profiles has become an advantage in practice. Elsewhere in this report, it is argued that CEPF should continue to cautiously decentralize its decision making. Keeping the Strategic Directions and Investment Priorities reasonably general would be consistent with this goal, while an insistence on more specificity could unnecessarily constrain the Grant Directors and CUs.

Defining and Anticipating Impacts on Civil Society

While considerable scientific effort has been put into determining and documenting the elements of biodiversity to be conserved, the actual and potential role of civil society in achieving conservation goals has not been analyzed in depth, particularly in those regions where civil society is a relatively new or emerging phenomenon. Each of the Ecosystem Profiles contain general characterizations of civil society within the hotspot, but this information is not elaborated in a way that is comparable to the attention given to the biological aspects of conservation.

This is an important issue because the term civil society covers a very broad range of local and national organizations and individuals with characteristics that differ significantly between the hotspots. The relatively sophisticated conservation and development NGO communities in much of Latin America, the Philippines and to some extent Indonesia might have trouble understanding how they could be described under the same category as the mix of institutions tentatively comprising civil society in China and the Caucasus, where some organizations are not officially registered and others have such strong ties to government that they can only be regarded as NGOs in their very specific local context. Further variations on the civil society model are appearing in South Africa, while civil society in Madagascar has just begun to emerge despite 20 years of relatively significant donor investment in the country's biodiversity. Not only do the organizations comprising these civil societies differ from one another, but the frameworks within which they operate, their relationships with government and of course their capacities for independent action all vary greatly. What they share is a potentially vital role in conserving biodiversity.

The Ecosystem Profiles generally lack detailed analyses of civil society at least partly because this topic has not been studied and documented in many of the hotspots. Assessing the status and potential of the diverse and sometimes rapidly changing elements of civil society and their potential role in eliciting changes in societal behavior towards biodiversity is not something that

can be rapidly assessed through a brief consultancy. This needs to be learned over time through a sustained set of interactions with the key people and organizations involved, and that is exactly what has been taking place during CEPF's first five years of grant making.

It could be argued that CEPF does not need a detailed understanding or analysis of civil society and that it is possible to 'learn by doing' by inviting grant applicants to apply for funds and then working with them to shape proposals and design projects that fit the Investment Priorities. Following such an approach, the first five years of grant making has indeed provided an important opportunity to learn about civil society's interests, capacities and ambitions in the various hotspots. As this experience continues to accumulate, CEPF has the potential to generate powerful lessons on the relationship between variations in civil society organizations and some key aspects of grant making, including: (i) the types of grants; (ii) the size and length of grants; (iv) their likelihood of success and impact; and (v) the amount of management effort likely to be required and the time frame over which they are likely to be needed.

While tools may not yet be widely available to classify different elements of civil society and "map the civil society landscape" as a baseline, CEPF appears to be in a strong position to take the lead in this area with support from CI as well as other international and local partners with the requisite expertise. A stronger analytic focus on the dynamics of civil society should eventually contribute to more effective grant portfolio performance monitoring to match the efforts being made to assess conservation outcomes through shifts in biological indicators. Participatory approaches that involve all kinds of NGOs and indigenous peoples in assessing what kinds of grant making work best in specific civil society 'landscapes' could be an exciting development of value to all of CEPF's donor partners. Such tools could also lead to an enhanced understanding of civil society's role in contributing both to biodiversity conservation and poverty mitigation, building on the poverty studies recently prepared by CEPF (Chapter 3).

3: Grant Portfolios

CEPF had committed over 500 grants with a total value of \$68 million to civil society organizations in 16 hotspots by June 30, 2005, from an overall grant making budget of \$100 million. Of the grants awarded, \$47 million had been disbursed, while projects amounting to \$20 million had actually been completed. The grant portfolios are required to follow the Strategic Directions and Investment Priorities specified in the Ecosystem Profiles. The ultimate targets of grant making for each hotspot as a whole are expressed in terms of conservation outcomes, i.e., species, sites and corridors.

This chapter provides an overview of the grantees and the types of projects supported and reviews CEPF's grant making procedures. Some specific aspects of the grant portfolios are then discussed: the alignment of the portfolios against the Ecosystem Profiles; the use of small grant programs and multi-regional grants; contributions to poverty reduction; advocacy; and financial leverage and cofinancing. Annex 3 contains data on active and completed grants by hotspot strategic direction.

Overview

While the greatest number of grants has been made to local and national civil society organizations, international NGOs have received most of the funds (Table 3.1). International NGOs have received 44% of the grants and 59% of the total funding or financial support. If grants to CI are excluded, other international NGOs have received \$16.3 million or 24%. The larger grants to international NGOs are mainly for local CEPF coordination and/or they are grants to CI. These are discussed further in Chapters 4 (the CUs) and 6 (CI). Grantees affiliated with international organizations are counted as local organizations only if they are legally registered in the hotspot and have an independent board.

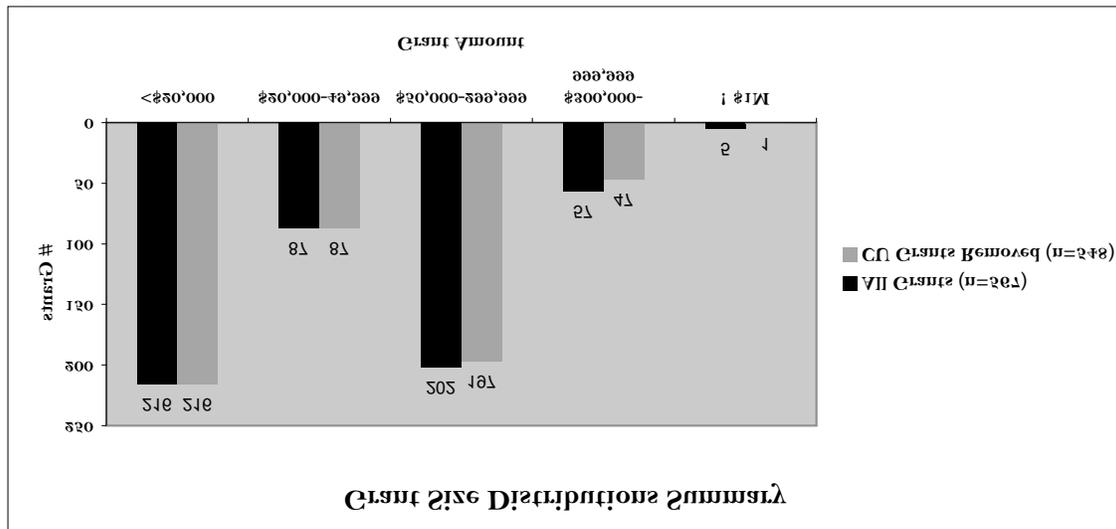
Table 3.1. Split of number and amount of grants between national and international NGO grantees

Funding Region	International NGOs		Local NGOs		Grant Total \$	Grant Count
	Grant Total \$	Grant Count	Grant Total \$	Grant Count		
Atlantic Forest	504,383	6	5,782,539	28	6,286,922	34
Cape Floristic Region	697,519	7	4,338,917	34	5,036,435	41
Caucasus	2,699,238	5	0	0	2,699,238	5
Tumbes-Chocó-Magdalena	2,232,197	12	2,048,388	25	4,280,585	37
Eastern Arc & Forests	1,973,849	22	1,890,966	24	3,864,815	46
Eastern Himalayas	500,000	1	0	0	500,000	1
Guinean Forests	4,830,387	44	883,248	21	5,713,635	65
Madagascar	2,685,928	26	1,213,200	11	3,899,128	37
Mountains of SW China	4,700,085	27	864,590	42	5,564,675	69
Northern Mesoamerica	1,943,414	5	37,524	1	1,980,938	6
Southern Mesoamerica	1,741,911	13	2,331,326	36	4,073,237	49
Succulent Karoo	1,311,077	10	2,317,384	35	3,628,460	45
Sundaland	7,190,164	32	2,176,540	27	9,366,704	59
The Philippines	3,809,004	24	2,259,403	20	6,068,407	44
Tropical Andes	3,372,067	14	1,486,789	16	4,858,856	30
Grand Total	40,191,222	248	27,630,813	320	67,822,035	568

Size of Grants

The global grant size distribution is shown in Figure 3.1². As might be expected, the number of grants drops off rapidly above \$300,000. The pattern below \$300,000 is somewhat surprising, however, with relatively few grants in the \$20,000-50,000 range, although this may be an artifact of the size of the ranges graphed. One contributing factor to the effect shown is that more demanding application procedures come into effect for grants above \$20,000, leading to a clustering effect at just below this level from grantees who might otherwise have requested larger amounts. Another factor contributing to the abundance of small grants under \$20,000 is the modest capacities of virtually all local and national civil society organizations in many of the hotspots where CEPF operates. For comparison, the average grants of the GEF Small Grants Programme are about \$20,000, while the upper limit is \$50,000.

Figure 3.1



A sizeable cluster of grants in the \$50-300,000 range is evident. This is a range that falls between the GEF Small Grants Programme and the GEF medium-sized grants which are usually close to their \$1 million ceiling. This range does overlap with the smaller grants of the MacArthur Foundation. The absence of a financial grant ceiling allows CEPF grant making to be genuinely flexible and responsive to a variety of organizations in different phases of capacity development and operating in a range of different contexts. It also differentiates CEPF from most other grant making programs.

Range of Grantees

CEPF is arguably more comprehensive in its approach than most other civil society grant making programs that do not go much beyond generically identifying NGOs as potential grantees. The range of partners and grantees extends from individuals, farmers and community organizations, through national NGOs, research institutions and private sector organizations, up to international environmental NGOs with global reach. Prominent and strategically vital partnerships have also been developed with local and national governments, including the agencies responsible for conservation as well as closely-related sectors such as forestry and agriculture, a significant number of which have a history more of conflict than cooperation.

² This graph includes only direct CEPF grants to single grantees; this means that a grant made by CEPF to establish a “small grant program” managed by a partner and making multiple grants only appears as a single grant. These small grant programs are described later in this chapter.

CEPF has reached a wide array of civil society actors and institutions in all of the hotspots despite a variety of social, economic, and political constraints. The CEPF approach has been flexible enough to make progress in the midst of some potentially discouraging civil society scenarios. For example, NGO networks and civil society organizations have only recently started to emerge in the Caucasus and China where they still have uneasy relations with government. Conservation in Madagascar has for decades been dominated by the large international NGOs while local organizations lacked capacity, training, and opportunities. NGOs in Tumbes-Chocó-Magdalena are viewed with increasing suspicion by the government of Colombia, where grant-making is further complicated by guerrilla, paramilitary, drug-producing, and drug-trafficking activities. As CEPF was launched in Sundaland in 2002, the situation in Indonesia was highly unfavorable to civil society activities due to civil unrest and regional conflicts (especially in Aceh) and a widespread breakdown in governance. Guatemala in Northern Mesoamerica, having emerged from a lengthy civil war, is plagued by corruption and a weak state is unable to act against intense pressure on natural resources and protected areas, while Ecuador in Tumbes-Chocó-Magdalena and Nicaragua in Southern Mesoamerica face comparable problems.

Civil society has not been analyzed in great depth as part of the planning process for grant making, as noted in Chapter 2. There has been relatively little systematic stakeholder analysis, although it is evident that the coordination units generally have considerable knowledge of civil society or are learning quickly, and this has made a major contribution to the high quality of the grant portfolios.

Focus of Grants

After visiting project sites and discussing numerous grants with a range of stakeholders in several hotspots, the evaluation generally found that CEPF's own information reporting systems and communications materials have done an excellent job in capturing the essence of most projects, although naturally there is a strong tendency to emphasize successes rather than to identify lessons from less successful initiatives.

CEPF grants appear to have been particularly effective or to show particular promise in these areas:

- **Protected areas:** Project portfolios in all hotspots have primarily focused on achieving conservation outcomes by supporting the expansion, consolidation and improved planning and management of protected areas, having used the best-available science to identify the most important species, sites and corridors. This has been done by convincing leaders and governments to expand or solidify their protected area networks; by providing training and other capacity building services to protected area managers and staff; by supporting NGOs working in collaboration with government conservation agencies in activities such as park planning; by ensuring that state-of-the-art cartography is accessible to civil society and government stakeholders; by supporting research to help define appropriate reserve boundaries; and, crucially, by integrating these various approaches into a cohesive program.
- **Species conservation:** Projects aimed at preventing extinctions, which generally contribute to ecosystem conservation as well, have included mobilizing local community organizations to play an active role in conservation through participatory biological monitoring; research to monitor and assess threatened species; research to support more efficient harvesting of economically-valuable species; mitigate threats of hunting, poaching and illegal trade; expanding knowledge of medicinal plants and other valuable species among indigenous peoples; and specific measures to help conserve flagship species and their habitats.

- **Capacity building and training:** The capacity of most civil society organizations and governmental stakeholders in conservation are strikingly low in most hotspots. Grants are often made to the national offices of international NGOs in order for these organizations to provide formal training as well as employment for a cohort of promising individuals who are expected to provide the next generation of national conservation leaders.
- **Community development and poverty mitigation:** The project portfolios reflect a growing appreciation that effective conservation requires working with the local people in and around protected areas and critical habitats who are the users and sometimes the managers of biodiversity resources. All of the portfolios support community stewardship of biodiversity through improved use and management of natural resources, the reduction or elimination of practices harmful to biodiversity, and the development and adoption of a variety of alternative livelihood opportunities. While poverty alleviation was generally not an explicit focus of the ecosystem profiles, a significant number of CEPF grants have provided the basis for improving the incomes and economic well-being of poor communities.
- **Building Conservation into Development Planning:** Grants have supported the development and implementation of GIS systems as sources of biodiversity information for decision makers and planners in different sectors attempting to harmonize conservation with economic development. Innovative payment for environmental services programs have promoted biological connectivity and restoration in buffer zones of protected areas and corridors while providing attractive economic incentives for small farmers and landowners to maintain land uses consistent with conservation. Other grants have supported the restoration of former forested areas in ways that can generate attractive returns for landowners, and promoted sustainable practices through environmental certification for mining and forestry.
- **Private sector:** At least five Ecosystem Profiles contain strategic directions that specifically target the private sector (Atlantic Forest, Cape Floristic Region, Madagascar, Succulent Karoo and Sundaland), with the Cape Floristic Region, Succulent Karoo, and Sundaland achieving significant conservation contributions from national and international companies in the mining, agribusiness, wine production, logging and ecotourism sectors.
- **Multinational hotspots:** A unique contribution of CEPF has been to demonstrate that conservation planning and implementation can take place on a regional, multi-country scale. Among the sites visited by the evaluation team, this was particularly evident in Northern and Southern Mesoamerica and in the Caucasus, where CEPF is working at a regional level through a variety of NGO, national government and regional organization partners.
- **Long-term conservation financing:** CEPF grants have been used to support work by the CUs in helping to establish conservation trust funds in the Caucasus and in Madagascar, as well as substantially leveraged support for existing trust funds in the Tropical Andes.

Grant Making Procedures

Potential grantees in each hotspot first submit a letter of inquiry (LOI) using a standardized template. The LOIs provide information about the applicant organization and a brief description of the proposed project, indicating the strategic direction in the Ecosystem Profile to which it responds. The LOIs are reviewed by the local coordination units, the grant directors and, in some regions, by external reviewers. LOIs are sometimes reworked following suggestions from CEPF staff. Once an applicant's LOI is approved, the grantee is invited to submit a full proposal, including a logical framework and indicators, using the Grantwriter software package. Grant applications for under \$20,000 do not submit full proposals but are processed based on an offline

description of the project activities and deliverables and budget, often provided as part of the LOI.

The local coordination units and the grant directors usually work closely with the applicants on the development of the grant proposals. Risk and financial assessments of the applicant and the project are undertaken by CEPF in Washington, D.C. In some cases, the proposals are sent out to expert, non-aligned reviewers. Based on internal and external reviews, the CUs and the CEPF grant directors make a decision on project approval. If approved, a contract is prepared and signed by the grantee and the CEPF Executive Director.

Grantwriter is a grant application system for grantees, while Grant Tracker is an online grant workflow/reporting system that tracks the progress of applications, and then financial and progress reporting and disbursements once grants are approved. Numerous grantees claimed they spent inordinate amounts of time trying to download and upload application materials from Grantwriter. The log frame requirement was also a major challenge for many grantees – and not only for the smaller NGOs with lower capacity.

The CEPF grant processing time from submission to full approval has steadily declined from about nine months in 2002 to about three months in 2005. The total number of letters of inquiry submitted for review has increased from just over 200 in 2002 to around 900 in 2005. CEPF therefore processes grants considerably faster than traditional funding mechanisms for conservation. The Grant Tracker system provides the CU with ready access to grant information and allows management to intervene effectively when processing bottlenecks or backlogs occur. Rejections as well as acceptances are tracked, and the Grant Directors and the CUs take considerable trouble to explain in a letter to each unsuccessful applicant why their LOI was not accepted. The reasons for rejection are clearly provided. These are usually due to applications not being sufficiently aligned with strategic directions, being outside the areas of geographic focus or simply because they lack adequate details of the proposed project.

In general CEPF has an efficient, transparent and streamlined grant application and management process, even though many applicants still have difficulty with online processing and log frames in particular. Some grantees report frustration in that the application process itself often requires funds and resources such as appropriate computers and software, which are not always available.

Almost all of the hotspots programs have accepted LOIs on a rolling basis, i.e., applications could be submitted at any time and are assessed and approved continually. More recently, the Caucasus program has experimented with requests for proposals by specific dates, and there have been three rounds of funding so far. It is still too early to fully assess the overall advantages of this approach, which obviously results in a pulse of applications and a relatively severe burden on staff within a short period of time; however, time is then freed up during other periods that can be more intensively devoted to project monitoring and technical support to grantees in the field.

Consistency with Ecosystem Profiles

The grant portfolios were compared to the strategic directions specified in the Ecosystem Profiles in each of the hotspots visited. Each strategic direction has a budget approved by the Donor Council and there has been some flexibility in adjusting these budgets to respond to changing hotspot conditions, although not the overall hotspot grant portfolio budgets.

It was clear that the Ecosystem Profiles have guided grant making and none of the portfolios examined were inconsistent with the Profiles. This is at least partly attributable to the fact that the

guidance provided by the Ecosystem Profiles tends to be fairly general, as discussed in Chapter 2. There is no doubt that the grant directors and the coordination units have been diligent in ensuring that all grants follow the guidance. The evaluation team observed consistently high quality grant portfolios that comply with the strategic directions and target the conservation outcomes delineated in the ecosystem profiles.

There is considerable local variation in how this came about in practice. In some cases specific grantees are approached and encouraged to submit certain types of projects consistent with a selected strategic direction in order to achieve a particular objective. In other cases the coordination units simply publicize the grant making opportunity and the strategic directions and then consider all applications as they come in. Particularly in this latter case, the result can be that the demand for grants favors some strategic directions over others, which is one of the reasons why some strategic directions within individual hotspots have used more of their budgeted grant allocations than others. In these cases the coordination units need to revisit the ‘less popular’ strategic directions and aim to develop viable project concepts with potential grantees.

The coordination grants tend to be large, as described in Chapter 4, and can have a distorting effect on the overall portfolios if, as tends to be the case, the entire coordination grant is allocated to one strategic direction. In the future, it may be better to retain coordination grants as a separate funding category outside the strategic directions.

Small Grant Programs

There are two types of CEPF “small grant”. The first is any grant made by CEPF of <\$20,000 (increased from \$10,000), while the second is a grant made by a small grants program established through a single CEPF grant to an NGO or fund for re-granting. The latter type is the focus here. There is no set grant period for small grants, although they are usually about one year in duration.

The small grants programs are designed to help implement specific strategic directions. Grants are modest in scale, scope, and cost, application procedures have been simplified, and project review and approval are relatively rapid. Some of the small grant programs have supported capacity-building, training, and technical assistance needs in regions with fewer, emerging, or less-resourced civil society organizations that might not otherwise obtain access to CEPF funds. By awarding block grants to regional lead organizations for re-granting, CEPF decentralizes and distributes the decision-making and monitoring responsibilities and processes to the local and national levels. At the same time, the grant-making administrative burden on CUs and CEPF staff and management is alleviated.

The lead re-granting organizations are responsible for managing the programs and all aspects of grant making, and together with local selection committees, for grant review and approval. In most regions, these organizations developed the small grant proposal requirements and formats, approval process, and monitoring systems. CEPF as a whole only requires LOIs for small grants under \$20,000, which is what many of the small grants programs use as well, but several have prepared their own simplified application procedures.

CEPF financial reporting is quarterly for all grantees, however, programmatic reporting is semi-annual for all but those grantees assessed as being high risk. At the request of CEPF management, the Donor Council agreed in December 2001 to change the Operational Manual to enable CEPF to have the flexibility to require only semi-annual programmatic reporting. Initially CEPF implemented this flexibility only for grantees assessed as being of low risk. A reassessment in 2005 led CEPF management to adjust this to also include medium risk grantees. Now only high-risk grantees are required to submit quarterly programmatic reports.

Eight of the 15 hotspot regions have small grants programs under implementation; in most cases these were specifically called for in the Ecosystem Profile strategic directions. In two cases the small grants programs anticipated in the Ecosystem Profiles have not yet been established. In Tumbes-Chocó-Magdalena there is as yet no agreement on suitable national NGOs to serve as the lead re-granting organization and in Southern Mesoamerica, it was decided that the CU could more cost effectively administer small grants than a re-granting organization.

Four small grants programs in the Atlantic Forest hotspot are together administering \$2.0 million or 25 percent of the portfolio budget, and have awarded nearly 200 grants over the past three years. Half of these small grants support the creation of private natural reserves, improvement of management plans, and organization of networks of private reserves as the basis for collective long-term management. In Madagascar, the overall grant is awarded to CI-Madagascar as the lead organization, then CI “subcontracts” regional partner organizations or nodes. Each node receives a grant from CI for approximately \$20,000, one third destined for training, equipment, and capacity building needs, and the remainder for micro-grants.

While all small grants programs are aligned with strategic directions, some focus on particular themes. Programs in the Atlantic Forest and Philippines target threatened species, Mountains of Southwest China specifies the lesser-known endangered species, and the Caucasus pinpoints 50 globally threatened species in the hotspot, as well as alternative livelihoods (e.g., ecotourism, collection of non-timber forest products, and sustainable hunting and fishing). All of the small grant portfolios reviewed during the site visits appeared consistent with their guidelines, although the program in the Philippines has only made ten grants in three years, and implementation arrangements there are being renegotiated.

The small grants programs, and especially the excellent Atlantic Forest model, feature these best practices: (i) the re-granting organization chosen to run the small grants program is recognized as an NGO leader in the corridor or region with the full capacity to manage such a program; (ii) the re-granting organizations participates in hotspot-level coordination and grantee meetings and activities; (iii) regular meetings with the CU review implementation, ensure complementarity and exchange lessons; (iv) grant-making is done on the basis of a request for proposals; (v) simplified application or letter of inquiry formats are used; (vi) proposal reviews and grant selection are transparent; and (vii) the lead organizations are responsible for monitoring the grants, conducting site visits and providing technical assistance as well as training potential grantees in proposal writing, project design and management, and organizational development.

Multiregional Grants

A multiregional grant supports activities by the grantee in multiple hotspots. CEPF had awarded \$5.1 million in 17 multiregional grants implementing 15 projects by June 30, 2005. In some cases, these grants are subsequently re-granted by the original grantee in smaller amounts to other grantees. Three grantees received two thirds of the multiregional grants: Rare/CI (\$2.0 million) and Save the Tiger Fund (STF)³ (\$1.5 million). CI was a grantee for four of the 15 multiregional grants.

Multi-regional grants impart some important and distinctive benefits. They have allowed CEPF to: (i) move rapidly in disseminating and applying proven conservation approaches in new areas; (ii) facilitate exchanges of knowledge and experience between hotspots; and (iii) strengthen transboundary coordination in conservation programs. Moreover, these grants have also helped CEPF secure some significant cofinancing opportunities, particularly with the private sector.

³ National Fish and Wildlife Foundation is actually the official grantee, while Save the Tiger is the project.

The negotiation and approval of these grants rests almost entirely with CEPF in Washington, D.C. While it seems valid for multiregional grants to be decided in Washington based on a global perspective that may not be evident to each of the local coordination units, such centralized decision making has in some cases led to a diminution in transparency and accountability, with consequent uncertainty among the CUs as to: (i) how re-granting takes place and further grantees are identified and supported; and (ii) who is responsible for monitoring the actual performance of these grants.

The Rare/CI grant can claim considerable success in environmental communications, with an approach based on building local pride in endangered species that has won international awards. Thirteen individuals were identified from participating CEPF hotspots, then provided with training at a UK university and subsequent support while implementing the program in the field. This multiregional grant includes a significant match, with Rare agreeing to implement 15 additional campaigns with other funding. In total, the grant enabled Rare and CI to support 13 environmental awareness campaigns in nine hotspots across Asia, Africa and Latin America. Together, they report reaching nearly one million people and inspiring other donors and groups to commit nearly \$10 million to Rare for 40 additional campaigns in the next three years. With the new funds raised, Rare now has the resources to launch 70 new campaigns – more campaigns than it has supported during its entire 18-year history. Deliverables also included building a long-term financial foundation for the organization's operations.

The CEPF Grant Director assigned to this multiregional project was responsible for monitoring and supervising all aspects of the project together with the designated project leaders from both Rare and CI. This included a number of site visits, among other supervision activities. There are some concerns with this project, however:

- The generous budget pays for US-based CI staff salaries and travel and both CI and RARE take a 13% overhead. The budget also includes \$72,000 in university professional services and over \$60,000 for equipment, course materials and library fees, for 13 students. The cost of the activities conducted under this grant appears disproportionately large relative to other CEPF grantees, while there do appear to be comparable and less expensive options available, such as expanding the use of local universities.
- Some of the CUs and their local selection committees attempted to reject these grants coming to their own hotspots, either on the basis of excessive cost or because they doubted the approach would be effective, but were overruled by CEPF management.

STF received \$500,000 from CEPF for each of the China, Eastern Himalayas and Sundaland hotspots (through the National Fish and Wildlife Service). STF also received a matching \$1.5 million grant from Exxon Mobil Corporation. The CEPF grant includes STF salary and management costs of \$750,000. The remaining \$2.25 million is being re-granted by STF over three years, mainly to established international NGOs with grants averaging about \$50,000.

Assessing the cost-effectiveness of this multi-regional grant is challenging. There has been a significant contribution to the operating expenses of STF, while re-granting has mainly been to organizations that CEPF might have been expected to reach on their own. However, CEPF leveraged \$1.5 million cofinancing and has the potential to contribute to the emergence of a long-term independent grant-making program based on Ecosystem Profiles in several hotspots. Thus, CEPF invested in a long-term strategy to engage STF and ensure its long-term survival with rolling Exxon Mobil financial commitments. To date, the CEPF CU in China has had relatively little information on the ultimate use of these funds or conservation outcomes and coordination within the grant portfolio appears limited.

Multiregional grants have sometimes been able to provide comparable services to multiple hotspots or to take advantage of significant cofinancing opportunities. However, key management information regarding some of these grants has not always been communicated effectively to the respective local Coordination Units and the accountability and transparency surrounding these grants does not appear to match the exemplary information flow and transparency associated with the rest of the CEPF grant portfolio.

Poverty Mitigation

The Donor Council's November 2004 statement on CEPF and Poverty Reduction highlighted the critical issues by emphasizing the following points: the value of ecological services to humanity is only beginning to be appreciated; ecosystem services that are the basis for life on Earth are being jeopardized by human activities; the hotspots are critical both for biodiversity as well as for large numbers of impoverished people who are highly dependent on natural ecosystems; poor people are often forced to overuse or degrade environmental resources as a short-term survival strategy, thereby exacerbating the problem; biodiversity conservation activities and investments contribute to poverty reduction by protecting the biological assets upon which the poor depend; CEPF addresses poverty reduction through support for civil society organizations working on environmentally sustainable livelihood opportunities and improved resource management; CEPF's biodiversity conservation activities thereby help to reduce poverty, consistent with Goal 7 on Environmental Sustainability of the Millennium Development Goals.

Following this compelling logic, it would seem apparent that CEPF as a program is making a significant contribution to long-term poverty mitigation that provides an essential complement to other donor programs that are more focused on directly improving key human welfare indices such as income, employment, health, nutrition, education, access to fresh water, etc. Although it is essential for CEPF to support the continuing search for synergies between biodiversity conservation and poverty reduction, CEPF should not dilute its mission by seeking to emulate development organizations focused primarily on poverty. Decades of investments in overly complex integrated conservation and development projects have demonstrated how difficult and costly it can be to try to build specific poverty linkages into conservation projects.

During 2005 CEPF launched an intensive effort to measure the program's contribution to poverty reduction. Detailed case studies have been prepared for Southern Mesoamerica and the Atlantic Forest, Brazil, with others planned in the Philippines, Succulent Karoo and other hotspots. These studies have drawn on national and local data sets and maps, supplemented by a questionnaire developed for the use of grantees to generate project-specific data. This has resulted in the compilation of a useful picture of the grant portfolios' relationships to poverty reduction and has certainly enhanced CEPF's collective appreciation of the complex, multidimensional relationship between biodiversity conservation and poverty alleviation.

The main conclusions of the first two hotspot studies is that CEPF is indeed operating in areas where rural poverty is concentrated, thereby increasing the likelihood that many direct and indirect project beneficiaries are among the poorest of the poor. Another finding is that CEPF-supported projects do contribute specifically to poverty reduction by creating jobs, providing skills training, reducing vulnerability to disasters and by promoting alternative income-generating opportunities that are less damaging to the environment than current practices.

The evaluation team is impressed with the quality of the analyses carried out by CEPF, which are matched by very few other global conservation programs. These studies have been beneficial in highlighting important issues for CEPF's managers, staff, grantees and other partners, while the development of an approach to keep track of poverty-relevant performance indices for individual conservation projects is a useful tool likely be of interest to other organizations. There is,

however, at least one important methodological constraint to the studies performed, in that it is extremely difficult to aggregate the different poverty impacts that can be attributed to individual projects.

Considerable care should be taken in drawing conclusions from the CEPF poverty studies for future grant making. For example, even if the methodological challenge identified in the last paragraph could be overcome and all of the direct poverty impacts of projects could be measured and aggregated (direct impacts here refers to immediate jobs, income gains and other measurable welfare benefits), would this somehow capture the essence of CEPF's contribution to poverty reduction? Almost certainly not. Even those projects specifically aiming to generate income gains through alternative livelihoods tend to be relatively small. The real value of such pilot or demonstration projects would only become apparent if the ideas or techniques being demonstrated take root over time and are then replicated or scaled up by others, either spontaneously or with support from other, larger funding sources. Measuring the direct, immediate impact of CEPF's projects does not give a good indication of the potential impact of such a project. It could also be argued that the *indirect*, long-term impacts on poverty reduction achieved through grant support for civil society organizations is likely to be considerably greater than the *direct*, short-term impact of relatively small, short-term projects⁴. These issues should be looked at in the context of a wider discussion about the direct and indirect, short-term and long-term impacts of relatively small grants to civil society.

A logical step to follow up the CEPF poverty studies would be to include consideration of poverty issues in new and updated Ecosystem Profiles. CEPF has already supported some innovative projects setting up payments for ecosystem services. The closely related issue of assessing the value of ecosystem services would be worthwhile to start including in the Ecosystem Profile preparation process. If the Profiles determine the need to pursue specific poverty-oriented activities, we advocate that these be conducted in partnership with appropriately specialized civil society organizations working in close partnership with conservation organizations, and that additional cofinancing be obtained to support such initiatives.

Environmental Advocacy

CEPF grantees have made a number of significant contribution to influencing major development or infrastructure plans to take account of biodiversity conservation. Some of the more important examples include the following:

- **Caucasus:** In Armenia, a pioneering effort by a coalition of groups resulted in the government's 2005 decision to redirect part of a transnational highway originally planned to cut through the nation's Shikahogh Reserve. The landmark decision is the first time civil society has influenced developmental plans in the country.
- **Eastern Arc & Coastal Forests of Tanzania and Kenya:** A TRAFFIC assessment of the illegal logging of the coastal forests of southern Tanzania since the opening of the Mkapa Bridge over the Rufiji River helped lead to a national indigenous hard wood harvest ban, various harvest and trade restrictions, additional forest staff employed in all districts, additional budgetary allocations and confiscation of illegal timber.
- **Guinean Forests of West Africa:** (i) An extensive forest reassessment effort in Liberia by local and international partners led to the reform of national protected area management legislation and policies, helped the government to begin correcting a historical imbalance

⁴ Indirect impacts are elaborated on page 62.

toward forest overexploitation; (ii) Three major international private sector mining partners expanded their capacities in biodiversity conservation.

- Southern Mesoamerica: A coalition of more than 15 Panamanian NGOs helped convince governmental officials to shelve plans for constructing a highway through Volcán Barú National Park, which forms part of La Amistad Biosphere Reserve.
- Mountains of Southwest China: A grantee’s photographic exhibition helped convince the government to postpone plans to build dams along the Nujiang River that would have threatened one of the last free-running rivers in the hotspot and a World Heritage Site containing old-growth forests, 7,000 plant species of 80 rare or endangered animal species.
- Sundaland: Local communities and organizations in Sumatra won cancellation of logging plans for nearly 50,000 hectares in the northwest of Bukit Tigapuluh National Park, capping a six-month effort led by a local foundation to help traditional forest-dwelling communities advocate against the logging. Following NGO pressure one of the world’s largest pulp and paper producers stopped logging in 2002 in the proposed Tesso Nilo protected area.
- Tropical Andes: A logging company agreed to give up the last remaining logging concession in the Pilón Lajas Biosphere Reserve and Indigenous Territory that threatened the reserve as well as the livelihood of thousands of indigenous people living in the region.
- A grant to the Conservation Strategy Fund in Northern and Southern Mesoamerica has yielded a comprehensive inventory and mapping of existing and planned infrastructure projects (road construction and networks, electricity generation and transmission, etc.) in the region, providing an invaluable tool for conservation planning, policy, and advocacy.

Leverage and Cofinancing

The CUs and the Grant Directors have been very effective in generating matching and new resources for CEPF-supported projects, alliances, and strategies in virtually all of the hotspots. Such leveraging has in many cases served to greatly increase the amount of funding available to pursue CEPF strategic directions and conservation outcomes. This is separate from funding that grantees raise from other donors and the private sector.

CEPF Funding Region	Grants	Cofinancing	Project/Regional Leveraging	Total Leveraged Funds
Atlantic Forest (Brazil)	\$2,766,327	\$2,192,760	\$3,550,000	\$5,742,760
Cape Floristic Region	\$3,399,460	\$1,473,913	\$2,200,000	\$3,673,913
Caucasus	\$2,670,000	\$1,380,000	\$8,880,000	\$10,260,000
Eastern Arc Mountains	\$357,700	\$227,571	\$0	\$227,571
Guinean Forests	\$3,241,849	\$3,261,247	\$5,904,015	\$9,165,262
Madagascar	\$2,651,523	\$2,087,453	\$2,928,572	\$5,016,025
Southern Mesoamerica	\$1,855,142	\$1,223,058	\$15,880,000	\$17,103,058
China	\$2,735,634	\$1,668,920	\$3,200,000	\$4,868,920
The Philippines	\$431,304	\$777,700	\$7,000	\$784,700
Succulent Karoo	\$1,404,102	\$244,041	\$2,250,857	\$2,494,898

Sundaland	\$4,066,478	\$1,680,375	\$1,617,555	\$3,297,930
Tropical Andes	\$2,256,247	\$636,902	\$17,253,456	\$17,890,358
Tumbes-Chocó-Magdalena	\$1,830,441	\$1,732,667	\$4,498,000	\$6,230,667
Global Grants	\$2,864,030	\$3,000,000	\$10,000,000	\$13,000,000
Total	\$29,666,207	\$18,586,607	\$69,324,455	\$100,911,062

4: Local Coordination Units

Introduction

Locally-based coordination units (CUs) implement the CEPF program in each hotspot region, working closely with the Grant Directors. The most important tasks of these CUs are to lead implementation of the CEPF ecosystem profile in the hotspot and build a broad constituency of civil society groups working across institutional and geographic boundaries toward achieving shared conservation goals.

CEPF and CI management conceived the CUs as key partners at the regional level with the capacity to establish and deliver a coherent and effective conservation strategy. This involves: (i) providing technical assistance to grantees and other partners; (ii) strategic planning and action; gathering key players together in partnership arrangements; (iii) supporting an expanding network of institutions sharing the commitment to a common strategy; and, in most cases, (iv) project monitoring. Through these activities, CUs are expected to deliver effective conservation programs that contribute to the conservation outcomes defined in the Ecosystem Profiles.

In practice each of the CUs plays a slightly different role, with some more involved than others in preparing the Ecosystem Profiles. This chapter considers the selection of the CUs, their roles and their relationship with CEPF.

Coordination Grants

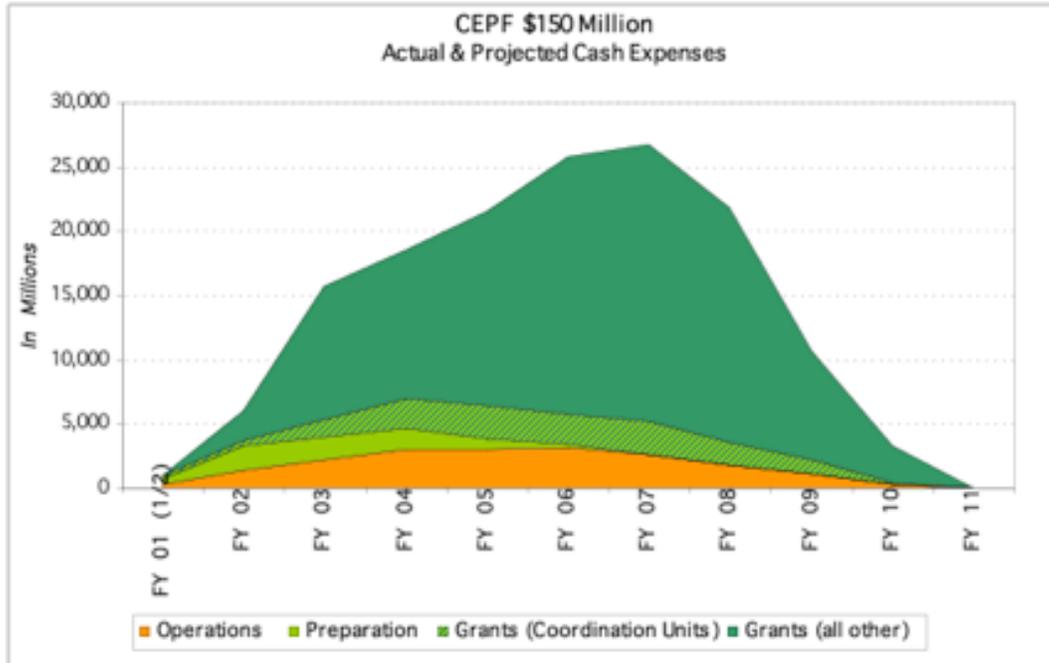
In total the CUs have been awarded coordination grants of \$13.2 million, and have received further grants for project implementation of \$10 million, totaling \$23.2 million. Of this amount, CI has received \$18.1 million. As required by the Financing Agreement, grant allocations to CI in areas where it is considered to have a comparative advantage were approved within CEPF annual spending plans by the Donor Council.

The multi-year coordination grants awarded so far cover the remaining periods of the initial \$125 million CEPF investment, with the single exception of the Eastern Himalayas where the coordination costs can be anticipated to be around \$800,000. This gives projected total coordination grants of about \$14 million. With a total spending authority of \$100.4 million for grants, it thus seems likely that coordination grants will absorb almost 14%.

While the types of expenditures supported by these coordination grants vary depending on the local context and the organizational configuration adopted, the CUs are typically composed of local staff who work full-time on CEPF grant programs (where CI is the CU, their staff usually become full- or part-time CEPF staff). Local leadership is provided by the senior management staff of the organization acting as the CU, who generally charge some proportion of their time to the coordination grant. Other significant components of the coordination grants include equipment, vehicles, travel, workshops and training in support of grant program management.

CEPF has developed a model of actual and projected future expenses based on the CEPF initial funding goal of \$150 million. The relative share of CEPF expenditures expected to be allocated to coordination grants over time based on the first five years donor investment is shown in Figure 4.1 (the coordination grants shown here do not include the grants made to the CUs for project implementation or for re-granting as small grant funds).

Figure 4.1. CEPF actual and project expenditures by major categories



Selection of Coordination Units

The CU arrangements can be summarized as follows (Table 4.1):

- Seven regions have CI exclusively as their CU (China, Tumbes-Chocó-Magdalena, Northern Mesoamerica, Philippines, Southern Mesoamerica, Sundaland, Tropical Andes), although provincial-level review committees advise on grant approval in China. The CU grant to CI for Tropical Andes was completed in 2003 and this program has subsequently been managed by CEPF from Washington.
- As CU for the Atlantic Forest of Brazil, CI-Brazil operates in close alliance with a national NGO and proposals are reviewed by external reviewers. As CU for Sundaland, CI includes WWF and WCS in key aspects of coordination.
- Five regions have CUs that are not linked to CI (Caucasus, E. Himalaya (still in design), Cape Floristic Region, Succulent Karoo, Eastern Arc and Coastal Forests of Tanzania and Kenya).
- Two regions have had no CU at all and been managed directly by CEPF's headquarters-based staff (Guinea Forest and Madagascar, although CI is a major grantee in Madagascar).

Substantial reliance on CI as CU was anticipated in the early phases of CEPF. CI was selected as the CU in 8 of the first 10 regions where CEPF launched operations. In some of these regions CI was already well established (e.g., Tropical Andes, Brazil and Costa Rica in Southern Mesoamerica); in others CI consolidated its operations by acting as the CU (e.g., Ecuador in Chocó-Darién-Western Ecuador and Guatemala in Northern Mesoamerica); while in some cases CI established itself for the first time by becoming the CU (e.g., China and Southern Mesoamerica beyond Costa Rica). In some of these regions CI had a clear comparative advantage as CU, while in other regions that seems less clear.

Unfortunately the virtually automatic selection of CI as CU during the early phase of CEPF fed the external perception that they had been unfairly favored relative to other candidates who had not received serious consideration. It would be difficult to argue that the policy spelled out in the

CEPF Operational Manual that CI had to go through the same procedures as any other grant applicant was applied consistently in the awards of the early CU grants.

More recently CEPF has experimented with a variety of other CU institutional arrangements, some involving single NGOs while others consist of NGO coalitions. While most of these organizations are part of international NGO networks, their leadership and staff are almost entirely national. CI was selected as CU for one of the last 5 hotspot programs activated.

Table 4.1. CEPF Coordination Units

Launch	Region	Countries	Coordination Unit	Evaluation Field Visit
Dec 2000	Madagascar	Madagascar	None	Yes
Dec 2000	Tropical Andes	Bolivia & Peru	CI-Bolivia & CI-Peru	Yes
Dec 2000	Guinean Forests of West Africa	Ghana, Guinea, Cote d'Ivoire, Liberia, Sierra Leone, Togo	None	No
Dec 2001	Cape Floristic Region	South Africa	Cape Action for People and the Environment (CAPE) Coordination Unit at the South African National Biodiversity Institute.	Yes
Dec 2001	Atlantic Forest	Brazil	CI and SOS Mata Atlantica (CI received the grant and has an alliance with SOS)	No
Dec 2001	Southern Mesoamerica	Costa Rica, Nicaragua, Panama	CI -Southern Mesoamerica Program (based in Costa Rica)	Yes
Dec 2001	Sundaland Sumatra	Indonesia	CI-CEPF Grants Manager for Sumatra plus three lead organizations (CI, WWF and WCS)	Yes
Dec 2001	Philippines		CI-Philippines	No
Dec 2001	Choco-Darien-Western Ecuador	Colombia, Ecuador	CI-Colombia and CI-Ecuador	Yes
June 2002	Mountains of Southwest China	China	CI China together with two review committees including the Sichuan Planning Commission, WWF China Program, The Nature Conservancy, Sichuan Forestry Department, Center for Biodiversity and Indigenous Knowledge and the Yunnan Forestry Department	Yes
Feb 2003	Succulent Karoo	Namibia, South Africa	Succulent Karoo Ecosystem Program Management Unit at South African National Biodiversity Institute and the Namibia Nature Foundation.	Yes
July 2003	Eastern Arc Mountains & Coastal Forests of Tanzania and Kenya	Kenya, Tanzania	International Centre for Insect Physiology and Ecology; Tanzania Forest Conservation Group; Bird Life Africa Secretariat plus national partners Nature Kenya and Wildlife Conservation Society of Tanzania; WWF. Steering committees including govt. and NGOs in Tanzania and Kenya	No
July 2003	Caucasus	Armenia, Azerbaijan, Georgia, Iran, Russia, Turkey	WWF Caucasus Program; coordination members in each country except Iran; expert reviewers group	Yes
Jan 2005	Northern Mesoamerica	Belize, Guatemala, Mexico	CI-Center for Biodiversity Conservation in Mesoamerica (grant suspended October 2005, CU to be restructured)	Yes
Feb 2005	Himalaya; Indo-Burma	Bhutan, India, Nepal	In design	No

Role of Coordination Units

Managing the CEPF grant programs in accordance with the Ecosystem Profiles and following the policies and procedures set out in the Operational Manual involves the CUs in the following tasks:

- Assisting grant applicants with project design and application process
- Identifying strategic partnerships and encouraging alliances among grant applicants working in complementary geographic or thematic areas
- Facilitating the review of grant applications by review committees (if any)
- Analyzing grant applications
- Building the capacity of applicants to manage, monitor and report on projects.
- Ensuring collaboration, communication and information exchange among grantees, relevant government agencies, local communities and other key stakeholders.
- Sharing project partners' conservation successes and lessons with other CEPF grantees
- Encouraging and seeking funds to leverage and sustain CEPF investments.
- Monitoring projects.

The CU is the primary contact for CEPF's actual and potential grantees at every stage of project identification, development and implementation (in regions with no CU, the grant director is the primary contact). Letters of Inquiry from potential grantees often start with little more than a vague project concept, with the smaller and more recent civil society organizations in particular lacking the technical knowledge and experience needed to develop their ideas into a full proposal. Many CEPF grantees had not received prior external funding and are unfamiliar with the required procedures. Working with the smaller NGOs to identify and develop viable projects is often a lengthy and time consuming process, especially when these groups are dispersed over a large geographic area. Most of the CUs have staff who work extensively with their grantees on a case-by case basis, providing capacity building to emerging environmental NGOs in a way that is matched by few other programs. Some of these services are provided by intermediate, usually national, NGOs. Grant directors have also spent considerable time helping to design and refine proposals together with grantees and CUs.

Coordination Unit Performance

The CUs generally add considerable value that goes beyond the management of the grant programs. It was evident from the evaluation field visits that the CUs have recruited very effective local staff and have done an excellent job on behalf of CEPF. The CU staff generally excel at working with grantees, particularly in bringing together communities and organizations with complementary interests and skills to form innovative and effective partnerships. While the resources needed for staffing and other expenditures are conventionally discussed in terms of the size of the grant portfolio, it is clear that large numbers of inexperienced NGOs actively seeking external funding require a considerable amount of management time. Increasing use of national NGOs as intermediaries between CEPF and local grantees may help address this issue over time.

While the ecosystem profiles provide some guidance about incorporating civil society actors, it is the local coordination units that must assess and negotiate the terrain of civil society, and their local knowledge and experience are irreplaceable for CEPF grant-making. The evaluation team was consistently impressed by the commitment, judgment, and tactical skill of the CUs. In some cases, it is the decades-long experience of CU staff that has allowed access to local and national organizational circuits and alliances; in others, it is the willingness to spend well over half of their time traveling to seek out and include small, local organizations; in yet others, it is the skillful

navigation of sometimes murky political waters to obtain pivotal partnerships with key government actors.

Complementing their grant-making programs, many senior CU staff are effective at building networks that include key government decision makers, donors and other policy-level actors, and helping to ensure that these individuals are well informed about and ready to support CEPF projects. The CU mission includes supporting or working with others to instigate the whole range of complementary measures required to make conservation projects effective. This implies vertically integrated conservation initiatives that link grassroots projects with political and policy issues, infrastructure planning, partnership building with NGOs and government, advocacy and communications. An effective CU must be enterprising, highly respected by government and the NGO community, and have a deep and up-to-date appreciation of the vast array of national and international issues with a bearing on conservation. This is exactly what the evaluation team encountered at most of the hotspots visited.

Local Coordination Grants

Many of the coordination grants are for substantial amounts, while most of the CUs also receive significant implementation grants in addition (Table 4.2). It seems clear that *most* of the coordination grants are for coordination in the broadest and most positive sense of this term and that *most* of the other grants to coordination units for specific project implementation are for valuable and justifiable activities. However, there is sometimes a blurring at the edges that hinders firm analysis. It is not always easy to draw a firm line between the CU's "coordination" and "project implementation" activities. Part of this difficulty arises from similar activities sometimes being classified as "coordination" in one region and "implementation" elsewhere, e.g., communications and project monitoring. Further analysis would need to be based on a detailed comparative study of the scope, content and cost of all of the coordination and implementation grants to the CUs.

The size and justification for some of the early coordination and implementation grants to CI in Latin America and in parts of Asia have attracted criticism from local stakeholders as well as staff of both CI and CEPF. A review of the early coordination grants shows relatively low figures for the coordination grants to CI in Indonesia and the Philippines, although CI also received significant grants for project implementation in each of these regions. It is not always easy to assess which CI activities are appropriately financed by CEPF and which "should" be financed out of CI's own funds. The justification for CI staff in Washington to charge time to CI coordination grants is not always completely clear, although we accept that supporting arguments can be made.

Table 4.2. Coordination Unit Grants Awarded to October 2005 (\$US thousands)

Funding Region	CU	Coord. Grants	Implem. Grants to CU	All Grants To CU	Total Grants to CI where CI is CU	Other Grants to CI	Total Grants to CI*	All Hot Spot Grants to June 30, 2005	Spending Authority
Atlantic Forest Cape Floristic Region	CI	1,260	57	1,316	1,316	48	1,365	6,287	8,000
	Non CI	583	0	583	na	482	482	5,036	6,000

Caucasus	Non CI	2,470 ⁵	200	2,670	na	5	5	2,699	8,500
E. Himalayas Eastern Arc & Coastal Forests	Non CI	na	na	na	na	0	0	500	5,000
Guinean Forests	No CU	na	na	na	na	2,464	2,464	5,714	6,200
Madagascar Mountains of Southwest China	No CU	na	na	na	na	1,536	1,536	3,899	4,250
Northern Mesoamerica	CI	1,856	580	2,436	2,436	52	2,488	5,565	6,500
Southern Mesoamerica	CI	1,550	0	1,550	1,550	0	1,550	1,981	7,300
Succulent Karoo	CI	1,053	186	1,239	1,239	213	1,451	4,073	5,500
Sundaland	CI	615	506	1,121	1,121	82	1,203	3,628	8,000
The Philippines Tumbes-Chocó- Magdalena	CI	755	2,348	3,103	3,103	150	3,253	9,367	10,000
Tropical Andes	CI	400	2,706	3,105	3,105	219	3,325	6,068	7,000
		1,055	592	1,647	1,647	106	1,753	4,281	5,000
		904	1,689	2,593	2,593	na	2,593	4,859	6,150
		13,200	10,044	23,244	18,110	5,548	23,659	67,822	100,400

As CUs, both CI-Brazil and WWF Caucasus declined the opportunity to apply for further project implementation funds because of concerns that they would be perceived as competing unfairly with other local grantees (although WWF Caucasus did accept one further grant which was re-granted to a key regional body that was unable to apply). Such concerns do not appear to have been a major factor elsewhere.

We did not find anything “wrong” with the grants to CI, and we fully appreciate that excellent work and excellent people need adequate financial resources. However, many of these grants appear to be generous, and we are aware that some of them are only as “low” as they are after extensive negotiations between CEPF and CI staff. Although we agree with CEPF and CI management that the need for such extensive negotiations are less of a problem now than they were 3-4 years ago, even more transparency and more evidence that CI is genuinely competing with other NGOs, as required by CEPF’s Operating Manual, would go a long way to addressing these concerns.

It is important to note in examining Table 4.2 that coordination grants are usually awarded early in the 5-year funding cycle. The percentage of total grants awarded to the CUs is therefore higher during the early years of each program.

Performance of Coordination Units

The CU function is one of the most impressive aspects of CEPF. Management has recently recognized that the term ‘coordination unit’ tends to understate the contribution of the CUs. As a result, the title given to these strategic partners as well as their role is being re-examined, a step which we support.

The diverse range of strategic choices made in establishing the coordination units are a strong positive feature of CEPF. An overall picture emerges of a judicious and wise selection of coordination unit partners, with some early missed-steps corrected through an effective learning experience. Among the hotspots we have studied, the CU models in the Caucasus, China,

⁵ Includes \$1.2 million to be disbursed as a small grant program.

Sundaland, Southern Mesoamerica, Succulent Karoo and Cape Floristic Region all seem excellent, as do the separate Ecuador and Colombia programs in Tumbes-Chocó-Magdalena. There are also many positive indications regarding the CUs in the Atlantic Forest of Brazil and the Eastern Arc Mountains/Coastal Forest of East Africa, which are based on NGO alliances and consortia.

In the Tropical Andes, the CU grant to CI-Andes ended in mid-2003. Since then the Grant Director has very competently carried the grant-making and grant supervision responsibilities, with some support from the two CI offices in Peru and Bolivia, most notably negotiating matching arrangements with national environment funds in the two countries to make optimal use of the remaining CEPF funds and ensure continued support for civil society projects in the Vilcabamba-Amboró corridor. Yet the lack of a functioning CU has nonetheless had consequences for on-the-ground project monitoring and made it difficult to consolidate the gains and momentum of completed CEPF grants and related initiatives in the Vilcabamba-Amboró Corridor.

CEPF operates without a CU in Madagascar and in the Guinea Forest. In Madagascar, early attempts to establish a consortium among a small group of international NGOs, including CI, were unsuccessful and the decision was made to manage the program directly from Washington, where the personal effectiveness of the Grant Director and Grant Manager have been significant factors in enabling this unusual arrangement to work reasonably well in practice. This program works very closely CI at a national level, is indistinguishable from CI to most national stakeholders and has granted CI over \$1.5 million (including \$271,000 for a small grants program for local groups). While most of the resources have been granted to the local programs of international NGOs, in some cases for re-granting to smaller organizations, this CEPF program has made progress in supporting and building capacity among national organizations and Malagasy conservation professionals, in contrast with almost all other donor-supported programs in Madagascar. While Association Fanamby, one of the five Malagasy NGOs supported by CEPF, is highly regarded and appeared to be to be doing good work, the fact that the director is the son of the CI Regional Director does expose these grants to criticism.

Management of Coordination Units

Each CU has specific deliverables articulated in their approved log frames, regular required quarterly financial and semi-annual programmatic reporting, and routine visits from the relevant grant director.

With a relatively decentralized program operating in so many contexts, it is inevitable that there is variation in the effectiveness of the CUs. While the overall picture is very positive, there are cases where individual CUs are struggling with one or more issues, including project portfolios that lack strategic direction, loss of impetus, problematic relations with CEPF Washington, and so on. Some of the early arrangements did not work particularly well and had to be adjusted, notably in Tropical Andes and the Philippines. The coordination grant for Northern Mesoamerica was suspended during the evaluation for delays in start-up, delivery and staff recruitment as well as some use of CEPF resources for non-CEPF purposes.

CUs for hotspots that include multiple countries face a considerably more complex set of challenges in making sure that their regional portfolios are appropriately integrated. Among the regions visited, multi-country CUs have made a promising start in the Caucasus and worked extremely well in Southern Mesoamerica, but not as well in Tumbes-Chocó-Magdalena where the CI-Colombia and CI-Ecuador programs until very recently operated almost completely independently from one another. This is due in part to the complex geopolitical situation in the border regions of the two countries, but also to a lack of clarity on how the bi-national CU would

operate, including coordination between the two CI country programs, the regional CI Center for Biodiversity and CEPF in Washington, DC. However, the CU has just begun a second phase with a renewed commitment to improved bi-national coordination, communications, and strategic planning and grant making.

As the number of active CEPF regions has increased, the management challenge of identifying, selecting, negotiating and monitoring an increasingly diverse range of coordination arrangements in some very diverse contexts has become considerable. The evaluation team considers that these tasks have been conducted with considerable skill and judgment by CEPF management. There appears to be clear evidence of a learning process as stronger institutional models have been introduced, with CEPF increasingly favoring multiple NGO partners to conduct the CU role jointly, largely inspired by the example of the Atlantic Forest and, subsequently, the Succulent Karoo and Eastern Arc/Coastal Forest.

As part of a strategic shift in programming, CI has started to establish regional Centers for Biodiversity Conservation. These are currently operating in Brazil and Guianas, the Andes, Madagascar and Melanesia, and are being established in the Philippines, Mexico and Central America, and China. The goal is to develop solid science based and regional portfolio of conservation outcomes (species, sites, and corridors) delivered via alliances and partnerships, with some resemblance to the CEPF model. Each Center consists of a regional director plus staff with thematic expertise (e.g., policy, protected areas, species, biological monitoring, conservation economics) based in different countries in the hotspot. Even though difficulties have been encountered with the CU arrangement with the Centers for Biodiversity Conservation in Northern Mesoamerica, the evaluation team considers that these Centers should continue to be considered as a potential part of CU arrangements.

One aspect of the CEPF-CU relationship does need increased attention. Relatively large multi-regional grants are necessarily negotiated in Washington, then passed down to the regional programs. In several cases, we have observed lesser integration between these projects and rest of the respective hotspot portfolios. In some of these cases, the projects appear to have been selected because they represent extremely good cofinancing opportunities and the chance to work directly with major private sector donors. However, more effort is required to ensure the CUs and their local grant selection committees participate adequately in the decision-making process for these grants, and to ensure that the CUs gain a better understanding of their supervision and monitoring responsibilities for such projects.

Other new initiatives emanating from Washington and developed in close cooperation with the CUs have been extremely important, especially in support of efforts to secure sustainable financing. Significant progress has been made towards supporting the establishment of potentially vital trust funds for protected area management in both the Caucasus and Madagascar. If consummated, these would each be remarkable breakthroughs. The proposed tri-national fund in the Caucasus could make important contributions to regional peace building, while sustainable conservation financing in Madagascar is a goal that has eluded previous donor funding efforts over a long period of time.

While a certain amount of variety among the specific CU arrangements is to be expected, there is a lack of consistency when it comes to project monitoring. Some CUs understand this is their role, they have resources allocated and they carry out the role diligently. Others are still developing monitoring plans while some do not yet seem to have a coherent monitoring program. This should be standardized as a priority.

The long-term institutional sustainability of the CUs does need to be considered. For example, it has proven difficult to consolidate CEPF's gains in the Tropical Andes without an active

coordination unit, and the CUs are obviously vital in most other regions. Consideration needs to be given to the type of longer-term CU arrangement that would be considered financially viable, ideally involving a greater proportion of the funding gradually going to local and national as opposed to international NGOs.

5: Performance Monitoring

The performance of CEPF can be assessed at the level of individual grants, at the level of hotspot grant portfolios and at a global level. This chapter discusses how CEPF has approached performance monitoring, how the approach has evolved with experience and the information that was available to assess performance during the evaluation. The main emphasis here is on the monitoring and performance of the grant portfolios at a hotspot or ecosystem level.

Monitoring Framework

The Ecosystem Profile for each hotspot includes a logical framework for CEPF's five-year investment, as required by the Operations Manual. These log frames are included in each Ecosystem Profile package approved by the Donor Council but are not included when the Profiles are posted to the CEPF web site. The more recent log frames include specific conservation outcomes or targets in terms of priority species, sites and corridors. These log frames are intended to provide the basis of a systematic method of measuring progress at the portfolio or ecosystem level.

Each project is required to explain how it fits into one of the Strategic Directions identified in the Ecosystem Profile, as discussed in Chapters 2 and 3. Each project must also use a log frame to show how the goals and purpose of the proposed activities relate to the Strategic Directions, Investment Priorities and outcomes for the hotspot. This log frame, from which smaller projects are exempt, is used as a performance-tracking tool that requires the grantee to set quarterly targets for each indicator of project outputs. In principle this provides a link between goals and progress made at the project and at the portfolio level.

CEPF does not regularly assess or report progress against the ecosystem-level log frame goals and indicators. CEPF does plan to compile a formal report on progress against the log frame for each funding region at the close of the initial five-year funding period. The initial five-year investment period for the first three CEPF regions ended in December 2005 (Tropical Andes, Madagascar and the Guinean Forests).

In 2003 CEPF initiated midterm portfolio reviews to assess progress and impacts and derive lessons that could be incorporated into future management of the grant portfolios. Three reviews were carried out: in the Cape Floristic Region, Madagascar and Tropical Andes. While these provided some useful information, they were not deemed sufficiently valuable by CEPF management to be continued or to be retained as part of the regular performance monitoring program.

Starting in 2005, Portfolio Overviews have been prepared for each of the hotspots. These overviews were prepared by the Grant Directors in collaboration with the Coordination Units. They usefully describe the highlights and achievements of CEPF grants and essentially "tell the story" of the impacts CEPF has had, although in an anecdotal fashion that emphasizes successes rather than providing a balanced analysis.

CEPF also submits quarterly reports to the donors that highlight new grants in each hotspot and describe significant developments related to earlier grants.

Evaluation Approach

This was the information available as the evaluation began. Following the field visits, it became apparent that the coordination units, while doing extremely good work as described in Chapter 4, were not focused on analyzing their overall grant portfolio performance. The CUs were proactive in either carrying out or encouraging a broad range of promising civil society activities in biodiversity conservation that in virtually all cases appeared to fit together into a convincing portfolio. Furthermore, exceptional work has been done in communications, to disseminate among interested stakeholders what CEPF was doing and to highlight opportunities for new partners and grantees, but the overall impacts of the portfolios and progress towards the conservation outcomes had not been systematically compiled and assessed.

Naturally the evaluation team formed our own opinions on the progress made by the portfolios as a whole and, as this report continually emphasizes, it became clear that throughout its focal regions CEPF is doing excellent work that stands out in comparison with any other conservation programs we are aware of. Even though less than half of the grant funds have been disbursed and several of the hotspots only became operational during the last 2-3 years, it is evident that considerable progress has been made.

Following consultations on preliminary findings from the evaluation team, CEPF management launched an intensive effort among staff and partners that led to the production of a document entitled “CEPF Progress and Impact Reporting for Five Selected Regions” (included as Annex 2). The five regions, all selected by the evaluation team, were the Brazil Atlantic Forest, Madagascar, Sundaland, Southern Mesoamerica and Tropical Andes. The main criteria for selection were: (i) these were mainly areas visited by the evaluation team (only Brazil was not); (ii) that CEPF had been active in the hotspot for at least four years, leading to an expectation of relatively significant progress; and (iii) that at least one hotspot from each major continent was included.

As agreed with the evaluation team, for each hotspot this report includes the targeted conservation outcomes included in the Ecosystem Profile log frame and then documents progress to date, using the specified indicators where applicable. In some cases, the information presented is quantitative, for example in the size of areas protected, while in other cases progress is described in qualitative terms. Naturally much of the progress that is being made is literally work-in-process. Progress is being reported against 1-5 year goals as well as goals of 5-10 years or longer periods.

The evaluation team has carefully reviewed these progress and impact reports. With the exception of Brazil, which was not visited and is therefore more difficult to assess, there do not appear to be any significant inconsistencies with the findings of our field visits. These recently-prepared progress and impact reports are heavily oriented towards the establishment and strengthening of protected areas and do not capture much of the impressive work that is being done in other arenas, as discussed in Chapter 3. However, these reports do represent a useful starting point for assessing progress in those areas where it can most easily be measured, i.e., in relation to protected areas. Progress made throughout the CEPF program in establishing new or expanded protected areas is summarized in Table 5.1.

Assessing Performance

The CEPF approach to performance monitoring has evolved and improved since the program was launched in 2000, and it is recognized by the organization that the achievement of a satisfactory monitoring approach is a work in process. As explained in the following section, monitoring performance of biodiversity conservation projects at a portfolio level is an extremely difficult undertaking; both CEPF and CI deserve considerable credit for taking this challenge on as seriously as they have.

The work completed thus far demonstrates that CEPF does have the capacity to systematically measure performance at a hotspot level, but this information is not being generated through the existing monitoring and evaluation system. Instead, a special effort had to be made to collect and compile this information from project reports and the observations of the Grant Directors and CUs. One constraint of the current approach is that although the project log frames play an important part in ensuring that planned projects are consistent with the strategic directions of the Ecosystem Profiles at the project selection and approval stage, the reporting of progress through the project log frames during and after implementation is not being aggregated to provide larger-scale performance indicators and impacts.

Portfolio-level performance monitoring requires a somewhat different approach, which CEPF has begun developing through the Grant Directors overviews as well as the more recent reports on progress and impacts, although this still has considerable potential for improvement. A priority for the next phase of operations will be to build on this work, in two specific directions. First, both the Grant Directors and CUs need to be more involved in portfolio performance reporting on a regular basis, internalizing this as a standard management procedure. Second, the use of conservation outcomes as long-term operational targets should be complemented by the development and adoption of socio-economic, political and civil society measures and indicators that will provide more feedback on CEPF's interim progress towards these outcomes through its grant-support projects.

Most conservation outcomes are largely unattainable within a five year period. Effective management of protected areas and especially large corridors must continue indefinitely as there are always new threats and conflicts. Active civil society involvement in governance is essential for equitable and transparent decision-making and accountability, even though conservation outcomes may not be these organizations' immediate or major priority. Therefore, to improve performance and evaluation, targeted conservation outcomes require an explicit subset of short-term benchmarks and targets that can track progress towards the species, site and corridors outcomes. While aiming for these long-term conservation outcomes, the process and implementation of CEPF grants generates considerable socio-economic, governance, livelihood and related impacts that are not effectively captured to date in the current performance and evaluation framework.

Further observations on portfolio monitoring are as follows:

- The more recent CEPF programs have done good work in incorporating conservation outcome approaches that establish ecological baselines and clear and transparent grant making priorities, with strong technical support from CI/CABS.
- The quality of the Ecosystem Profile log frames was initially low. The contents were often superficial and showed some confusion between activities and outputs. The quality has generally improved over time but is still not one of the stronger aspects of the overall CEPF approach.
- Lessons learned are not emerging at the portfolio level, probably because of the general lack of emphasis on portfolio-level performance reporting and because of reluctance to acknowledge or document problems and difficulties, even if these eventually became important learning experiences that have led to a stronger program.
- The three midterm reviews conducted in 2003 were very general, covered known ground and did not contribute significantly as a management tool. There is little sign that the findings

influenced the future direction of the portfolios concerned, and the decision not to continue these appears sound.

- An emphasis on planning and grant making rather than portfolio and project performance monitoring and reporting, plus the absence of a clear strategy for ongoing or ex post monitoring, seems likely to make it difficult to assess whether gains have been sustained after CEPF funding ends.

Challenges to Performance Measurement

There are several reasons why comprehensive performance measurement at a portfolio level should not be expected at this stage:

- No conservation program to our knowledge has yet developed and applied a practical set of indicators that can provide convincing measures of intermediate progress towards biodiversity conservation at a portfolio level, and not many have done it even at a project level. Several of the international conservation NGOs, including CI, have begun collaborating on efforts to develop improved tools for measuring progress (a very positive development after considerable investments by each of these organizations in developing their own approaches), although this work is still at a relatively early stage. The GEF has invested billions of dollars in biodiversity conservation over almost 15 years, much of this through World Bank, without either of these organizations yet being able to unambiguously document concrete conservation success at a national or multinational level. Even in the hotspots, the cumulative GEF/World Bank investments in biodiversity, almost entirely through national governments, have been an order of magnitude larger than those of CEPF.
- Conserving biodiversity is an unusually challenging endeavor that requires a broad range of large scale changes in the behavior of individuals, communities, firms and governments, with the impacts of these changes often difficult to measure and almost impossible to aggregate. This measurement difficulty is compounded by the need for continual action. Despite the worthy use of targets to plan and guide programs, only very rarely can biodiversity conservation be expected to reach some state where it can be described as having been achieved. Species, sites and ecosystems are constantly subject to natural or human-induced changes that threaten their continued existence and virtually no protected areas in a developing country can realistically be described as secure, let alone the vast mixed-use areas outside that are essential for effective biodiversity conservation. In this sense the achievement of biodiversity conservation is both as worthy and as imminent as the eradication of poverty, although measuring progress in conservation may be harder. The task of conserving biodiversity in the hotspots will not be “completed” in 5, 10 or 50 years, and progress towards identified goals cannot easily be expressed in terms of percentage completion, as would apply to infrastructure development or a single development target like literacy. As a result, while a strong dose of optimism linked to positive communications is needed and justified, considerable care and realism is needed when translating this optimism into ambitious targets against which conservation programs are to be evaluated.
- CEPF is explicitly emphasizing support for civil society, which is a more subtle, longer-term type of intervention than many other conservation programs are attempting. Changes in the capacities and actions of civil society organizations are extraordinarily difficult to measure and rarely lead to instant gratification. After wrestling with these issues since 1992, the GEF Small Grants Program – with its 12 years experience in over 70 countries and a \$75 million annual budget – has recently concluded that the long-term indirect impacts of its civil society grants may be considerably more important than the immediate, direct impacts, as discussed

in Chapter 3. To give an example, who can estimate what it will take for the emerging NGO movement in China to reach a critical mass and pass a tipping point where it becomes a major influence on environmental governance, but surely there can be no doubt about the value of trying; what a bargain it would prove if some tangible progress could indeed be made through CEPF's impressive local staff and a modest investment of several million dollars over a decade. Impacts along the way could be described, but how could these be measured? In Madagascar, decades of conservation investments had remarkably failed to build the capacity of national NGOs. Now CEPF and its partners have made considerable investments in training, hiring and supporting national and national civil society organizations (mainly through some rather large grants to international NGOs) that can be expected to produce, for the first time, a generation of home-grown environmental leaders. The potential value or impact of these initiatives are hard to measure and assess as short-term investments.

- CEPF is still a very new program in conservation terms. None of the grant programs have been active for five years: three have been active for 4.5 years, seven for 3-4 years and five for less than 2.5 years. In practice, we have not observed that the longest-established CEPF hotspots have necessarily delivered the most value, although we have observed that lessons from these original programs have been effectively applied in the more recent ones. If the CEPF investments are compared with previous conservation investments in some of the hotspots, a pattern starts to emerge. In Sundaland for example, official donors and international NGOs had been investing hundreds of millions of dollars for more than a decade, with relatively little tangible achievements until recently. As CEPF began, many of these donors had significantly reduced conservation funding during a critical transition of Indonesian decentralization that shifted major responsibilities onto its under-equipped local governments. Four years later, CEPF has contributed to enhanced integrated efforts and a growing conviction among local organizations that significant change is possible through innovative alliances. The beginnings of similar shifts can also be detected in the Cape Floristic Region and the Succulent Karoo – both explicitly 20-year programs, and in Madagascar, Northern and Southern Mesoamerica, and Tumbes-Chocó-Magdalena.
- CEPF is addressing large scale issues with its partners and has a budget that is only generous by previous NGO conservation standards. Expectations on what can be achieved at the hotspot level within relatively brief periods should therefore be kept within modest bounds, despite the relentlessly success-driven discourse of the conservation and development communities. It is extremely difficult to determine how specific investments or projects of CEPF affect long term conservation outcomes in a corridor, protected area, nation or region because such outcomes are usually the result of efforts of numerous government agencies, communities, NGOs and donors over an extended period and are not easily attributed to a specific short-term investment by one program. With CEPF support, CI may well have played a significant role in convincing the President of Madagascar to commit to a radical expansion and upgrade of his country's protected area network, changes that will require considerable time, resources and political will to implement. In the long term, this may prove a pivotal transition point in Malagasy conservation and an extremely good investment of CEPF resources, but how can that impact be measured now? These kinds of investments are not easily planned and assessed with log frames. Similar questions can be asked about the value of CEPF's excellent work, again with partners, in supporting the establishment of a multi-country trust fund in the Caucasus that would be a truly pioneering cooperation between Armenia, Azerbaijan and Georgia, or about CEPF's strategic participation in multi-stakeholder alliances and partnerships in Southern and Northern Mesoamerica that have been critical for the expansion and consolidation of protected areas, often spanning two or more countries.

- Unless national governments, local authorities, land owners and those with resource access rights take steps to effectively protect certain areas and to implement policies that promote sustainable development, then longer term conservation goals are unlikely to be realized. Even working through civil society, changing the way governments do business is critical to conservation success. This kind of concrete progress will take time. Particularly promising progress has been made in the Atlantic Forest, Cape Floristic Region, Succulent Karoo, Southern Mesoamerica and Sundaland through governmental and private sector collaborations with civil society and NGOs. Among the newer CEPF programs such as China, the Caucasus and Northern Mesoamerica, the strategic orientation of the grant portfolio, the excellence of the CEPF staff and partners, as well as the pioneering, if very small-scale, activities of emerging civil society grantees all look promising, even if the gains seem fairly fragile at this early stage.
- An overemphasis on generating short-term (e.g., less than 10 year) conservation successes on a broad front can be hazardous insofar it tends to constrain risk and innovation, and restrict the freedom needed to explore more risky undertakings or those requiring more time. A variety of credible stakeholders interviewed during this evaluation are also concerned that the pressure from the prevalent level of expectations to achieve short-term success in conservation is resulting in some overoptimistic reporting of gains in protected area management. We see no sign of CEPF or CI being particularly susceptible to this trend, but there is a continuing need to emphasize more balanced analyses of successes as well as failures based on solid science, together with clear documented evidence of learning from experience among conservation organizations.
- We endorse the observation from the mid-term evaluation that a great deal of emphasis is being placed upon defining outcomes and measuring progress to achieve them. While CEPF funding and the activities of individual grantees may contribute to the conservation of a given ecoregion or corridor in the long run, drawing a causal connection between their specific actions and the ultimate preservation or degradation of the ecoregion will be difficult, at best. The definition of outcomes and indicators of progress is a very useful and necessary exercise that should be used to refine approaches, but not to lay claim to victories that may only be attributable to multiple causes.

Project Monitoring

CEPF requires its grantees to complete routine project performance monitoring reports during implementation and appears to have been diligent in ensuring that these are submitted by grantees, with some allowances for the kinds of delays that smaller organizations often experience in responding to such requests. These reports are structured so that updates are required on each major output defined in the original project log frame each quarter.

Several issues were encountered in connection with project monitoring:

- Monitoring in the form of site visits by the CUs appears inconsistent across the hotspots. The CUs do not perceive their performance monitoring roles clearly, mainly emphasizing conservation actions and management of grant funds. The overall responsibility for project monitoring as a support function as well as monitoring of progress towards outcomes does not seem consistently clear. Some CUs are in regular contact with their grantees and routinely visit their project sites, such as Southern Mesoamerica and Sundaland which regularly visit and monitor at least 90% of CEPF projects and partners as well as providing technical assistance and mentoring, while others have little contact. Most CUs have assumed that project monitoring is within their terms of reference even if CEPF in Washington has not

insisted upon this, while other CUs either consider that they have minimal responsibility for project monitoring or that additional resources would be required to do this (e.g., both hotspots in Southern Africa). In Madagascar, where there is no CU, and Tropical Andes, where the CU grant has expired, while monitoring and visits by the Grant Directors are much appreciated and valued, it was clear that CEPF partners and processes initiated by CEPF would benefit from more frequent direct contact with CEPF.

- The role and responsibilities of the Grant Directors in monitoring and evaluation of projects and portfolios was also unclear. In many regions, the Grant Directors review and sign off on grantee financial and progress reports, taking corrective measures as necessary, but routine project progress monitoring and site visits are primarily the responsibility of CUs. Several smaller grantees in different hotspots indicated that they would benefit from more regular monitoring visits to help them address project implementation issues. On the other hand, some grantees reported that they appreciated not being overburdened by onerous reporting obligations. A balance needs to be found that ensures that those who will benefit most from more hands-on monitoring are given that support.
- CEPF requires grantees to use Grantwriter, a grant application system, to prepare and submit proposals. An online system, Grant Tracker, tracks the progress of applications, and then records financial and progress reporting and disbursements once grants are approved. There is no comparable system for monitoring and evaluation, however, and no automatic or other compilation of project site visit observations or the progress reported by individual projects against the targeted outputs at the portfolio level. The viability of developing and introducing an integrated monitoring and evaluation system should be assessed. Particularly interesting projects that could inform such a process include the participatory, community-based monitoring work in Southern Mesoamerica and the proposal to articulate community-level monitoring with corridor-level biological monitoring and modeling in Tumbes-Chocó-Magdalena.
- Many grantees experienced difficulty in preparing log frames, as discussed in Chapter 3. These difficulties often extended into performance reporting, with grantees feeling they were locked into inflexible indicators that did not capture the essence of what they were actually doing. While it is difficult to come up with general solutions to such issues, there does seem to be a need to revisit the process of designing log frames and indicators for projects, especially the smaller projects that exceed the \$20,000 log frame requirement limit. What seems to be missing are the tools to report against what CEPF actually tries to do, i.e., change the civil society landscape to enable progress towards conservation outcomes.
- The process and responsibility for monitoring the performance of the relatively large multi-regional grants (Chapter 3) and coordination grants (Chapter 4) was not consistently clear and there was confusion among the CUs on how this should be addressed. The level and type of monitoring appropriate for projects of different sizes with different types of grantees should be carefully assessed.
- Impressive biological monitoring projects are being supported by CEPF grants in most of the hotspots, mainly directed towards refining conservation outcomes. This is important for the overall CEPF mission and should be continued, although the results of these projects should be tied back more clearly to the rest of the grant portfolio and contribute to overall performance monitoring.
- Since many of the most important impacts of CEPF projects are likely to occur some time after the projects themselves are completed, CEPF should systematically keep track of and

maintain contact with its grantees. This would also have additional benefits in providing an expanding network and environmental constituency within each hotspot. Eventually, a sample of ex-post project evaluations may be useful to understand the results and impacts of grant-supported activities completed some years previously. This would contribute to the general understanding of the sustainability of CEPF grants to civil society.

- On the completion of projects, a succinct summary of achievements against objectives should not only be made available, but compiled and aggregated as a contribution to the assessment of portfolio-level performance.

Future Priorities

The CEPF performance to date at a portfolio level is generally very impressive, although this needs to be appreciated more in terms of building a foundation than having achieving concrete results that have had a material impact on the most significant threats to biodiversity. While worthy efforts have been made, the overall efforts to monitor impacts and progress have not been particularly convincing so far; however, they are at least as good as any comparable program we are aware of and are much better than most. It should be stressed that the groundwork has been laid to move forward and make pioneering progress in the next phase. Care needs to be taken, however, not to try to impose such a monitoring structure that is so rigid as to inhibit the vital innovation constantly needed to push the boundaries of current approaches.

As the hotspot programs mature, the Grant Directors and CUs should increasingly dedicate themselves to performance monitoring and evaluation. CEPF has demonstrated through its responses to requests by the evaluation team that it does have the capacity and information to generate regular progress reports on portfolio performance. This should be addressed early in the next phase.

CEPF plans to conduct successive performance assessments of each of the hotspots as their initial five year investment periods are completed, starting early in 2006. This is an important opportunity that will probably require considerable resources and it needs to be planned and implemented with considerable care if it is to prove of significant value to the program. Some of the key issues that should be taken into account are:

- Connecting such assessments to any updates of the Ecosystem Profiles in funding regions where CEPF plans to re-invest.
- Linking these reviews with the development and testing of new performance monitoring methodologies and systems, including indicators to reflect the nature of and changes induced in civil society to complement the conservation outcomes.
- Ensuring that portfolio-level lessons are identified and disseminated.
- Ensuring the reviews are participatory by involving grantees and other partners, while recognizing that this will considerably increase the complexity and length of time required for these exercises.
- Exploring opportunities for cross-learning between portfolios, by involving staff and partners from other hotspots.

These issues suggest a strategic and programmatic approach is needed to the successive hotspot performance assessments that should constitute a major activity of the second five years for CEPF.

Table 5.1. New or expanded protected areas

Total hectares: 7.4 million

- **Atlantic Forest:** 59 hectares
 - 59 hectares: 3 Private Natural Heritage Reserves created by landowners and declared by government as part of Brazil's national protected area system
- **Cape Floristic Region:** 13,721 hectares
 - 2.5 hectares: Tokai Forest, a core Cape Flats Flora Conservation Site, expanded from 1 hectare to 3.5 hectares.
 - 13,719 hectares: Baviaanskloof Mega-reserve expanded from 213,937 to 227,656 hectares.
- **Guinean Forests of West Africa (Upper Guinean Forest):** 86,268 hectares
 - 72,700 hectares: Sapo National Park expanded from 107,3000 to 180,000 hectares
 - 13,568 hectares: Nimba Nature Reserve declared out of the former Nimba East National Forest.
- **Madagascar:** 72,000 hectares
 - 72,000 hectares: Loky-Manambato Forest Station, encompassing the Daraina main forests and immediate neighboring areas, designated
- **Mesoamerica:** 60,000 hectares
 - 60,000 hectares: Maquenque National Wildlife Reserve declared
- **Mountains of Southwest China:** 40,000 hectares
 - 40,000 hectares: Two new protected areas established in Sichuan
- **Philippines:** 320,939 hectares
 - 206,875 hectares: Quirino Protected Landscape declared
 - 113,972 hectares: Peñablanca Protected Landscape and Seascape expanded from 4,136 hectares to 118,108 hectares
 - 32 hectares: Wildlife Sanctuary established in San Mariano, Isabela.
 - 60 hectares: in the Municipality of Puerto Princesa, Palawan
- **Succulent Karoo:** 2.63 million hectares
 - 2.6 million hectares: Sperrgebiet National Park declared
 - 30,000 hectares: Namaqua National Park expanded
- **Sundaland (Sumatra):** 186,576 hectares
 - 108,000 hectares: Batang Gadis National Park declared
 - 38,576 hectares: Tesso Nilo National Park declared
 - 40,000 hectares: Adat managed forests in Seulawah receive protection and serve as model for adat/community-based resources/forest management in Aceh
- **Tropical Andes (Vilcabamba-Amboro Corridor):** 3,994,736 hectares
 - 183,000 hectares: Manu National Park expanded to 1.7 million hectares
 - 402,336 hectares: Amarakaeri Communal Reserve declared
 - 2.7 million hectares: Alto Purus Restricted Zone declared
 - 709,400: Ashaninka and Matsiguenga Communal Reserves and the Oitishi National Park created, providing new levels of protection to the former Apurimac Restricted Zone
- **Tumbes-Chocó Magdalena (Chocó-Manabí Corridor):** 34,800 hectares
 - 4,600 hectares: El Pangan Bird Reserve declared
 - 2,200 hectares: Declaration of the Civil Society Reserve connecting Tatamá National Park and Serranía de los Paraguas (composed of the El Cairo, El Águila and San José del Palmar Municipalities in Colombia)
 - 7,000 hectares: Great Chachi Reserve established in the buffer zone of Cotacachi Cayapas Ecological Reserve, Ecuador.

- 11,000 hectares: Awacachi Biological Corridor established connecting the Cotacachi Cayapas Ecological Reserve with the Awá Indigenous Territories in Ecuador.
- 10,000 hectares: Added to the Munchique-Pinche Biological and Multicultural Corridor, which connects Munchique National Park with Serranía del Pinche.

CEPF investments have also helped prompt governments to make important commitments to create new protected areas. These include, for example:

- 142,000 hectares in the Caucasus Hotspot:
 - 10,000 hectares: Arevik National Park, Armenia
 - 10,000 hectares: Zangezour Nature Reserve, Armenia
 - 50,000 hectares: Tlyratinsky Nature Reserve (based on an existing sanctuary) Russia
 - 12,000 hectares: Expansion of Borjomi-Kharagauli National Park, Georgia
 - 60,000 hectares: Expansion of Erzi Strict Nature Reserve, Russia
 - 4.3 million hectares: tripling the protected area network in Madagascar from 1.7 million hectares to 6 million hectares. The protection of Daraina forest (detailed above) was the first step toward implementing this commitment.
-

6: Relationship with Conservation International

Conservation International's multi-faceted relationship with CEPF includes the following elements, which together provide very substantial benefits to CEPF:

- CI co-initiated, co-launched, administers and manages CEPF on behalf of the donor partners.
- The CI Board of Directors has fiduciary responsibility for CEPF, including responsibility for CEPF's audited financial statements.
- The CI Center for Applied Biodiversity Science provided scientific and technical support to the Ecosystem Profiles and the development of conservation outcomes.
- Several CI country offices or regional Centers for Biodiversity Conservation serve as local coordination units for CEPF implementation.
- CI country programs implement projects with CEPF grants
- CI provides management, administrative, legal and information technology services to CEPF.
- CI committed \$25 million to CEPF as an initial investment
- Two CI funds, the Global Conservation Fund and Verde Ventures, as well as CI country programs have provided funding for grant applicants that CEPF was unable to support and have co-financed certain CEPF grants (Annex 4).

This chapter focuses on the overall financial flows between CI and CEPF, then comments on the difficulties that have arisen as a result of CI's dual role as manager of a grant fund while competing with other grantees for the same funds. Finally, options for adjusting the relationship are assessed.

Financial Flows between Conservation International and CEPF

CI committed \$25 million to the first 5 years of CEPF in common with each of the other donors. CI had received a total of \$29.7 million from CEPF through June 30, 2005, for Ecosystem Profile preparation (\$3.8 million), grants awarded (\$20.8 million) and management fees (\$5.2 million). Although some of these financial flows are relatively complex, they appear to have been reported transparently.

Management Fees

The purpose of the management fees is to allow CI to recover an equitable share of its own indirect costs that can be attributed to support for CEPF. CI's calculation of indirect costs includes its administration, human resources, finance, information technology, legal and communications functions in Washington, DC (Annex 5).

The management fee paid by CEPF to CI consists of 24% of CEPF's own operational costs (primarily CEPF management and staff in Washington, D.C.), plus 24% of the ecosystem profile preparation costs, plus 13% of the grants to CI for CEPF coordination and project implementation (detailed in Annex 6). These calculations are consistent with the provisions of the Financing Agreement. In addition, grants to all NGOs, including CI, for coordination and implementation within the hotspots include the NGO grantee's local management costs, either as a percentage or on a specific line-item basis.

Funding Model Projections⁶

⁶ This section draws from an analysis prepared by CEPF at the request of the evaluation team. CEPF refers to the management fees paid to CI as 'indirect recovery'.

The current CEPF funding model spans 10 years (from FY 2001 to FY 2010) and assumes that CEPF achieves the target of a \$150 million grant fund. To date, CEPF has secured \$125 million in commitments and is negotiating with a sixth partner to meet the original \$150 million funding goal. This model assumes no refinancing but is useful in demonstrating the timing of the financial flows based on existing donor commitments to the CEPF start-up phase.

This model allocates the \$150 million fund in four categories (Figure 6.1):

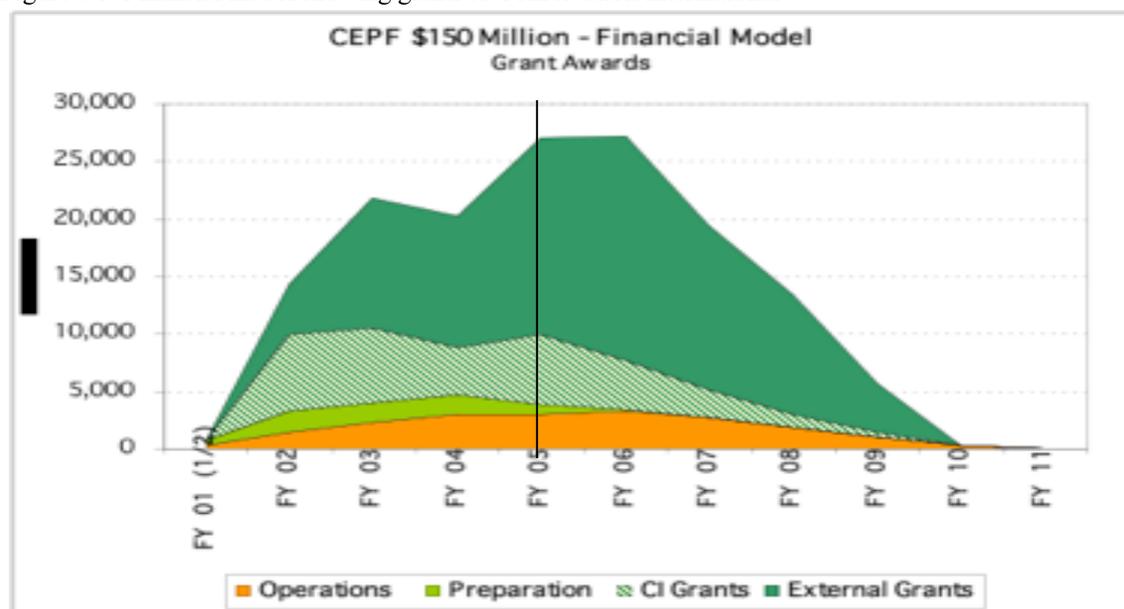
- Grant Funds: \$124.5 million (both to CI and to external grantees)
- Business Development and Management (Operations): \$15.4 million (net of indirect, i.e., excluding management fees)
- Ecosystem Profile Preparation and associated stakeholder processes (Preparation): \$5.2 million (net of indirect)
- Management Fee (Indirect) on Operations and Preparation: \$4.8 million

Table 6.1 summarizes the total CEPF funding received by CI to June 30, 2005 and the total amount expected to be received based on the model, while Figure 6.1 illustrates the actual and projected trends in CI grant awards relative to total grants, preparation costs (also largely paid to CI) and CEPF operations. Grants awarded to CI through June 30, 2005 amounted to \$23.4 million including management fees or 35% of the total grant funding (versus the limit of 50% set by the Donor Council). As the model shows, the funding for CI grants is expected to decline in later years while preparation fees have already peaked. Management fees on both of these categories will also therefore decline. The model projects final cumulative CI grants of about \$31.5 million or 25% of the \$124.5 million total grant funds.

Table 6.1 Estimates of total CEPF payments to Conservation International (\$US thousands)

Category	Actual FY 01-05	Projected FY 06-10	Total
Grants awarded, excluding management fee	20,758	7,119	27,877
Ecosystem Profile Preparation Services by CI, excluding management fee	3,772	110	3,882
Management fees	5,190	3,253	8,443
Total	29,720	10,482	40,202

Figure 6.1. Financial model showing grants to Conservation International



Grants to Conservation International

CI has received significant CEPF grants both for local coordination and for project implementation (Table 6.2). These grants are also discussed in Chapter 4, which should be considered in conjunction with the observations made here.

CI has been awarded total grants amounting to \$6.6 million in the three initial CEPF hotspots (Madagascar, Guinean Forests and Tropical Andes). Apart from these, the largest support has gone to the three single-country programs in East Asia: China, Sundaland (Indonesia) and Philippines, which have been awarded a combined \$9.0 million. CI did not receive more than \$2 million in any single region apart from these.

The evaluation has found that CI has generally done very effective, high quality work with the grants it has received from CEPF. This includes impressive leadership as the local coordination unit in more than half of the CEPF hotspots as well as the design and implementation of numerous convincing projects, as documented elsewhere in this report. Local coordination work has gone beyond the effective management of grant making programs to develop strong, promising portfolios of vertically-integrated conservation activities reaching from the grassroots level to national policies and international collaboration, all based on the development and encouragement of a variety of innovative partnership arrangements. There is no doubt that CI country and regional programs have played a full and constructive role in helping CEPF to make a strong start.

A key issue is what CI (and the other NGOs awarded significant CEPF grants) would have done in the absence of their CEPF grants, and this question was examined in each region studied by the evaluation team. The results were generally very clear. CEPF has not been paying for “business as usual” and simply providing funds that substitute for CI (or other NGO) funding. Rather, the activities carried out by CI with CEPF support have either initiated or substantially accelerated the overall conservation effort within each of the hotspots by consistently emphasizing the effective mobilization of civil society and working through partnerships. Even while recognizing

that this is a process that is only a few years old, the significant potential and early impact of these approaches was emphasized consistently by a diverse range of stakeholders and observers.

Table 6.2 Grant data (\$ thousands)

Funding Region	Coordination Unit	Total Grants to CI ⁷	All Hotspot Grants to June 30, 2005	% to CI	Spending Authority	Grants/ Authority to June 30, 2005
Atlantic Forest	CI	1,365	6,287	22	8,000	79%
Cape Floristic Region	Non CI	482	5,036	10	6,000	84%
Caucasus	Non CI	5	2,699	0	8,500	32%
Eastern Arc & Coastal Forests	Non CI	191	3,865	5	7,000	55%
Eastern Himalayas	Non CI	0	500	0	5,000	10%
Guinean Forests	No CU	2,464	5,714	43	6,200	92%
Madagascar	No CU	1,536	3,899	39	4,250	92%
Mountains of Southwest China	CI	2,488	5,565	45	6,500	86%
Northern Mesoamerica	CI	1,550 ⁸	1,981	78	7,300	27%
Southern Mesoamerica	CI	1,367	4,073	36	5,500	74%
Succulent Karoo	CI	1,203	3,628	33	8,000	45%
Sundaland	CI	3,253	9,367	35	10,000	94%
The Philippines	CI	3,207	6,068	55	7,000	87%
Tropical Andes	CI	2,593	4,859	54	6,150	79%
Tumbes-Chocó-Magdalena	CI	1,753	4,281	41	5,000	86%
		23,457	67,822	35	100,400	

CI's Center for Applied Biodiversity Science has also been an important resource for CEPF, providing and helping implement the scientific methodology underpinning the more recent ecosystem profiles, supporting the development of biological monitoring systems, and analyzing CEPF's contributions to poverty mitigation. Although staffed by very capable people, CEPF does not have the technical resources to carry out this type of work itself. In future it would be advisable to explore whether at least some equivalent services could be provided more cost effectively by national and regional scientific and cartographic institutions.

The experiences with CEPF may have contributed to easing a significant transition taking place within CI, particularly linked to CEPF's focus on re-granting and partnership building. CI has grown very rapidly for a conservation organization and has mobilized considerable resources. This has led the organization to assess whether it should concentrate mainly on developing its own conservation field programs operated by its own staff, or whether it should move towards a management model that is based more on science, policy and strategic interventions that involve re-granting significant resources to local, national and international partners. CI's Board recently decided that 50% of resources should be re-granted by 2012 and the organization is going through the process of realigning itself towards this model, which seems to reflect some of the key characteristics of CEPF.

The Evolving Relationship

⁷ Including management fees

⁸ This coordination grant was suspended during the evaluation, see Chapter 4.

CI's dual role as manager of the grants program and as a potential grantee presents a potential conflict of interest. Recognizing this issue, CEPF grants to CI are regulated by two key requirements:

1. The CEPF Financing Agreement specifies that “whenever CI considers that it has a comparative advantage in carrying out project activities under a specific Ecosystem Profile, CI will identify such activities at a programmatic level and disclose them within the budget for specific approval by the Donor Council. The amount of funding to be allocated to activities in this manner will not exceed fifty percent (50%) of the relevant budget categories, or as may be otherwise agreed by the Donor Council.”
2. The Operations Manual specifies “all proposals, whether from Conservation International or external groups, will be submitted to CEPF using the approved application forms and processes and will be subject to the same decision-making process, including programmatic and risk analysis.”

Start-Up Phase

As originally required by the Donor Council, the initial CEPF Spending Plan attached to the Financing Agreement included grants to CI that equaled 50% of the available resources of \$11.6 million allocated to the first three hotspots, without the projects concerned having been specified or developed in detail. According to the CEPF management response to the midterm evaluation, this “resulted in a perception of entitlement by CI programs and an uneven distribution of grant resources” at that time. With approval from the Donor Council, CEPF's policy was then modified to request that CI submit a description of their “intended role” in the regions where (a) CI operates and (b) where CI intends to apply for grants.

There was considerable pressure on CEPF staff to support funding for relatively large CI proposals, particularly during the first few years of CEPF. It was not at all clear how the principle that CI should follow the same application process as other potential grantees when seeking funding from CEPF, as required by the Operations Manual was being applied. These factors contributed to a widely-held perception that CI was being awarded significant CEPF grants without other options or considerations being fully explored, to the detriment of the overall program.

From CI's perspective, they were successfully engaging a range of new donors in supporting valuable conservation initiatives with an exciting new focus on civil society. Furthermore, CEPF had made a strategic decision to initiate work in areas where CI already had a strong presence and existing relationships to build upon, so it was unsurprising that their country and regional programs would lead the initial CEPF effort. However, this perception was not shared widely among the technical staff of donor partners, many external stakeholders or the broader conservation community.

These issues have received continual attention from the Donor Council, the CEPF Working Group and CEPF management, who have all worked hard to overcome the negative impacts of these early developments.

Related to these financial issues, technical staff of the donors (especially from GEF and World Bank) have consistently characterized their early experiences with CEPF in negative terms, reporting that their advice on Ecosystem Profile drafts was ignored and their role was a token one until they dropped out in frustration. There was a widespread view that CEPF grant funds would flow to CI almost regardless of other considerations and that CI/CEPF insisted on taking “too much” credit for program achievements at the expense of other donor partners. These factors led

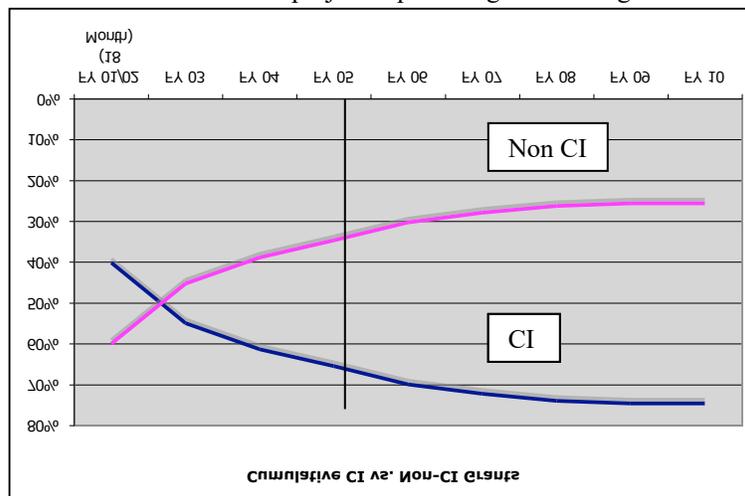
to CEPF starting out with an uneven reputation among some major constituent groups. Fortunately, virtually all of these people now appear genuinely willing to explore opportunities for future collaboration based on CEPF's subsequent achievements.

Subsequent Developments

Subsequent developments related to these issues were examined closely during the evaluation and some important trends became clear:

- The share of CEPF grants to CI fell from the initial 50% level to a cumulative 35% by June 30, 2005, and continues to decline. This trend is largely explained by CEPF expanding into new areas where CI does not have experience or a comparative advantage, and the consequent need to engage with and support new partners and Coordination Units (Figure 6.2).

Figure 6.2. Cumulative actual and projected percentage of CEPF grants awarded to CI



- The evaluation team has concluded that CI has generally done an excellent job with the funds it has received from CEPF. The coordination and project implementation services from CI regional programs and Centers for Biodiversity Conservation, the scientific and technical support from CABS, as well as the administrative, management and information technology services from CI's headquarters have all been of high quality and provided essential support to CEPF's civil society grant making. CI's role as coordination unit is discussed in Chapter 4.
- The size and justification for some of the early coordination and implementation grants to CI in Latin America and in parts of Asia have attracted criticism from local stakeholders as well as staff of both CI and CEPF, as discussed in Chapter 4. Many of these grants appear generous, and some would have been higher but for extensive negotiations between CEPF and CI staff. While the pressure on CEPF staff to support CI grant proposals as well as the expectation among CI staff that they should have priority access to CEPF funds has clearly reduced over time, it has not been eliminated.
- Grant proposals from CI are generally being subject to more rigorous examination than they were previously, sometimes leading to the rejection of CI proposals.

- In some hotspots it is difficult to assess whether certain program activities carried out by CI staff with CEPF grant support “should” have been paid for by CI or CEPF, with viable arguments on both sides.
- While CI has generally done an excellent job with the grant funds it has received, it would be hard to argue convincingly that CI has been treated like any other potential grantee, as required by the CEPF Operational Manual.
- All transactions and financial flows with CI appear to have been transparently reported, even though some of these are relatively complex.
- CI itself has recently committed to shifting towards a strategy of re-granting substantial proportions of its revenues to support strategic partnerships, rather than trying to “do it all” with their own field offices and personnel. This style of operating is much closer to the CEPF model, which gave CI one of its first experiences of an explicit focus on making grants to civil society with an emphasis on partnerships and alliances.

Despite these generally very positive developments, external perceptions continue to be negatively shaped by the earlier developments. Furthermore, the rules and disclosure requirements governing CEPF grants to CI have not so far overcome the potential conflict of interest when CI competes with other organizations for grants from a fund which it manages.

Options for Changing the Relationship

Our conclusion is that that a significant reorientation of the CEPF-CI relationship is needed, to set further limits and to further improve transparency. The result should be to strengthen the credibility of the arrangement in both reality and perception.

Major realignments in the CI-CEPF relationship were considered by the evaluation team, including making CEPF independent of CI or making CI ineligible for CEPF grants. However, such extreme measures do not appear necessary and it is evident that such changes would have an enormous negative impact on CEPF’s capacity to operate effectively and to continue developing the highly promising model that has emerged. Recommended steps are discussed in Chapter 8.

7: Governance and Complementarity with Donor Programs

The governance arrangements for CEPF are defined in the Financing Agreement and Memorandum of Understanding between the donor organizations signed in 2000 and amended in 2003.

Donor Council

CEPF is under the supervision of a Donor Council with the following powers and duties:

- Providing general guidance to CI on the operations of the Fund
- Reviewing and approving: Annual Spending Plans; the priority list of Ecosystems Profiles to be prepared; proposed Ecosystem Profiles; amendments to the Operational Manual; and procurement procedures.
- Creating and approving the conditions for new donors
- Reviewing and approving the fund-raising strategy
- Electing the chairperson of the Donor Council

The Donor Council membership reflects the current donors (i.e., CI, GEF, Government of Japan, MacArthur Foundation and World Bank) and has generally met twice a year. So far the World Bank President has filled the role of chairperson.

A main finding of this evaluation is that CEPF is doing valuable and effective work that supports the goals of the donor organizations and complements their own operations in geographic and thematic areas and on scales where they do not find it easy to work themselves. This is a significant achievement of the Donor Council. We concur overall with the mid-term evaluation in its view that the Donor Council has played an active role in accordance with its assigned role. The guidance and oversight provided by the Donor Council with the support of the Working Group appears to have been effective and timely, and the Donor Council has played an active role in fundraising.

The diversity in organizations represented is a major strength of the Donor Council. The combined knowledge and experience of these organizations, all of which except the Government of Japan are represented by their president or chief executive officer, represent an extraordinary resource for CEPF.

We have noted some uncertainty over the exact role of the Donor Council itself in supervising and being responsible for CEPF-funded activities in the context of CI's fiduciary role, the supervision responsibility of CI's Board of Directors and the World Bank's oversight role. There may be benefits from revisiting and clarifying these respective roles.

CEPF Working Group

The Donor Council established a permanent Working Group in December 2000 to facilitate coordination and communication between the donor partners and CEPF staff and to provide technical review and guidance on behalf of the partners. Technical staff from each of the participating organizations sit on this Working Group along with key CEPF staff and the CEPF Executive Director (who continues to report to the Donor Council). These Working Group members also act as advisors to their respective Donor Council representatives

Again we concur with the mid-term evaluation that the Working Group has played an active role in several of the improvements to CEPF and provided useful input and guidance to the CEPF on important issues, including playing an active role in reviewing Ecosystem Profiles. Working

Group members have also participated in supervision visits to CEPF field operations. The Working Group members' continuing efforts to catalyze or facilitate operational collaboration between their own organizations and CEPF are essential, as discussed below.

CEPF Management

Conservation International is responsible for CEPF administration and financial management. CI has a fiduciary responsibility to ensure that projects and other activities are financed and carried out in accordance with the guidance of the Donor Council and the Operational Manual. Compliance with the World Bank's Safeguard Policies and GEF's Operational Policies are also emphasized. The CEPF Financing Agreement specifies CI's responsibility for preparing and securing the approval of Ecosystems Profiles and for identifying, preparing, appraising, selecting and supervising projects and activities carried out under each of the approved Profiles.

CI houses CEPF management and staff within its own headquarters. CEPF is an autonomous division within CI, led by an Executive Director who is also a CI Senior Vice President. CEPF staff work closely with the CI hotspot programs, including both the country programs and the regional Centers for Biodiversity Conservation, while technical support is received from CI's Center for Applied Biodiversity Science.

CEPF management maintains a considerable degree of independence within CI, although the relationship is complex and takes different forms depending on which individuals or regional programs are involved. Within the CI organization, the CEPF Executive Director reports to the CI Executive Vice President for Programs and Science who in turn reports to both the CI President and the Chief Executive Officer. The CEPF Executive Director's operational equivalent within CI is the Senior Vice President of the Regional Programs Division, who also reports to the Executive Vice President for Programs and Science.

We concur with the mid-term evaluation that strong and responsive CEPF leadership and management has very ably guided the program through its start-up phase and expansion into 16 hotspots while helping the organization evolve in response to changing needs. Strong, strategic decision making informed by earlier experiences have been particularly evident.

Management Team

Within CEPF, the management team reporting to the Executive Director consists of three staff groups: external affairs; finance and information; and grant programs. Grants programs are led by a senior managing director overseeing five regional grant director positions and a grants management unit, which provides initial monitoring of required reports, handles financial transfers, and maintain data entry to the CEPF information system. The grants management unit establishes and enforces consistent policies and procedures, provides internal legal review for grants under \$250,000, and supports both the grant directors and the CUs in resolving contracting and compliance issues.

Each Grant Director is responsible for a small group of hotspot programs (the Africa Grant Director is also supported by a Grant Manager). All CEPF staff have been based in Washington with the exception of one former Grant Director who was based for a few years in Rio de Janeiro and another recently relocated in Massachusetts.

The Grant Director's role includes supervising all aspects of grant making to ensure that the Ecosystem Profiles for their hotspots are fully implemented. This includes responsibility for supervising the Coordination Units, building alliances among CEPF grantees, communications,

and leveraging CEPF grants with other donors. All CEPF grants require approval in Washington (with the exception of those made by small grant funds) and, in the case of larger grants, the Grant Directors are also usually involved in direct negotiations with grantees on the substantive content, delivery mechanism and budget of proposed projects. This is a significant set of responsibilities and these positions are highly demanding.

The precise nature of the Grant Director-CU relationship varies with the locations and the personalities involved and a certain amount of adaptation is required on both sides for the effective and efficient interactions which were evident in most regions. While the quality of work and leadership being provided by the Grant Directors has generally been of a very high quality, there appear to be a few cases where there is a duplication of effort with the Coordination Units. This raises the question of whether both Grant Directors and Coordination Units are essential throughout the program on a long-term basis, or whether it will become possible to reduce these levels of management.

Decentralization

The evaluation team was initially concerned at the number of layers of management between the donors and the ultimate grantees, particularly as approval in Washington is required for all grants (except for those within local re-granting programs). Having now interacted with the Grant Directors and the Coordination Units in several locations, it is evident that both have played a very important role during the CEPF start-up phase. However, there appear to be opportunities to gradually decentralize responsibilities to at least some of the Coordination Units once they have become well established, successfully carried out initial rounds of grant making and demonstrated the capacity to take on additional responsibilities. This would seem consistent with CEPF's commitment to promoting broad participation in decision making and to promote national program ownership.

As a counter-argument, some of the CUs report that they appreciate having an approval process above them as this makes it easier for them to explain rejection of a grant from a local organization that CEPF cannot support. While this is a valid argument, especially in early rounds of grant making which tend to attract many more ineligible proposals, it does not seem a sufficient reason to avoid decentralizing authority and responsibility.

As capacity builds in the regions, CEPF should seek opportunities to decentralize decision making from Washington to the Coordination Units. As capacity building efforts among local civil society organizations start to pay dividends, it should also be possible to devolve at least some of the CUs responsibilities to local NGOs, for example as intermediaries between the CUs and the least experienced or most geographically remote grantees. The expanded use of local advisory committees and expert panels to guide grant making would be an important element of such decentralization. Grant Directors will almost certainly continue to be needed in the start-up phase of new hotspot programs.

As noted in the mid-term evaluation, this issue "...is complicated by the arm-length relationship that CEPF seeks to maintain when it comes to funding CI programs in participating regions, and also by the confusion that still exists among outsiders about the role that CI itself plays in the CEPF grant making process. If responsibilities for grant-making are to be decentralized further to the field, the lines between CI and the CEPF funding process must be drawn ever more clearly and the autonomy of the CEPF Coordinating Unit made crystal clear."

Complementarity with Donor Priorities and Activities

This section considers two principal questions regarding CEPF and its donor partners:

1. Is CEPF providing strategic value to the donors in areas which they cannot address as effectively themselves? In summary, our view is that for GEF, World Bank and the Government of Japan, the answer to this is clearly yes. To the MacArthur Foundation the answer is also yes, although the issues are more complex.
2. Are opportunities for collaboration between the donors and CEPF being fully exploited? For all of the donors, the answer seems to be that the opportunities for collaboration are probably even greater now than they were when CEPF began, but that so far these opportunities have hardly begun to be exploited. There are specific opportunities for more effective information exchange and operational collaboration between CEPF and each of the MacArthur Foundation, World Bank and GEF (the latter primarily through the GEF Small Grants Programme).

Some of the value-adding features of CEPF apply to most of the donors. As an investment, CEPF provides the World Bank, the Government of Japan and GEF with a relatively agile, flexible and fast-moving funding mechanism that supports civil society organizations in areas of global biodiversity significance by disbursing funds in smaller amounts than these organizations are generally comfortable dealing with. CEPF's effective emphasis on employing good science, engaging stakeholders, building local capacities, mainstreaming biodiversity and harmonizing donor investments in biodiversity is also of considerable strategic value to these same organizations. CEPF's activities are also consistent with and supportive of the poverty mitigation focus of both World Bank and the Government of Japan. It is difficult to envision how any of the donor organizations could deliver a comparable program more cost-effectively themselves. The extent to which MacArthur Foundation derives comparable benefits is considered later in this chapter. For all of these donors, CEPF appears to be an effective and well-leveraged investment.

World Bank

World Bank finance and procurement staff were actively involved in the development of CEPF's management systems, grant-making procedures and operational manual. Serious efforts were also made to ensure that CEPF staff and principal partners understood and had the capacity to follow the Bank's Safeguard Policies. Being able to rely on the Bank's diligence in these areas appears to have encouraged at least some other donor partners to participate.

As CEPF was being established, the potential for operational collaboration with the World Bank was highlighted as one of the key opportunities provided by CEPF's innovative donor partnership. It was argued that CEPF could provide important lessons in biodiversity strategic planning (based on CI's scientific expertise) and that CEPF's grassroots conservation and civil society programs would inform and influence the Bank's broader-scale project and policy work. Operational collaboration between CEPF and World Bank projects was anticipated, even if the means of facilitating this were not specified. There was also an expectation that CEPF's experiences could encourage further internalization or mainstreaming of biodiversity conservation experiences within the Bank that could in turn be translated into dialogues with governments on policy reforms and other measures that could support CEPF's own biodiversity conservation goals.

In terms of the *potential* for collaboration, many of these arguments appear as valid today as they were 4-5 years ago, even if the expectation that CEPF would significantly affect World Bank operations should probably be scaled back. The potential for collaboration appears much greater today, because CEPF has started to accumulate a series of convincing field programs and can share knowledge about what it is doing and has learnt, not just about what it aims to do.

Potential aside, however, to date there has been very little effective operational collaboration between the World Bank and CEPF. While information has flowed between CEPF and the World Bank at the level of senior management and through the Donor Council and Working Group, genuine cooperation or operational interactions at the field level have been few and far between. One notable exception is the excellent collaboration in the Cape Floristic Region, where CEPF, Bank and GEF supported programs have all complemented one another, thereby demonstrating what is possible.

Knowledge or awareness of CEPF programs within World Bank is very limited, even within the Bank's Country Offices in the hotspot regions where CEPF is active. Some Bank technical staff were alienated early in the process of CEPF's establishment, when they saw little sign that their technical inputs and suggestions were being taken seriously, and became convinced that significant CEPF resources would flow to CI regardless of other considerations. Nevertheless, these same Bank staff now appear willing to build bridges with CEPF, and some have very recently started to do so.

World Bank and CEPF held a series of regional workshops in 2005 to share information and experiences, but these came too late to have a significant impact on the initial phase of CEPF operations. These regional workshops did identify some promising leads for future collaboration that are now being followed up in a few countries, notably in the Philippines. But it was clear from the relative lack of regional participation and discussions at these workshops that Bank country offices do not feel "ownership" of CEPF and often have no knowledge of CEPF activities being undertaken in their countries. For example, CEPF resources for Sumatra are \$10 million yet Bank country staff are unfamiliar with the activities being supported by CEPF or opportunities for synergies with other Bank-funded activities, even when both are contributing to the tsunami relief effort in Aceh. An equivalent \$10m GEF project would certainly have attracted more attention. The perception is that the CEPF is a CI program and not part of the Bank's country program. Consequently, the Bank and CI are missing opportunities to build linkages and better synergies and to strengthen CEPF's impact. Closer integration with Bank programs would also respond to the recommendations of a recent, high-level evaluation of the Bank's numerous global programs, including CEPF, by the Bank's Operations Evaluation Department (OED).

While the CEPF Working Group members should continue to encourage and facilitate operational collaboration, it will probably only become effective with more attention to communications within CEPF's hotspot regions. Several starting points can be considered. The senior managers of CEPF's Coordination Units should be encouraged to establish regular information exchanges with the Bank's relevant country operations, with facilitation if needed from the Bank's Environment Department. Linkages could be strengthened by actively involve regional Bank staff in CEPF planning workshops and project supervision so that Bank country offices take more ownership. Another entry point could be through the Bank's community-driven development (CDD) projects, especially those that include small grant mechanisms.

Other potential areas for building more effective collaboration between CEPF and World Bank staff include:

- Updating and further development of the Ecosystem Profiles as a useful planning tool for donor coordination.
- Information sharing during the identification and preparation phase of World Bank projects with civil society or biodiversity components in overlapping geographic areas.
- Policy dialogues with governments and regional bodies to seek opportunities to improve the enabling environment for biodiversity conservation, and to highlight linkages between biodiversity conservation, economic growth and poverty mitigation.

- Exchanges of information on planned infrastructure developments that could pose potential threats to biodiversity conservation.

Global Environment Facility

Some of the points made regarding World Bank are also applicable to GEF, particularly given the GEF's relative importance in financing World Bank biodiversity projects. CEPF also offers the opportunity to demonstrate regional, multi-country initiatives which have not always been easy for GEF to deliver convincingly.

From the GEF perspective, global benefits arise from the increased national and local capacity to manage and deliver small conservation initiatives in an efficient and effective manner to strategically integrate biodiversity conservation into development and landscape planning across the hotspots. CEPF's strategic interventions based on a common and agreed strategic framework are expected to lead to generation, adoption, adaptation, and application of lessons related to biodiversity conservation for more effective implementation and improved biodiversity outcomes, relevant both to the CEPF but also to the broader GEF biodiversity portfolio.

As with the World Bank, GEF supports most of its programs through governments. GEF does, however, have two funding windows providing resources directly to NGOs that can usefully be compared and contrasted with CEPF: the GEF Small Grants Program (SGP), a corporate GEF program managed by UNDP; and GEF Medium-Sized Projects (MSPs).

GEF Small Grant Program

The SGP operates in 80 developing countries and has disbursed over \$175 million in grants averaging \$20,000 to more than 5,000 projects since 1992. The maximum grant size for small NGOs is \$50,000. At the national level, SGP is led by a National Coordinator with strategic guidance from a voluntary National Steering Committee composed of senior representatives from NGOs, government agencies, academic and research institutions, donors and other stakeholders. The global program is managed by a staff of nine in New York. SGP receives logistical services from the UN Office for Project Services and program support from UNDP Country Offices. Each National Coordinator works with potential NGO partners to develop project concepts into project proposals for presentation to the National Steering Committee, and actively supervises project implementation, monitoring and evaluation. Over 50% of the grants have been for biodiversity conservation, and the grantees have ranged from emerging community groups to national NGOs. SGP is widely regarded as one of the most successful GEF initiatives.

So far there have been surprisingly few interactions between CEPF and SGP, although SGP management did participate in some of the early CEPF consultations with the GEF. CEPF and SGP Ecuador discussed the possibility of co-managing a small grants program in the Chocó-Manabí Corridor (Tumbes-Chocó-Magdalena), but Southern Mesoamerica appears to be the only region where CEPF and SGP have an active partnership, having collaborated on at least five projects in Costa Rica. Apart from the obvious overlaps of interest in making civil society grants to conserve biodiversity, there are some important distinctions and complements in the operational models of CEPF and SGP which could provide the basis for exploring collaboration options:

- While SGP grants are generally limited to \$50,000 and are often closer to \$20,000 or less, CEPF can make both small and larger grants to achieve an integrated portfolio.
- While SGP primarily works in single countries, it has recently gained experience in supporting transboundary conservation projects involving two or more countries, thereby sharing at least some elements of CEPF's regional approach.

- SGP grant eligibility criteria are not identical to those of CEPF and there may be opportunities to refer viable funding opportunities to one another.
- SGP has considerable experience in supporting relatively long-term small projects that mobilize civil society while linking community development and alternative livelihood programs with conservation.
- SGP has permanent in-country institutional links to its often-influential National Steering Committee and to the UNDP Country Offices, both of which have extensive experience of participating in national policy dialogues and could be useful CEPF allies.

Medium-Sized Grants

MSPs are a special category of GEF project with a total budget of up to \$1 million. In contrast to “full-size” GEF projects with funding going almost exclusively through governments, a wider range of stakeholders are eligible, including NGOs, research organizations and regional bodies. While MSPs have not proven to be as fast moving and flexible as originally anticipated, they have represented an important opportunity for NGOs to access GEF resources and resulted in some very highly-regarded projects. In some cases MSPs have been used to scale up promising smaller initiatives, while some successful MSPs have in turn been scaled up to larger projects supported by GEF or other donors. There may be opportunities to scale up promising CEPF grants with MSPs.

Significance of CEPF for GEF

The recent adoption of the Resource Allocation Framework (RAF) is expected to significantly change the nature of GEF operations, although it is too early to predict the impact of these changes. Funding for biodiversity will certainly be concentrated in fewer countries. Recipient governments will, for the first time, be allocated multi-year funding ceilings that may make some of them reluctant to share resources with NGOs (this was not an issue pre-RAF). As a result, there may be an overall and possibly dramatic reduction in GEF funding to NGOs under RAF as well as fewer opportunities for MSPs to be developed. Meanwhile, pressure has been building on SGP to ‘graduate’ some its most successful, well-established programs, which may also disrupt the flow of funds to NGOs already making key contributions to biodiversity conservation in the hotspots. These factors suggest that CEPF is unlikely to decline in terms of its relative importance to GEF as an NGO funding delivery mechanism, and may represent an increasingly valuable opportunity to support civil society with an approach that complements but certainly does not duplicate SGP.

John D. and Catherine T. MacArthur Foundation

The Foundation’s Conservation and Sustainable Development Program focuses on the problems of endangered tropical ecosystems. The geographic areas where the Foundation works are chosen for their richness of species diversity, endemism, limited institutional capacity and levels of threat. The geographic areas currently supported by both the Foundation and CEPF are limited to the Tropical Andes and Madagascar, soon to be joined by the Eastern Himalaya. Elsewhere, CEPF works in the Upper Guinean Forest while MacArthur was previously in the Lower Guinean Forest, and there may be future overlaps in Choco and in Melanesia. MacArthur has granted about \$8.5 million in Madagascar since 1986 and about \$26 million in the northern and southern Andes since 1989 (CEPF operates only in the southern Andes). Grant making in the Guinean Forest so far has been \$3.1 million in 2000 and 2001. MacArthur has discontinued grant making in the Philippines and Sundaland.

Given MacArthur Foundation's close thematic and geographic overlaps with CEPF it is important to ascertain whether there are inefficiencies due to both programs making similar investments. While the evaluation team has not studied MacArthur's grant portfolio in detail, our strong impression is that the grants made by the Foundation and CEPF complement one another. We noted a few examples of sequential funding to the same grantees, usually where a pioneering, earlier grant from MacArthur was consolidated or expanded by a subsequent CEPF grant. The Caucasus Regional Council for Biodiversity Conservation and Sustainable Resource Use is a good example. While there may be a few examples of similarities and overlaps, we are not aware of any clear examples of redundancies. Nor would we expect to find any, as both the Foundation and CEPF are still relatively modest players in terms of financial contribution in their common hotspots, and where the conservation resources these two are bringing to bear are small relative to the scale of the challenges they are confronting.

We have noted some key differences between CEPF programs and the Foundation's model of grant making. First, the Foundation does not have an on-the-ground presence corresponding to CEPF's coordination units. As noted in Chapter 4, while these CUs have not worked perfectly in all locations, we consider that these institutional arrangements – combined with the scientific inputs of CI's Center for Applied Biodiversity Science – are one of the strongest and most impressive features of the initial phase of CEPF. Second, the Foundation has gradually moved towards larger grants than previously, and supports few projects corresponding to CEPF's smallest grants to emerging civil society organizations; CEPF, as a result, generally supports projects across a broader range of size scales than the Foundation.

We understand that the Foundation would have liked to have seen tighter coordination and more evidence of fruitful collaboration between CEPF and World Bank (and perhaps GEF), thereby increasing the value of their own investment. As noted above, while such coordination has not been exploited so far, there appear to be solid reasons for expecting it to become more effective and to generate tangible results in the future.

The Foundation bases its planning upon an internal strategic planning document known as a 'working drawing', which bears some comparison to CEPF's Ecosystem Profile. The Foundation understandably does not share this document with potential grantees, and CI is a prospective (and actual) grantee. CEPF staff are therefore unable to review MacArthur's grant making plans. If the Foundation could find a way to share elements of its strategy while still meeting the needs of its own internal policies, the potential for collaborating with CEPF could well be enhanced.

While recent staff contacts between the organizations have been productive, some of the Foundation's staff have been doubtful about CEPF. At a site-specific level, there are continuing debates about the effectiveness and sustainability of CEPF's Tropical Andes program. The other major site where MacArthur operates that was visited by the evaluation team was Madagascar, where CEPF has an excellent program that has demonstrated innovative and productive approaches. We were given confidential access to MacArthur's strategic plan (its 'working drawing') for Madagascar grant making and we saw no obvious signs of redundancy, while opportunities for greater collaboration are more clearly evident among the wealth of priority conservation sites and desperate need for local capacity building. Both the Foundation and CEPF offer a refreshingly innovative approach to conservation funding in Madagascar in contrast to the much larger official donor investments that have had mixed results over the last two decades.

Government of Japan

The Government of Japan appears to value its investment in CEPF for many of the same reasons as the World Bank and GEF. The Japanese Ministry of Finance has also been particularly

concerned that CEPF grant programs demonstrate a positive contribution to poverty mitigation, an issue that is addressed specifically in Chapter 3.

8: Conclusions and Recommendations

Overview

The overall objective of CEPF is to provide strategic assistance to civil society organizations for biodiversity conservation in geographic areas where biodiversity is both concentrated and threatened. Since launching in 2000, CEPF has progressively established active grant making programs in 16 biodiversity hotspots covering 34 countries.

The three original donor partners, CI, GEF and World Bank, were joined by the MacArthur Foundation in 2001 and the Government of Japan in 2002, and these donors are all represented on the Donor Council that supervises CEPF. Each of these donors committed \$25 million for 5 years, generating overall funding of \$125 million, while negotiations have recently taken place with potential new donors. Additional funding in excess of \$100 million has been leveraged from existing grants.

Grants for biodiversity conservation to over 500 civil society organizations with a total value of \$68 million had been committed by June 30, 2005, of which \$47 million had been disbursed from an overall grant making budget of \$100 million. About 15% of CEPF's grant funds support the activities of local Coordination Units in each hotspot, a role generally played by one or more well-established NGOs. Other major CEPF expenditure categories include the preparation of Ecosystem Profiles (\$6.4 million through June 30, 2005), and operational and management costs (\$9.9 million).

CEPF is managed as a semi-autonomous unit within CI, which is also CEPF's single largest grantee. CI provides a variety of coordination, implementation, scientific and administrative services to CEPF at both headquarters and field levels. The CI Board of Directors has fiduciary responsibility for CEPF. Grants to CI through June 30, 2005 amounted to \$23.5 million or 35% of total CEPF grants. Total payments to CI for grants, Ecosystem Profile preparation services and management fees amounted to \$29.7 million through June 30, 2005.

Even though CEPF has completed five years of operations, the program is still developing. Slightly less than half of the available grant funds had been received by grantees when this evaluation began, while projects amounting to slightly less than \$20 million or 20% of the total grant funds had actually been completed. Of the 15 active grant making programs, three had been active for 4.5 years, seven for 3-4 years and five for less than 2.5 years.

Overall Findings

CEPF has made strong progress overall during its first five years. While achieving gains in biodiversity conservation within hotspot regions is a long-term challenge, a solid foundation has been laid for the future. The overall performance from a global perspective has been excellent, even though there is some variation in the performance of individual hotspot programs.

Particularly significant progress has been made in the following areas:

- A coherent planning process to guide grant making at the hotspot level has been developed and applied. The Ecosystem Profile methodology has improved significantly over the life of CEPF after a variable start, with strong scientific support from CI. The more recent Profiles have included thorough analyses of threats and opportunities, identified the key elements of an ecological baseline for measuring progress, and provided clear strategic directions to guide grant making. The later Profiles have been strengthened by broader and more effective stakeholder consultations. In some cases the Profiles have been used successfully to

encourage the participation of other donors and coordinate the resulting additional investments.

- The hotspot grant portfolios are well aligned with the strategic priorities set out in the Ecosystem Profiles, most of which are expressed in fairly general terms. The portfolios typically consist of a few relatively large grants for program coordination and leadership, several medium-sized grants to relatively capable national and international NGOs for strategic, high-priority projects, and a larger number of smaller grants (many under \$20,000) to emerging civil society organizations carrying out an impressive range of grassroots activities, some of which are thematically clustered. While the aggregate early gains from such diverse initiatives are difficult to assess, the overall picture that emerges is that the projects fit together in a coherent way and that most of the hotspot portfolios are well integrated and of significant strategic value for biodiversity conservation. While individual projects were not a primary focus of the evaluation, design and implementation generally appears to be sound.
- The characteristics and capacity of the civil society constituency being supported by CEPF vary significantly between the hotspot regions, with the result that the term ‘civil society’ embraces a very broad range of organizations. The evaluation field visits provided ample evidence that the CEPF model is sufficiently flexible to effectively identify and support a range of civil society organizations of different types in varying contexts. Few of these grantees, particularly the less experienced emerging organizations, have access to alternative sources of funding.
- The most significant *direct* impacts from grant making to civil society have been: (i) capacity building among local and national conservation NGOs; (ii) contributions to extending and strengthening protected area networks; (iii) broadening environmental awareness through effective communications; (iv) enabling local, national and international partnerships to support biodiversity conservation; (v) effective advocacy by grantee organizations in connection with infrastructure and other development projects; and (vi) contributions to sustainable financing for conservation. The portfolios also contain a significant number of projects that combine community development and livelihood opportunities with biodiversity conservation, thereby contributing to poverty mitigation.
- Significant *indirect* impacts should also result from grants, notably when a particular approach tested or demonstrated successfully by a CEPF project is replicated or scaled up. Other indirect impacts can be expected to include: (i) policy changes by governments or new approaches by donors inspired by grantees; (ii) NGO grantees going on to more influential activities as a result of capacity building and experience gained during a CEPF project; (iii) local communities initiating new environmentally-friendly activities or obtaining services or action from government as a result of increased self reliance and organizational skills acquired during a CEPF project; (iv) institutional project partners such as research institutions, local governments and national environmental funds adopting CEPF approaches and introducing them to larger communities. Some of these benefits may not become evident until several years after the activity that stimulated them and are difficult, if not impossible to measure. That does not diminish their value, however.
- The Coordination Units, CEPF’s representatives and grant managers on the ground, have provided high quality local program implementation services. The Coordination Units have effectively identified and supported emerging civil society organizations, especially those with little previous proposal development or project management experience, many of which are scattered widely in remote locations. CI provides the Coordination Unit at 9 of the 15

hotspot programs, although 4 of the last 5 programs activated have drawn on other NGOs in an impressively diverse range of local institutional arrangements. Although these arrangements have not been problem free, they have worked very well overall.

- With roles that go well beyond grant program administration, the Coordination Units have emerged as one of the key strengths of CEPF. With support from CEPF in Washington, these Units have been particularly effective in linking smaller grassroots activities, larger projects, policy initiatives, international collaboration, sustainable financing and other key elements of comprehensive, vertically-integrated conservation portfolios. The CUs have been particularly adept at pursuing constructive partnerships with governments – in some cases multiple governments – while simultaneously supporting civil society organizations which sometimes have uneasy relations with their governments as a result of their conservation advocacy activities. The label of Coordination Unit does not do justice to the contribution of these key strategic partners.

Performance Measurement

The approach to performance monitoring has evolved and improved since CEPF was launched in 2000 and it is a continuing work in process. CEPF is addressing large scale issues with its partners and has a budget that is only generous by previous NGO conservation standards. Expectations on what can be achieved at the hotspot level within short time periods should therefore be kept within modest bounds, despite the relentlessly success-driven discourse of the conservation and development communities.

It is extremely difficult to determine how specific investments or projects of CEPF affect long term conservation outcomes in a corridor, protected area, nation or region because such outcomes are usually the result of efforts of numerous government agencies, communities, NGOs and donors over an extended period and are not easily attributed to a specific short-term investment by one program. An overemphasis on generating short-term (e.g., less than 10 year) conservation successes on a broad front can be hazardous insofar it tends to constrain risk and innovation, and restrict the freedom needed to explore more risky undertakings or those requiring more time.

CEPF does not regularly assess or report progress at a hotspot level against either the conservation outcomes or the other goals identified in the log frames within each of the ecosystem profiles. While the CUs have done very good work, they have not focused on analyzing the overall performance of their hotspot grant portfolios. Exceptional work has been done in communications, but the overall impacts of the portfolios and progress towards the conservation outcomes had not been systematically compiled and assessed. CEPF does plan to compile a formal report on progress against the log frames for each funding region at the close of the initial five-year funding period, starting early in 2006.

Most conservation outcomes are unattainable within a five year period. Effective management of protected areas and especially large corridors must continue indefinitely as there will always be new threats and conflicts. Active civil society involvement in governance is essential for equitable and transparent decision-making and accountability, even though conservation outcomes may not be these organizations' immediate or major priority. Therefore, to improve performance and evaluation, targeted conservation outcomes require an explicit subset of short-term benchmarks and targets that can track progress towards the species, site and corridors outcomes. While aiming for these long-term conservation outcomes, the process and implementation of CEPF grants generates considerable socio-economic, governance, livelihood and related impacts that are not effectively captured in the current performance and evaluation framework.

Monitoring in the form of site visits by the CUs appears inconsistent across the hotspots. The CUs do not perceive their performance monitoring roles clearly, mainly emphasizing conservation actions and management of grant funds. The overall responsibility for project monitoring as a support function as well as monitoring of progress towards outcomes requires further clarification. While CEPF has developed impressive grant management and grant application software, there is no comparable system for monitoring and evaluation, and no automatic or other compilation of project site visit observations or the progress reported by individual projects against the targeted outputs at the portfolio level. The viability of developing and introducing an integrated monitoring and evaluation system should be assessed. Care needs to be taken, however, not to impose a monitoring structure that is so rigid as to inhibit the vital innovation needed to push the boundaries of current approaches.

Relationship with Conservation International

The relationship with CI provides substantial benefits to CEPF. CI co-initiated, launched and manages CEPF, its Board of Directors has fiduciary responsibility for CEPF, its Center for Applied Biodiversity Science provides technical services, and several of its regional programs and Centers for Biodiversity Conservation are local coordinators for CEPF. CI also provides a range of management, administrative and information technology services in addition to having committed \$25 million to CEPF as an initial investment. Two CI funds, the Global Conservation Fund and Verde Ventures, as well as CI country programs have provided funding for grant applicants that CEPF was unable to support and have co-financed certain CEPF grants. CI therefore has an extremely close relationship with CEPF on several different fronts.

Start-Up Phase

CI's dual role as manager of the grants program and as a potential grantee presents a potential conflict of interest. CI is the largest grantee of CEPF and by June 2005 had received a total of \$29 million in hotspot coordination grants, project implementation grants and management fees. Recognizing this issue, CEPF's Financing Agreement limits grants to CI to 50% of the total available, with specific Donor Council approval, and the CEPF Operations Manual requires all grant proposals, whether from CI or from external groups, to be subject to the same decision-making process.

As originally required by the CEPF Donor Council, the initial CEPF Spending Plan attached to the Financing Agreement in 2000 included grants to CI that equaled 50% of the available resources of \$11.6 million allocated to the first three hotspots, without the projects concerned having been specified or developed in detail. Subsequently, there was considerable pressure on CEPF staff to support funding for relatively large CI proposals, particularly during the first few years of CEPF. Although the pre-allocation requirement was subsequently changed by the Donor Council in 2001 at the request of CEPF management, these factors contributed to a widely-held perception that CI was being awarded significant CEPF grants without other options or considerations being fully explored, to the detriment of the overall program.

From CI's perspective, they were successfully engaging a range of new donors in supporting valuable conservation initiatives with an exciting new focus on civil society. CEPF had made a strategic decision to begin work in areas where CI already had a strong presence and existing relationships to build upon, so it was not surprising that their country and regional programs would lead the initial CEPF effort. However, this interpretation was not shared widely among the technical staff of donor partners, many external stakeholders or the broader conservation community.

These issues have received continual attention from the Donor Council, the CEPF Working Group and CEPF management, who have all worked hard to overcome the negative impacts of these early developments.

Recent Developments

Subsequent developments related to these issues were examined closely during the evaluation and some important trends became clear:

- The share of CEPF grants to CI fell from the initial 50% level to a cumulative 35% by June 30, 2005, and continues to decline. This trend is largely explained by CEPF expanding into new areas where CI does not have experience or a comparative advantage, and the consequent need to engage with and support new partners and Coordination Units.
- The evaluation team has concluded that CI has generally done an excellent job with the funds it has received from CEPF. The coordination and project implementation services from CI regional programs and Centers for Biodiversity Conservation, the scientific and technical support from the Center for Applied Biodiversity Science, as well as the administrative, management and information technology services from CI's headquarters have all been of high quality and have provided essential support to CEPF's civil society grant making.
- All transactions and financial flows with CI appear to have been transparently reported, even though some of these are relatively complex.
- The pressure on CEPF staff to support CI grant proposals as well as the expectation among CI staff that they should have priority access to CEPF funds has clearly reduced over time, although it has not been eliminated.
- While CI has generally done an excellent job with the grant funds it has received, it would be hard to argue convincingly that CI has been treated like any other potential grantee, as required by the CEPF Operational Manual.
- In some hotspots it is difficult to assess whether certain program activities carried out by CI staff with CEPF grant support "should" have been paid for by CI or by CEPF, with viable arguments on both sides.
- CI itself has recently committed to shifting towards a strategy of re-granting substantial proportions of its revenues to support strategic partnerships, rather than trying to "do it all" with their own field offices and personnel. This style of operating is much closer to the CEPF model, which gave CI one of its first experiences of an explicit focus on making grants to civil society with an emphasis on partnerships and alliances.

Despite these generally very positive developments, external perceptions continue to be negatively shaped by the earlier events. Furthermore, the rules and disclosure requirements governing CEPF grants to CI have not so far overcome the potential conflict of interest when a grantee is competing with other organizations for grants from a fund which it manages. Our conclusion is that a reorientation of the CEPF-CI relationship is needed, to set further limits and to further improve transparency. The result should be to strengthen the credibility of the arrangement in both reality and perception.

Major realignments in the CI-CEPF relationship were considered by the evaluation team, including making CEPF independent of CI or making CI ineligible for CEPF grants. However,

such extreme measures do not appear necessary and it is evident that such changes would have an enormous negative impact on CEPF's capacity to operate effectively and to continue developing the highly promising model that has emerged. Instead, the Donor Council may wish to consider the following elements:

- A global limit for CI grants that is lower than the current 50%.
- More systematic and independent peer reviews of all grant proposals from CI, including Coordination Unit grants (this should apply to all international NGO proposals).
- More consistent use of local independent advisory committees to advise on grant proposals (this should apply to all international NGO proposals).
- The Executive Director of CEPF to report to the Chairman and CEO of CI, who represents CI on the CEPF Donor Council.

Governance

Donor Council

The Donor Council has played an active role in accordance with its assigned responsibilities. The guidance and oversight provided by the Donor Council with the support of the Working Group appears to have been effective and timely, and the Donor Council has made important contributions to fundraising.

CEPF Working Group

The Working Group has played an active role in several of the improvements to CEPF and provided useful input and guidance to the CEPF on important issues. Continuing efforts to catalyze or facilitate operational collaboration between their own organizations and CEPF need to be strengthened, as described below.

CEPF Management

CEPF management has faced a challenging set of strategic and operational issues during the first five years. Most of these challenges have been met with great skill and there is clear evidence of management's capacity to learn from experience and adapt to new situations, notably in the selection and management of local coordination units. CEPF is clearly a responsive organization that appears to operate efficiently. During the evaluation management and staff demonstrated an exceptional capacity to respond to a myriad of requests for data and to rapidly generate products for review. The people engaged as staff, partners and grantees are, almost without exception, capable and impressive.

CEPF communications is exceptionally strong, particularly at a global level. For example, during the 12 months to June 30, 2005 visitors to the CEPF Web site downloaded over 65,000 copies of final project reports, probably drawn by the marketing of these reports in the CEPF newsletter. These visitors came from at least 130 countries and in total downloaded more than 418,000 CEPF documents and reports.

Engagement with Donors

As an investment, CEPF provides all of its donors with a relatively agile, flexible and fast-moving funding mechanism that supports civil society organizations in areas of global biodiversity significance by disbursing funds in smaller amounts than these organizations generally deal with. CEPF's emphasis on employing good science, engaging stakeholders, building local capacities, mainstreaming biodiversity and harmonizing donor investments in biodiversity is also of considerable strategic value to these organizations, while the capacity to support regional environmental collaboration involving multiple countries provides an important contrast to the more prevalent single country donor model.

CEPF's activities are consistent with and supportive of the poverty mitigation focus of the World Bank and the Government of Japan as well as the sustainable development focus of GEF. There appears to be a strong overlap between the CEPF hotspots and concentrations of rural poverty, suggesting that those projects supporting alternative livelihoods are likely to be benefiting the poorest of the poor, many of whom depend directly on the services provided by the same ecosystems that CEPF is helping to conserve. It seems evident that conservation programs such as CEPF are considerably more cost-effective than the massive investments that would be needed to restore such ecosystems if they were to become degraded and lose the ability to provide essential services to the poor (e.g., water, fuelwood, fodder, and flood protection, etc.).

World Bank

The potential for operational collaboration with the World Bank was originally highlighted as one of the key opportunities provided by CEPF's innovative donor partnership. The potential for such collaboration has not diminished, and appears even greater now that CEPF has implemented a series of convincing field programs and can share knowledge and lessons learned. Potential aside, however, there has so far been little effective operational collaboration between the World Bank and CEPF at the field level. CEPF is perceived a CI program and not part of the Bank's country programs. Consequently, some important opportunities to build linkages and to broaden CEPF's impact are being missed, although there are recent signs that this may be starting to change.

Global Environment Facility

GEF has two funding windows providing resources directly to NGOs for biodiversity conservation: the GEF Small Grants Program (SGP) and the GEF Medium-Sized Projects (MSPs). So far there have been surprisingly few interactions between CEPF and SGP. There are some important complements in the operational models of CEPF and SGP which could provide the basis for productive collaboration and cross learning. The MSPs have represented an important opportunity for NGOs to access GEF resources and there may be opportunities to scale up promising CEPF projects through MSPs.

GEF's recent adoption of the Resource Allocation Framework is expected to significantly change the nature of GEF operations. There may be a reduction in GEF funding to NGOs as well as fewer opportunities for MSPs to be developed. This suggests that CEPF is unlikely to decline in terms of its relative importance to GEF as an NGO funding delivery mechanism, and may represent an increasingly valuable opportunity to support civil society with an approach that complements but certainly does not duplicate SGP.

MacArthur Foundation

Grants made by the Foundation and by CEPF tend to be broadly complementary. In a few cases, earlier grants from MacArthur have been consolidated by subsequent CEPF grants. While there may be some similarities and overlaps, redundancies are not apparent. There are some key differences in grant making. For example, the Foundation does not have an on-the-ground

presence corresponding to CEPF's coordination units. Also, the Foundation has gradually moved towards larger grants, and currently supports few projects corresponding to CEPF's smaller grants. At present, there is limited information flow between the Foundation and CEPF, although Foundation staff have provided valuable inputs to Ecosystem Profile drafts. Opportunities for improved information sharing should continue to be assessed and Foundation staff should be encouraged to participate where appropriate once collaboration between the World Bank and CEPF starts to take off.

Government of Japan

The Government of Japan appears to value its investment in CEPF for many of the same reasons as the World Bank and GEF. The Japanese Ministry of Finance has also been particularly concerned that CEPF grant programs demonstrate a positive contribution to poverty mitigation. As CEPF analyses have suggested and the findings of this evaluation have confirmed, CEPF is supporting long-term poverty mitigation efforts on several fronts.

Program Priorities

The CEPF model of support to civil society for biodiversity conservation in hotspots has made a very promising start and the experience to date does not suggest any need for radical changes in strategy or approach. Assuming that CEPF receives further financial resources to continue beyond the five year start-up period, priorities do need to be determined for the next phase.

The evaluation findings suggest a cautious approach. While the progress made in CEPF's first few years has been very positive, it is still too early to assess the sustainability of impacts. CEPF's ambitious long-term goals cannot be met in one or even a few five-year periods. Even though CEPF works mainly with and through civil society, many of the challenges being addressed by CEPF programs will ultimately require major changes in policies and behavior by governments and other actors, none of which can be brought about rapidly or without continued attention.

This suggests that consolidation and gradual expansion should be the strategic priorities for the next phase, to ensure that: (i) the benefits gained so far are nurtured and sustained; (ii) lessons from experience to date are identified and reflected in continuing operations; (iii) the tools and methodologies for monitoring performance are developed further; (iv) the relationship with CI is optimized and (v) operational collaboration with donor partners is strengthened.

Recommendations

Allocation of Resources

Broad decisions will need to be made on how and where new financial resources for grant making are to be allocated across the global program. Key decisions will include: (i) whether to reinvest in the initial CEPF funding regions, (ii) whether to expand the number of active hotspots and by how many; (iii) the level of resources to be allocated to individual hotspots; (iv) whether to expand the scope of CEPF to include new geographic areas or land use designations beyond the current focus on terrestrial hotspots.

Following the proposed principle of consolidation and gradual expansion, considerable care should be taken not to dilute the clear and transparent mission of CEPF, which is relatively easy to communicate and provides clear direction and inspiration to staff, partners and grantees.

Discontinuing support for any region does not seem warranted at this early stage in the development of CEPF, particularly as many of the conservation outcomes have an anticipated time frame of considerably more than five years. As this report has emphasized, significant, long-term progress towards these outcomes requires sustained investments.

The evaluation team was asked to consider the option of concentrating significantly more financial resources in individual hotspots with the aim of achieving greater impacts. While such decisions should be made on a case-by-case basis, we have concluded that there are some disadvantages to such an approach:

- CEPF's ability to use resources effectively is limited by the absorptive capacity of local civil society grantees. In the hotspots visited, even though some grant funds appeared to be oversubscribed after their initial call for proposals, there seemed to be a reasonably good fit between the available CEPF grants resources and the viable project concepts being put forward by local civil society organizations.
- CEPF's influence appears to owe more to its excellent people, astute decision making, leverage and flexibility rather than the sheer amount of financial resources that it can bring to bear. A significant increase in grant resources would require more staff and a greater management effort from the Coordination Units to maintain the current high levels of technical support provided to grantees – one of the clear strengths of the program. While the CUs are proving very capable in their current role, to significantly and suddenly upgrade their grant management capacity could place excessive demands on these organizations.
- Increasing the duration of the program, i.e., going well beyond five year periods, would appear a more productive investment and one more consistent with the time frame likely to be needed to generate sustainable gains at a significant scale.

Conversely, an alternative approach which spreads resources over more regions than at present also has drawbacks. It is evident that CEPF senior management spends a considerable amount of time refining strategies, making critically-important decisions and providing other inputs to each hotspot region, especially during the start-up phase. Senior management also invests considerable effort in seeking new donor partners, negotiating global grants, securing cofinancing and supporting new trust funds. This level of effort per hotspot seems related to the number of hotspots and the diversity of institutional and management challenges they represent rather than the level of financial resources available for grant making. In other words, a significant element of fixed management costs are incurred by operating at each hotspot site. It can therefore be anticipated that a rapid and significant expansion in the number of hotspots would require at least a proportional expansion in CEPF's senior management capacity.

Performance Monitoring

A priority for the next phase of operations will be to strengthen performance monitoring at a hotspot level in two specific directions. First, both the Grant Directors and CUs need to be more involved in portfolio performance reporting on a regular basis. Second, the use of conservation outcomes as long-term operational targets should be complemented by the development and adoption of socio-economic, political and civil society measures and indicators that will provide more feedback on CEPF's interim progress towards these outcomes.

The performance assessments of each of the hotspots that are planned to start in 2006 represent an important opportunity that will probably require considerable resources, and this needs to be planned and implemented with considerable care if it is to prove of significant value to the program. A strategic and programmatic approach is needed to these assessments, that should constitute a major activity of the second five years for CEPF. Some of the key issues that should be taken into account are: (i) connecting these assessments to updates of the Ecosystem Profiles for programs that are to be refinanced; (ii) linking these reviews with the development and testing of new performance monitoring methodologies and systems, including indicators to reflect the nature of and changes induced in civil society to complement the conservation outcomes; (iii) ensuring that portfolio-level lessons are identified and disseminated; (iv) ensuring the reviews are participatory by involving grantees and other partners; and (v) exploring opportunities for cross-learning between portfolios to help achieve global program synergies.

Ecosystem Profiles

The Ecosystem Profiles have proven to be an effective tool for planning and guiding grant making, and have improved over time as lessons from the earlier experiences have been applied. The Profiles are reviewed carefully by the CEPF Working Group and eventually approved by the Donor Council, thereby providing these bodies with their most important opportunity to influence site level grant making.

The completed Ecosystem Profiles have strategic priorities expressed in fairly general terms. This has so far proved to be an advantage, by providing the flexibility to make decisions on the ground as local grant making knowledge and experience accumulates and the capacity of each Coordination Unit grows. Now that the existing CUs have greater capacity and an enhanced understanding of local civil society grant making, consideration should be given as to whether strategic priorities should: (i) become more specific and targeted based on a better understanding of the local grant making opportunities; or (ii) remain more general to encourage decentralized decision making. Site-specific, case-by-case solutions will probably be required, based on a clear appreciation of the capacities of both the CU and local civil society organizations.

Updated Ecosystem Profiles and revised strategic directions and investment priorities may indicate the need for grant portfolios to be realigned. Future Ecosystem Profile preparation processes should include consideration of poverty issues, payments for ecosystem services and the value of ecosystem services, reflecting the findings of the Millennium Ecosystem Assessment and consistent with the U.N. Millennium Project.

Coordination Units

The CUs have been highlighted as a major strength of CEPF, demonstrating the viability of an innovative range of institutional arrangements and providing services that go well beyond grant program administration. The role and functions of the CUs could still be defined more explicitly, however, including their responsibilities for project monitoring and portfolio performance reporting. The CU selection process should be opened up further to consider more national organizations, and consideration should be given to the use of more open bidding processes for new coordination grants. The coordination arrangements in the first three funding regions (Guinean Forests, Madagascar and Tropical Andes) should be reassessed as their initial five year funding cycle is completed in 2006 and, in the case of Tropical Andes, should be reestablished.

It will become increasingly important to consider the long-term future of the CUs once they emerge successfully from the early phases of grant making. There is a clear need to develop the capacities of local and national NGOs, as CEPF is already doing, and to seek opportunities to

delegate increasing authority and responsibility to these organizations to increase the local ownership of conservation programs. On the other hand, a too-rapid wind down by the CU can jeopardize the sustainability of the gains made to that point.

Integration with Donor Partners

Strengthening the operational collaboration with donor partners should be an explicit and early priority of the next phase of CEPF. In order to be effective, this will require considerable efforts on behalf of both CEPF and the donor partner organizations.

Grants to International NGOs

Within the current portfolio, international NGOs have made important contributions not only as CUs but also by implementing strategic projects and managing small grant funds as intermediaries between the CUs and some of the smaller and more scattered or remote grantees. In total international NGOs had received 59% of CEPF's grants through June 30, 2005 (including CI's 35% share). CEPF management and some of the donor partners have expressed the importance of gradually reducing the proportion of grants going to international rather than local and national NGOs. Having studied the grants data, the evaluation team concurs. However, this issue has some complex aspects and care needs to be taken before imposing arbitrary limits on CEPF grant making to international NGOs. The international conservation NGOs often have significant capacities and experience in organizational management, communications, fundraising and negotiating transboundary issues. In some contexts, they can also negotiate more effectively with governments and large private sector firms than national organizations. While we strongly support further decentralization of decision making within CEPF as the capacities of local and national organizations grow, there are clear conservation benefits to be derived from the participation of the international NGOs. Such decisions should again be made on a case-by-case basis.

Sharing Knowledge and Lessons

Although excellent work has been done in developing and disseminating communication materials for non-technical and non-specialist audiences, more attention needs to be given to the systematic analysis and documentation of CEPF results and experiences. Lessons learned are not emerging at the portfolio level yet, probably because of the general lack of emphasis on portfolio-level performance reporting at this early stage in the majority of portfolios and because of reluctance to acknowledge or document problems and difficulties, even if these eventually became important learning experiences that have led to a stronger program.

While CEPF is exceptionally strong in communications, it has not found it easy to identify and disseminate lessons. While CEPF has clearly adapted its approach and learned from experience, this has taken place as a result of informal information sharing within the organization combined with skillfully adaptive management. Either through CI or independently, CEPF should enhance its capacity to conduct more balanced analyses of its experiences that is distinct from communicating conservation successes.

Operational Recommendations

Certain operational areas have been identified where improvements can be made:

- In some hotspots there is some duplication of effort between the tasks carried out by the local Coordination Units and those of CEPF's US-based Grant Directors, most of which could be addressed by further decentralization of decision making to the local level. In general, there

appear to be good opportunities for decision making to be further decentralized once hotspot grant programs have demonstrated their capabilities by successfully progressing beyond their start-up phase, although such delegation of authority and responsibility should be approached cautiously on a case-by-case basis.

- CEPF headquarters negotiates and arranges multiregional grants to single donors that are intended to complement grant made locally through the Coordination Units. Such grants have sometimes been able to provide comparable services to multiple hotspots or to take advantage of significant cofinancing opportunities, particularly with the private sector. However, in some cases the cost-effectiveness of these grants is not evident and key management information has not always been communicated effectively to the respective local Coordination Units. In such cases the CUs are unclear about their responsibilities for monitoring and supervision, and there is a lack of integration with the rest of the hotspot portfolio.
- CEPF's grant application procedures are demanding, so much so that they represent a severe challenge to many potential grantees. Although the application procedures have been simplified, there is room for further streamlining.
- The use of CEPF's grant management system by the CUs is variable and appears to face a variety of technical constraints that require continued attention.

Overall Message

The donors have launched a very promising and special program in CEPF. This innovative model fills a unique niche in international biodiversity conservation and is being implemented by a very professional global team plus partners who have made excellent early progress towards their long-term goals. We have no hesitation in recommending that the donor partners continue funding the program and seeking further expansion opportunities.

Annexes

1. Evaluation Terms of Reference
2. Progress and Impact Reporting for Five Selected Regions
3. Active vs. Completed Grants by Hotspot Strategic Direction
4. Parallel Investments from Conservation International Affiliates
5. Conservation International Costs Recovered Through CEPF Management Fee
6. Calculation of CEPF Management Fees to Conservation International

Annex 1 Evaluation Terms of Reference (June 2005)⁹

Background: Conservation International (CI), the World Bank and the Global Environment Facility (GEF) launched the Critical Ecosystem Partnership Fund in August 2000. The John D. and Catherine T. MacArthur Foundation joined the partnership in 2001, followed by the Government of Japan in 2002, bringing the fund to a total of \$125 million in pledges (with each partner committing \$5 million annually for five years). The purpose of the initiative is to create an agile funding mechanism focused on conserving the biodiversity hotspots by working through nongovernmental organizations (NGOs).

CEPF now provides grants to civil society organizations in most of the areas identified as biodiversity hotspots – ecosystems with high levels of species diversity, endemism and threat. CEPF has supported in excess of 250 NGOs and other civil society groups in undertaking projects since its inception. \$61 million has been committed and at least \$100 million leveraged from other donors for hotspot conservation to date.

CEPF's grantmaking is guided by Ecosystem Profiles, strategic planning documents that identify the priorities, biodiversity outcomes and the niche for the fund within each hotspot. CEPF has undergone planning and preparation work in 16 hotspots resulting in the creation of 15 Ecosystem Profiles approved by the CEPF Donor Council to date. The active funding regions in Africa include the Cape Floristic Region, Eastern Arc Mountains & Coastal Forests of Tanzania and Kenya, Guinean Forests of West Africa, Madagascar and the Succulent Karoo; in Asia, the Caucasus, Mountains of Southwest China, the Philippines, and Sundaland; and in Latin America, the Atlantic Forest, Choco-Darien-Western Ecuador, Northern Mesoamerica, Southern Mesoamerica, and the Tropical Andes. CEPF is also preparing to launch grantmaking in the Eastern Himalayas.

CEPF's institutional architecture consists of a Donor Council, Working Group, Management Team, and Coordinating Units. The governing Donor Council is comprised of executives from the five partner organizations. It is responsible for strategic guidance, approving Ecosystem Profiles, and fundraising. The Working Group includes senior management from the five groups, and provides orientation on technical and program issues. A subset of the Working Group will provide guidance on this evaluation. Conservation International is the Administering Partner and hosts the Management Team, responsible for CEPF's day-to-day operations. The Coordinating Units are housed with a locally based NGO in each region where CEPF is actively making grants. They provide advice on delivering the conservation outcomes identified in the ecosystem profiles and are tasked with helping to build strategic grant portfolios.

Further information on CEPF can be found at www.cepf.net.

Purpose of Evaluation: During the Seventh Meeting of the Donor Council held on November 1, 2004, the Council Members agreed to participate in a donor retreat to discuss a continuation of the CEPF partnership. A consensus formed that a continuation of CEPF ultimately should be guided by an independent external evaluation.

The preliminary ToR were approved by the Donor Council on 26 March, subject to final modification and agreement by the Working Group. The Working Group met on 31 March to modify the TOR based on Donor Council advice. This third revision now incorporates the advice and input conveyed during these various meetings and subsequent discussions.

⁹ Sections on consultant qualifications and request for proposals omitted.

Scope of the Evaluation: The evaluation will be undertaken as a global review coupled with an in-depth analysis of a minimum of three to six of the 15 active regions. However, the emphasis of the evaluation should be on the initiative as a whole, not on the effectiveness of the respective field programs. The evaluation team will report to the Council, and will be provided strategic guidance by the CEPF Working Group. The CEPF Management Team will facilitate access to information and stakeholders. The evaluation will require visits to these hotspots to talk to the CEPF Coordination Units, select grantees and other partners and collaborators. The evaluation should not assess the effectiveness of independent projects but rather the strategic orientation of the portfolios vis a vis the larger strategic mission of CEPF.

Evaluation Process

Review of external and internal CEPF documents, including MOU and Financing Agreement (December 2000), project design documents, supervision reports, the Ecosystem Profiles and Working Group reviews of the Ecosystem Profiles, Working Group documents, Donor Council reporting documents, annual plans and spending plans and CEPF grantee reports as well as information available through the CEPF grants database. Management will provide all documents at the start of the contract period and throughout, as necessary.

Consultations will be held with the Management Team, Coordination Units, grantees, external partners and members of the Working Group.

Field visits will be taken to fully assess performance against Ecosystem Profile objectives in a minimum of three hotspots. These visits will include interviews with CUs, grantees, and other stakeholders.

A draft report will be submitted to the Working Group and Management Team, accompanied by an in-person debriefing.

Scope: The evaluator should focus on evaluating progress to-date regarding the main objectives of the CEPF on an initiative-wide level, particularly examining the role/niche CEPF is fulfilling in enabling civil society to engage in biodiversity conservation in the hotspots. The evaluator/evaluation team should determine the degree to which CEPF has fulfilled the objectives outlined below among others, using both qualitative and quantitative analysis.

Overall assessment of CEPF's niche in enabling civil society to engage in biodiversity conservation in the hotspots.

This should include an evaluation of CEPF's ability to:

- Provide resources to civil society, community, grassroots groups, NGO's and the private sector to enable them to engage in advancing biodiversity conservation.
- Build awareness, support and momentum to conserve critical biodiversity conservation outcomes.
- Utilize in-region coordination mechanisms to expand networks of partners, information exchange, programmatic and operational strengthening to accomplish CEPF's strategies, as defined in the ecosystem profiles.
- Contribute to people's livelihood and/or reduce poverty.

Assess strategic underpinnings of CEPF's grant portfolios and overall fulfilment of the niche defined in the Ecosystem Profiles.

This includes assessment of:

- Whether CEPF is filling the overarching donor niche of CEPF, the specific regional niches in each hotspot and fulfill the defined strategic directions and investment priorities, in the CEPF ecosystem profiles;
- Portfolio alignment against explicit strategies of the ecosystem profiles;
- Whether CEPF's regional, hotspot portfolios add up to more than the sum of their parts;

- Whether CEPF has catalyzed financial leverage for the partnership as a whole and also regional leverage towards the objectives in the regional ecosystem profiles;
- If CEPF's grants are contributing to the conservation of the biodiversity outcomes and/or helping to mitigate threats to conservation.
- The strategic rationale for grantmaking, including grants to internal (CI) vs. external recipients.

Assess whether CEPF is enabling each of its donor partners to reach a distinct civil society constituency and/or maximizing the reach of each of the donor partners in a unique way.

This can include an evaluation of CEPF's effectiveness in:

- Developing a participatory, consensus-derived strategy.
- Reaching and financing projects in a flexible and agile way.
- Reaching a unique conservation constituency.
- Enhancing or maximizing the CEPF donor partners' reputation among civil society.
- Providing grants within the donor marketplace in a manner that is distinct from the five current donor partners.

Assess CEPF's institutional and governing infrastructure. Assess CI's effectiveness as the managing partner and as a grantee to the fund. Determine if there could be improvements factored into the design and management of a CEPF continuation to increase effectiveness and impact. This can include an evaluation of the following:

- Strategic guidance and oversight provided by the CEPF Donor Council.
- Technical and operational guidance provided by the CEPF Working Group, including the efficiency of the working group members at harnessing or utilizing the CEPF network for their own institutional benefit.
- The efficiency of CEPF's management team and processes.
- CEPF's grant-making process, including its interaction with CI.
- The advantages/disadvantages of housing CEPF within Conservation International and the pros and cons of having CI as the administering partner.
- Whether CEPF has influenced any of the donor partners' practices, procedures or loan/investment strategies.

Assess CEPF's influence on any major development, infrastructure projects or policies for these types of projects that impact biodiversity.

Recommendations: Recommendations should be provided for strengthening CEPF. These recommendations could cover the following areas, among others:

1. Strategic orientation (Did CEPF set out to do the right things? Is CEPF achieving what it originally set out to achieve? Could its strategic orientation be improved?)
2. Selection of grantees (Are they the right partners? Are they being provided with the right kind of conservation guidance via the ecosystem profiles?)
3. Selection of projects (Are the projects being funded the right kind of project to achieve conservation? Are they reaching the niche defined in the profiles?)

Institutional arrangements (Is CEPF's institutional arrangement effective? What could be done to improve it? How can the unique assets of the partnership (each of the five donors) be capitalized upon more effectively?)

Annex 2. Progress and Impact Reporting for Five Selected Regions

Prepared by CEPF

Atlantic Forest (Brazil)

<u>Targeted Conservation Outcomes</u>	<u>Progress</u>
<p>1-5 years 1.1 Immediate Priorities - One Biological Reserve/Ecopark (13,000 ha) under effective management</p> <p>- Serra das Lontras (5,000 ha) under protection</p> <p>- Camaca private reserve (2,000 ha) under protection</p> <p>- Pau Brasil and Discovery National Parks (33,000 ha) under effective management</p> <p>- Conduru State Park (9,000 ha) under effective management</p> <p>- Nova Lombardia Biological Reserve, Santa Lucia Ecological Station,</p>	<p>- The creation of a management plan for the Una Ecopark was supported through the RPPN sub-grants program. IESB’s institutional strengthening sub-grant program also supports agroforestry and sustainable forest resource use projects with farmers living around the Una Biological Reserve.</p> <p>- The Flora Brasil Institute project aims to implement a task force to support the creation of 16-18 new protected areas in Southern Bahia. This includes plans for the management of a mosaic of protected landscapes in the region surrounding the Lontras State Park.</p> <p>- The Serra Bonita Private Reserve was proposed through the RPPN program for improved infrastructure and the establishment of an Environmental Dissemination Center. The same is also taking place in the Serra do Teimoso RPPN.</p> <p>- Farming communities living in the buffer zone of the Discovery National Park will be encouraged to adopt sustainable agroforestry techniques. The Flora Brasil Institute’s project, described above, also includes the area of the Pau Brasil and Discovery National Parks aiming to involve them in a land management strategy consistent with the corridor approach.</p> <p>- A public information campaign was conducted to raise awareness of the importance of the Conduru State Park. Support was also harnessed to resolve land tenure conflicts as well promote the implementation of Park’s (and its buffer zone) management plan.</p> <p>- An evaluation was conducted as to the effectiveness of the state and</p>

<p>Espirito Santo State (4,400 ha) under effective management</p> <p>5-10 years <u>Long-Term Priorities</u></p> <ul style="list-style-type: none"> - Minas Gerais, Bahia border (20,000 ha) under protection - Espirito Santo/Bahia border (20,000 ha) under protection - Sooretama/Linhares, Espirito Santo State (40,000 ha) under effective management - Paraiso Ecological Station/Primate Center (5,000 ha) under effective management - Três Picos, Rio de Janeiro State (60,000 ha) under protection - To double the number of official private reserves called “Natural Patrimony Private Reserve” 	<p>federal reserves of Espírito Santo State protected areas. As a result, plans have been put in place to subsidize a monitoring plan to measure the long term and ongoing changes to the management and institutional capacity of the responsible organizations for these areas.</p> <ul style="list-style-type: none"> - The potential creation of a new protected area in Cariri (region bordering the States of Minas Gerais and Bahia) is currently being assessed by the Flora Brasil Institute’s project. - The area bordering the states of Bahia and Espírito Santo was recommended as a top conservation priority during the “Defining areas and priority actions for the conservation of the Atlantic Forest in Espirito Santo State” workshop. This was one of IPEMA’s project deliverables. - Negotiations are ongoing for a project to promote the consolidation of a protected area system and improved management for all Natural World Heritage Sites in the region. This includes all areas under legal protection in the Discovery Coast, as well as those in the Sooretama and Linhares region. - A project to “Defend the Waters and Protect Life in the Tres Picos State Park” will be launched next month. This project aims to develop an integrated management plan for all protected areas within the Atlantic Forest Corridors, Central Fluminense, including the Paraiso Ecological Station - The same project (described above) will help to develop and implement a socio-economic assessment for all municipalities around the Rio de Janeiro Três Picos State Park. This includes developing a pilot program for the participatory management of the region’s watershed, and implementing a capacity building program for formal educators of the region. - Through the Incentives Program for RPPNs in the Atlantic Forest we are promoting the following actions: 1) An 80% increase in the number of RPPNs created (50 new RPPNs have been established) within both Corridors; 2) A 50% increase in the area protected under private reserves; and 3) Support for the implementation of 30% of the RPPNs in the both
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Extinctions Avoided

1.2 This region contains arguably the largest concentration of endangered and endemic taxa of the Atlantic Forest, including 19 mammal species, 32 bird species. Therefore, the maintenance of genetically viable populations of key and endangered species such as: the Golden-headed lion tamarin, Kuhl's Marmoset, the capuchin, Spider monkey, White-winged cotinga, Acrobat bird, Banded cotinga, and Geoffroy's marmoset are key targets.

corridors (Central and Serra do Mar). In addition, landowners have been assisted to improve the management of 29 existing RPPNs.

- The Endangered Species program supports projects in all states of the Atlântic Forest biome. This includes 32 projects working with 39 different endangered species, of which 17 are listed as Critically Endangered, and 19 are listed as Threatened.
- An additional 12 endangered species are the focus of our sub-grants program, involving research, protection, and management of these species.
- Considering all projects, there are 51 endangered species involved in our conservation activities (20 are listed as CR and 27 are listed as EN, per IBAMA and IUCN's red lists).
- We are also increasing our knowledge regarding the distribution and level of endemism of the family, genus, and species of vascular plants and Atlantic Forest bromeliáceas. These studies are being conducted through the Botany Department of the Federal University of Minas Gerais State and through the Margaret Mee Foundation.

Madagascar

<u>Targeted Conservation Outcomes</u>	<u>Progress</u>
<p>1.1 Long-term</p> <ul style="list-style-type: none"> -By 2010, areas protected will increase from 1.7 million to 3 million hectares -Zero Species loss over the next decade -By 2010, a series of representative fresh-water protected areas based on recommendations of priority setting exercise conducted in November 2001 is established <p>1-5 years</p>	<p>In September 2003, President Marc Ravalomana, at the 5th IUCN World Parks Congress, agreed to increase the surface area of Madagascar's protected area network from 1.7 million ha to 6 million hectares. Subsequently, much work has been conducted to determine where these new areas should be, such that species will not be lost. This work has been undertaken by the Durban Vision Group, compiling species distribution data into maps of priority areas as tools in the planning process.</p> <p>To date, one protected area which encompasses the Daraina main forests and immediate neighbouring areas (72,000 ha) has been declared: the Loky-Manambato Forest Station via decree N°5862-05-MINENVEF. By the end of 2005, more than one million hectares of primary forest will have provisional protection status conferred through an inter-ministerial decree, as the initial stages in the creation of co-managed protected areas. This will give communities and regional authorities time to conduct detailed consultation on management rules that will conserve threatened species and habitats and ensure that long-term benefits will accrue to the communities.</p> <p>The Durban Vision Group, under the guidance of the Ministry of Environment, Water and Forests, has identified the priority areas for inclusion in the expanded protected area system, through analysis of species and habitat distribution. Thereby contributing to achievement of zero species loss.</p> <p>CEPF has supported freshwater conservation via two projects, one focusing on three lakes (Befotaka, Soamalipo, and Ankerika) in the Antsalova region of western Madagascar, and the other in the Mahavavy-Kinkony wetland complex, including lakes, rivers and mangroves will shortly become a protected area also in western Madagascar. Alaotra Lake was declared a RAMSAR Site in 2003.</p>

<p>1.2 Immediate Priorities</p> <ul style="list-style-type: none"> - Zahamena-Mantadia Corridor (50,000 ha) under protection and corridor created (100,000 ha) - Ranomafana-Andrigitra Corridor (25,000 ha) under protection and corridor created (100,000 ha) -Makira Corridor (100,000 ha) under protection and corridor created (300,000 ha) - Zahamena Protected Area (63,500 ha) under effective management -Daraina Forest (25,000 ha) under protection and corridor created (15,000 ha) -Menabe Forest (10,000 ha) under protection and corridor created (40,000 ha) 	<p>1.2 Zahamena-Mantadia corridor. A Vision for the Conservation of the Mantadia-Zahamena corridor was developed in collaboration with local authorities based upon an agreed vision that combined biodiversity and environmental data in planning the corridor. In early 2005 this zonation was agreed at the regional level. Around 450,000 ha in this corridor will be given Provisional Protection Status by the end of 2005 as part of the process of creating a co-managed Protected Area.</p> <p>Ranomafana-Andrigitra. Establishing this corridor was modelled on the process used for the Zahamena-Mantadia corridor. The Planning Committee working with the new Regional Chiefs developed and implemented regional development plans that include the vision for the conservation of the corridor. More importantly, lessons learned from these approaches above have been incorporated in the planning activities in Menabe Forest and Bongolava and Andavakoera. Around 250,000 ha of this corridor will be similarly protected early in 2006.</p> <p>Makira Biodiversity, land use and socioeconomic studies have been carried out and the limits of the Makira Conservation Area have been proposed and agreed upon at the national, regional, and local levels. At the end of 2005, around 350,000 hectares of primary forest will be given Provisional Protected Status as the first stage in the creation of a co-managed protected area. Ten community-based resource management contracts have been completed. This amounts to 38,800 hectares of land and 28,800 hectares of forest under community control, and affects a population of 10,800 inhabitants. Around 350,000 hectares</p> <p>Zahamena – CI transferred management of Zahamena to ANGAP in 2002, and has since provided technical support.</p> <p>Daraina - 72,000 hectares has been declared the Loky-Manambato Forest Station via decree N°5862-05-MINENVEF.</p> <p>Menabe – In Sept 2004 Fanamby signed an MOU with the government to coordinate institutions and activities on the path to declaring this area to be a protected area. By the end of 2005, approximately 95,000 hectares of primary forest will receive Provisional Protection Status.</p>
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<p>-Kinkony Mahavavy complex (10,000 ha) under protection and corridor created (250,000 ha)</p> <p>-Eastern River Basin Complex (6,000 ha) under protection</p> <p>-Mikea-Fiherenana Complex (15,000 ha) under protection and corridor created (55,000)</p> <p>5-10 years <u>1.3 Long-Term Priorities</u></p> <p>-Littoral Forest Complex (25,000 ha) under protection and corridor created (75,000 ha)</p> <p>-Ibity-Itremo Complex (1,000 ha) under protection</p>	<p>Kinkony-Mahavavy – BirdLife International is implementing a project focusing on local community and private sector involvement. Early in 2006, around 150,000 hectares of lakes, rivers, forests and mangroves will receive Provisional Protection Status as the first step in becoming a co-managed protected area.</p> <p>- Eastern River Basin Complex – no CEPF action.</p> <p>- Mikea-Fiherenana Complex – no CEPF action.</p> <p>1.3 Long-Term Priorities</p> <p>- Littoral Forest Complex – Many of these small, fragmented forests are the subject of conservation action, for example by QMM, a mining company, in southeastern Madagascar, and at the French Mountain near Antsiranana in northern Madagascar.</p> <p>- Ibity-Itremo Complex – this complex received special attention from Missouri Botanical Garden in its project to identify priority areas for plant conservation. The project identified gaps in the nation’s protected area system. CEPF supported Missouri Botanic Gardens to implement conservation measures in these mountain massifs that are known as orphan sites, often overlooked because of the poor faunal community.</p>
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Sundaland (Sumatra)

<u>Targeted Conservation Outcomes</u>	<u>Progress</u>
<p><u>Area Protected</u></p> <p>1-5 years 1.1 Immediate Priorities -Seulawah (700,000 ha) under protection -Leuser National Park (1,000,000 ha) under effective management -Leuser Ecosystem/lowland forest (1,700,000 ha) protected area expanded -Angkola (100,000 ha) under protection -Teso Nilo (120,000 ha) under protection -Bukit Rimbang Bukit Baling Wildlife Preserve (150,000 ha) under protection -Bukit Tigapuluh National Park (140,000 ha) under effective management -Siberut Island National Park (200,000 ha) under effective management -Siberut Conservation Concession (200,000 ha) protected area expanded -Bukit Barisan Selatan National Park (360,000) under effective management</p>	<p>Northern Sumatra Corridor (NSC) that includes Seulawah, Leuser and Angkola under protection. With the newly declared 108,000 ha of Batang Gadis National Park in Angkola, it received legal protection. Leuser Ecosystem that includes Leuser National Park received funding extension from European Unit through Leuser Management Unit due to CEPF/CI intervention, hence it continues to receive significant protection. 40,000 ha of adat managed forest in Seulawah receive protection and serve as model for adat/community-based resources/forest management in Aceh that potentially be used to save remaining forest in Seulawah. All logging concessions in Seulawah revoked so remaining natural forest is legally protected.</p> <p>Central Sumatra Corridor that includes Teso Nilo, Bukit Rimbang Baling, Bukit Tigapuluh under protection. With the declaration of Teso Nilo National Park (TNNP) 38,576 ha in 2004, discussion to extend it to total 120,000 ha, and the discussion to expand Bukit Tigapuluh to total 210,000 ha, those 2 protected areas receive attention and protection.</p> <p>Siberut Island National Park is under effective management with economic and community development initiatives in the buffer zone of the park and policy and advocacy work to revoke logging 200,000 logging concessions in the remaining forest of Siberut.</p> <p>Bukit Barisan Selatan (BBS) under effective management with megafauna patrol units led by International Rhino Foundation (IRF) and collaborative management initiatives led by Wildlife Conservation Society (WCS).</p>

<p><u>Extinctions Avoided</u></p> <p>1.2 Maintenance of genetically viable populations of key and endangered species such as: Sumatran elephant Sumatran tiger Sumatran orangutan Sumatran rhino</p>	<p>Tesso Nilo holds the largest Sumatran elephant population in low land forest. Declaring 38,576 ha of low land forest in Central Sumatra as Tesso Nilo National Park in 2004 is maintaining population of Sumatran elephants.</p> <p>Sumatran tiger populations in Bukit Tigapuluh and BBS with extensive patrols from WWF in Bukit Tigapuluh and IRF in BBS</p> <p>BBS holds the largest rhino population in Sumatra. With patrols from IRF, no more poaching of large animals occurred in the past 3 years.</p> <p>Northern Sumatra holds significant population of Sumatran orangutan. With the work of CI in Sibolangit increased people's awareness of the importance of this species, and hence maintain its population.</p>
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Mesoamerica (Southern)

<u>Targeted Conservation Outcomes</u>	<u>Progress</u>
<p><u>Area Protected</u></p> <p>1-5 years 1.1 Immediate Priorities</p> <ul style="list-style-type: none"> - La Amistad Biosphere Reserve - Costa Rica (422,655 ha) under effective management and protection of indigenous lands (254,204 ha) - La Amistad Biosphere Reserve - Panama (389,851 ha) under effective management and protection of indigenous lands (15,000 ha) - Corcovado/Piedras Blanca National Parks (56,525 ha) under effective management and corridor created (80,000 ha) 	<p>1.1 Immediate Priorities</p> <ul style="list-style-type: none"> - CEPF is helping over 200 indigenous and non-indigenous groups sited across 1.2 million hectares in the La Amistad Biosphere Reserve, the Osa Peninsula, and Cerro Silva- La Selva Corridor to adopt resource management practices compatible with biodiversity conservation through conservation coffee, agroforestry, and ecotourism. - CEPF supported improved management of 1.5 million hectares in key PAs in the Mesoamerican Biological Corridor.

- Indio Maiz (995,460 ha) under effective management and corridor created (200,000 ha)
- Bocas del Toro (100,000 ha)
- Maquenque-La Selva- Costa Rica (39,000 ha) under protection
- Talamanca-Osa Region-Costa Rica - (200,000 ha) corridor created
- Atlantic Corridor Area- Panama- (80,000 ha) under protection and protection of indigenous lands (400,000 ha)
- Gualaca- Panama (270,000 ha) under effective management

- Leading NGOs in Costa Rica and Panama are improving protection to reduce threats in strategic areas of La Amistad, with local community support, to reduce forest fires, hunting, and infrastructure development.
- Panamanian environmentalists successfully opposed the construction of a road through the Volcan Baru National Park, which forms part of La Amistad Biosphere Reserve.
- Hunting pressure decreased significantly in Corcovado National Park with CEPF support for procurement and patrolling.
- INBIO has developed and applied biological parameters to identify the limits of the corridor between Corcovado and Piedras Blanca national parks.
- Prospects for Indio Maiz’s improved management are strong with CEPF financing of a stakeholder-driven management plan, demarcation of the Rama indigenous territory to deter colonization, and various buffer zone development projects for surrounding communities.
- CEPF projects target the creation of four new protected areas totaling 492,000 hectares.
- The Government of Costa Rica created the Maquenque National Wildlife Reserve based on CEPF-supported land tenure studies and community outreach programs.
- CEPF is strengthening land stewardship of indigenous people through 12 grants through ecotourism, land demarcation, traditional medicine, and rescuing traditional resource-use practices.
- Two-thirds of projects surveyed demonstrated that CEPF is investing areas of high rural poverty and contributing to poverty reduction through job creation, training, and civil society strengthening.

Extinctions Avoided

5-10 years

1.2 Long-Term Priorities

Maintenance of genetically viable populations of key and endangered species such as:

- Great Green Macaw
- Scarlet macaw
- White Lipped peccary
- Harpy Eagle
- Jaguar

1.2 Extinctions Avoided.

- CEPF has financed the development and implementation of strategies to protect the West Indian manatee, Baird’s tapir, and great green macaw.
- Numerous environmental education projects use flagship species to increase conservation awareness.
- CEPF funding a meeting of regional specialists to develop a Mesoamerica-wide tapir conservation strategy.

Baird's tapir West Indian manatee	- Efforts to improve protection in Corcovado have resulted in reduced hunting pressure on peccaries and jaguars.
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<u>Tropical Andes</u>	
<u>Targeted Conservation Outcomes</u>	<u>Progress</u>
<p><u>Area Protected</u></p> <p>1-5 years 1.1 Immediate Priorities</p> <ul style="list-style-type: none"> -Manu National Park (1,800,000 ha) under effective management -Apruimac Reserved Zone (1,700,000 ha) under protection and effective management - Alto-Purus Reserved Zone (6,000,000 ha) under protection and improved management -Bahuaja Sonene National Park (1,100,000 ha) under effective management -Madidi National Park (1,924,300 ha) under effective management and corridor created -Pilon Lajas Biosphere Reserve (400,000 ha) under effective management -Apolobamba Natural Area (483,000 ha) under effective management - Pilon-Lajas-Isiboro Secure Corridor (80,000 ha) under protection and corridor created -Isiboro Secure National Park (1,200,000 ha) under effective management -Amboro National Park (638,000 ha) under effective management 	<p>CEPF-supported work of WWF in Manu, Amaraeri and Alto Purus. CEPF contributed \$200,000 to WWF's \$366,667 contribution to the debt-for-nature swap between the US and Peru. This total contribution will generate \$3.5 million in local currency over 12 years (2014) that will be awarded to local Peruvian NGOs to carry out activities related to the creation and/or effective management of Manu, Amaraeri (see long-term goal below) and Alto Purus. As a result, the final categorization of Alto Purus Reserved Zone as a National Park and a Communal Reserve was completed. In addition, the Alto Purus Management Committee was established and INRENA was strengthened to undertake concrete anti-illegal logging activities along the southwestern and southeastern boundaries of the Alto Purus Reserved Zone.</p> <p>Conservation results have been greatest in the Alto Purus Reserved Zone and Amaraeri Communal Reserve. Improved management through secured anti-illegal logging activities around the Alto Purus Reserved Zone and Manu National Park; increased collaboration with local communities and with regional governments and other important civil society institutions in the two departments within which the Alto Purus Reserved Zone is located. In the Amaraeri Communal Reserve, activities have contributed significantly towards preparing indigenous community leaders and associated representative indigenous federations for the implementation of the co-management guidelines for the effective management of Peruvian Communal Reserves.</p> <p>CEPF also funded, and is continuing to support through a second-phase</p>

project, important work in the Madre de Dios region of Peru, the buffer region between Alto Purus, Manu, Bahuaja Sonene and Tambopata Candamo. The Amazon Conservation Association (ACA) assisted more than 130 pioneering Brazil nut producers in the formal establishment of 240 Brazil nut concessions and the development of appropriate management plans for these areas. The result: more than 224,000 hectares of primary tropical forest has been legally designated for sustainable production.

Funding has also been used to support the development of the management plans for Tambopata National Reserve and Bahuaja Sonene National Park during 2002 and 2003. Results include a trans-boundary conservation action plan for Tambopata – Madidi Complex that has been completed and is under review by INRENA and SERNAP. In addition, the technical committee for this complex, which includes INRENA, SERNAP, CI-Peru and CI-Bolivia, has been established and is at work.

In Madidi and Pilon Lajas, a priority activity for CI was the strengthening and capacity building of the management committees of both Madidi and Pilon Lajas to elaborate their own mechanisms of detection and resolution of conflicts. CI delivered courses for both communities and park guards and produced a study on the main conflicts occurring in each of the seven protected areas within the Corridor. The results of this are being used today to improve management plans and activities within these areas. In addition to the conflict resolution work CI implemented, it also worked directly with several communities in Madidi and Pilon Lajas, providing technical assistance in sustainable agriculture techniques, commercialization of products, ecotourism and others. While this is not something that leads to the expansion of protected areas, it is vital for the consolidation of these areas. In addition, the final draft of the Management Plan was completed under WCS and CARE projects, and is currently under review by SERNAP. CI and Partners have already begun to support implementation. Several activities for natural resource management and tourism are under implementation including a communication strategy that has been completed and is being reviewed. In addition, specific regulations relating to the Protected Area have been developed, such as regulations for tourism and for natural resource management.

Signs of success for improved management and protection of Pilon Lajas

	<p>include the establishment and implementation of three ecotourism projects: Mapajo Ecoturismo Indigena, which is now operating at self-sufficient rates and is proving to be viable for the long-term. Revenues have even been such that they are investing in improvements to the water systems benefiting the local communities; Turismo Ecologico Social, also running at sustainable rates, and the agroecoturismo site of El CEBU that is running self-sufficiently.</p> <p>The CARE-Bolivia project <i>Prevention of Human-Induced Forest Fires in Madidi and Apolobamba National Parks</i> directly impacted the core area of this protected area complex. Specifically, CARE worked with local communities and farmers to reduce uncontrolled burnings that pose serious ecological and economic threats to the region. In addition, both the Madidi and Apolobamba protected area administrations included fire control plans into their programs, with park guards in Pilon Lajas and Madidi national parks and the Biological Station of Beni conducting their own workshops in fire prevention.</p> <p>The work of WCS, with CEPF resources, is another example of efforts aimed at changing community behavior toward more biodiversity-friendly management of their natural resources. This project helped to develop natural resource management regulations in Altamarani, Carmen del Emero, San Antonio de Tequeje and Esperanza de Enapurera, providing direct benefits to the sustainable management of Madidi and the consolidation of the core area of this complex.</p> <p>As part of their overall coordination of CEPF investments in the corridor, both CI-Peru and CI-Bolivia played a lead role in bringing together directors of Madidi National Park, Bahuaja-Sonene National Park and Tambopata National Reserve, resulting in a landmark transnational agreement for joint coordination and implementation of their management efforts. These three protected areas share common borders and are priority sites for conservation in the corridor strategy. Included in the agreement are joint border patrols, training of park rangers in biological monitoring methods, information exchange on biodiversity threats and the development of a master plan for Bahuaja-Sonene (which was later approved in late 2003) and Madidi, which together constitute the largest contiguous expanse of protected rain forest in the corridor. These are important examples of</p>
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<p>5-10 years <u>Long-Term Priorities</u></p> <p>-Amarakaeri Reserved Zone (420,000 ha) under protection and effective management</p> <p>-Machu Picchu Cultural Heritage (1,500,000 ha) under protection and effective management</p> <p>-Apruimac-Alto Purus Corridor (500,000 ha) corridor created</p> <p>-Tambopata-Candamo National Reserve (516,000 ha) under effective management and corridor created</p>	<p>progress toward consolidation within the Tambopata-Pilón Lajas complex.</p> <p>The two CI offices also helped make consolidation of 450,000 hectares in the Pilón Lajas Biosphere Reserve possible, partly by working together with CI's Global Conservation Fund in its design and financing of a compensation package for a company to give up its logging concession – a move that secured the immediate protection of 83,000 hectares of primary forest. As part of the agreement, the logging company dropped a legal dispute over an additional 100,000-hectare concession within the Reserve and Indigenous Territory of Pilón Lajas and its buffer zone. This was the last timber concession inside the protected area.</p> <p>In Apolobamba, land-use planning has been completed in two municipalities and an indigenous district. These plans have been integrated into the conservation and development plans.</p> <p>See all information above related to Amarakaeri Reserved Zone.</p> <p>An initiative to enhance public participation and improved management of the Machu Picchu Sanctuary was very successful in involving tourism and transportation agencies, local government, and communities living in the area. The Institute Machu Picchu also became involved in reviewing and revising the Master Plan for the Machu Picchu Sanctuary as a result of the project.</p> <p>See information above on this landscape (Alto Purus)</p> <p>Improved management of Tambopata National Reserve & Bahuaja-Sonene National Park through completion of the master plans for both, and the establishment of a management committee for Tambopata. In addition, La Nube Biological Station is established and functioning as part of the improved management efforts.</p>
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<p>-Cotapata National Park (51,000 ha) under effective management</p> <p>-Manuripi-Heath National Park (1,500,000 ha) under effective management and corridor created</p> <p>-Carrasco National Park (623,000 ha) under effective management</p> <p>-Carrasco-Isiboro Secure Corridor (459,000 ha) under protection and corridor created</p> <p><u>Extinctions Avoided</u></p> <p>1.2 Due to the immense size of this corridor there are a large number of critically endangered and endemic birds, mammals, rodents, and primates that will be targeted for protection.</p>	<p>The Management Plan has been completed and is being validated with local stakeholders.</p> <p>Land tenure issues resolved in two communities within the Carrasco NP and these lands have been titled and incorporated into PA plans.</p> <p>Each of the areas targeted for protection or improved management provide important habitat for a number of critically endangered and endemic species. CEPF now supports a small grants program for threatened species in the Peruvian part of the Vilcabamba-Amboró Corridor. The grant support to Asociación Peruana para la Conservación de la Naturaleza for this program is matched by CI's Center for Biodiversity Conservation in the Andes, creating two years of funding for research on priority species.</p>
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* In addition:

- A binational strategy for the implementation of the VA Corridor as a whole was developed and agreed to by both countries. This is also leading to the Bolivian Government finalizing a National Policy on Conservation Corridors. The 2003 publication of the Basic Implementation Strategy for the Vilcabamba-Amboró Conservation Corridor documents the results of workshops in Bolivia and Peru and a binational workshop to develop the strategy and represents a consensus of the governmental and civil society participants.
- Master plan for Otishi National Park developed and approved.
- The Peruvian government declared a trio of new protected areas in the VA corridor on the Andes' eastern slopes in early 2003: Otishi National Park and the adjacent Ashaninka and Machiguenga community reserves. CI was a very active member in the long-term transition of these areas from Reserve Zones to the official protected area status they each carry today.

Annex 3. Active versus Completed Grants by Hotspot Strategic Direction

		Sum of Funding Amount		Number of Grants/Projects**		Total Sum of Funding Amount	Total Number of Grants/Projects
Funding Region	Strategic Direction	Active	Completed	Active	Completed		
Atlantic Forest	1. Landscape Management initiatives	3,130,587	591,618	20	6	3,722,205	26
	2. Improve public PA management	540,410	0	4	0	540,410	4
	3. Increase private Pas	674,318	0	1	0	674,318	1
	4. Action fund for civil society	1,349,989	0	3	0	1,349,989	3
Atlantic Forest Total		5,695,304	591,618	28	6	6,286,922	34
Cape Floristic Region	1. Civil Society involved in PAs and management plans	427,291	938,019	8	8	1,365,310	16
	2. Private sector involved in corridor landscapes	1,372,395	280,915	8	6	1,653,310	14
	3. Institutional environment for conservation action	830,919	288,152	4	6	1,119,071	10
	4. Small grants program	898,744	0	1	0	898,744	1
Cape Floristic Region Total		3,529,349	1,507,086	21	20	5,036,435	41
Caucasus	1. Support civil society transboundary cooperation	2,470,000	9,238	1	2	2,479,238	3
	2. Strengthen mechanisms to conserve biodiversity	200,000	0	1	0	200,000	1
	3. Institutional environment for conservation action	0	0		0	0	0
	4. Increase awareness and commitment of decision makers	20,000	0	1	0	20,000	1
Caucasus Total		2,690,000	9,238	3	2	2,699,238	5
Chocó-Darién-Western Ecuador	1. Establish/strengthen local corridor-level protection	2,058,443	441,884	11	9	2,500,328	20
	2. Improved management for species and PA	469,361	159,881	8	2	629,242	10
	3. Sustainable development practices for communities	1,109,440	41,575	5	2	1,151,015	7
Chocó-Darién-Western Ecuador Total		3,637,244	643,340	24	13	4,280,585	37
Eastern Arc & Coastal Forests	1. Increase ability of local populations	1,946,323	0	14	0	1,946,323	14
	2. Restore and increase connectivity among fragmented forest patches	231,495	26,703	8	2	258,198	10
	3. Improve biological knowledge	1,610,442	29,898	19	2	1,640,340	21
	4. Small grants program	19,954	0	1	0	19,954	1
	5. Develop and support efforts for further fundraising	0	0	0	0	0	1
Eastern Arc & Coastal Forests Total		3,808,214	56,601	42	4	3,864,815	46
Eastern Himalayas Region	1. Restore connectivity and protect species in priority corridors	500,000	0	1	0	500,000	1
	2. Secure the conservation of priority site outcomes	0	0	0	0	0	0
	3. Leverage partnerships to achieve conservation outcomes	0	0	0	0	0	0
	4. Small grants program	0	0	0	0	0	0
Eastern Himalayas Region Total		500,000		1		500,000	1

		Sum of Funding Amount		Number of Grants/Projects**		Total Sum of Funding Amount	Total Number of Grants/Projects
Funding Region	Strategic Direction	Active	Completed	Active	Completed		
Guinean Forests	1. Institutional capacity building	1,041,625	1,355,137	11	11	2,396,763	22
	2. Biodiversity monitoring system	13,642	247,329	1	4	260,971	5
	3. Developing conservation corridors	74,992	2,038,159	1	9	2,113,151	10
	4. Public awareness, outreach, and education	508,176	304,833	5	6	813,009	11
	5. Small grants fund	34,815	94,927	3	14	129,742	17
Guinean Forests Total		1,673,250	4,040,385	21	44	5,713,635	65
Madagascar	1. Integrating local groups in conservation	301,569	1,277,448	3	7	1,579,017	10
	2. Private sector initiatives	304,500	398,513	2	5	703,013	7
	3. Conservation and management training	543,170	220,740	5	5	763,910	10
	4. Public awareness and advocacy	9,250	307,188	1	2	316,438	3
	5. Small grants program	281,200	5,775	2	2	286,975	4
	6. Coordination and monitoring network	90,024	159,751	1	2	249,775	3
Madagascar Total		1,529,713	2,369,415	14	23	3,899,128	37
Mountains of Southwest China	1. Monitoring and evaluating	792,841	1,050,953	7	5	1,843,794	12
	2. Mitigation of threats	1,140,958	371,754	20	13	1,512,712	33
	3. Civil society capacity building	1,159,387	117,121	9	4	1,276,508	13
	4. Biodiversity in policies and programs	562,000	50,000	3	3	612,000	6
	5. Small grants program	306,700	12,961	2	3	319,661	5
Mountains of Southwest China Total		3,961,886	1,602,789	41	28	5,564,675	69
Northern Mesoamerica	1. Foster civil society participation	0	0	0	0	0	0
	2. Collaboration with other donor-funded projects	1,834,699	0	3	0	1,834,699	3
	3. Support priority conservation actions	146,239	0	3	0	146,239	3
	4. Support efforts to prevent extinctions	0	0	0	0	0	0
Northern Mesoamerica Total		1,980,938		6		1,980,938	6
Southern Mesoamerica	1. Strengthen alliances and networks	1,113,010	275,683	3	4	1,388,693	7
	2. Connection through economic alternatives	1,337,923	45,752	14	3	1,383,675	17
	3. Awareness and conservation of flagship species	342,895	62,943	9	3	405,838	12
	4. Improve management of Pas	863,114	31,917	9	4	895,031	13
Southern Mesoamerica Total		3,656,942	416,295	35	14	4,073,237	49
Succulent Karoo	1. Expand PAs corridors through partnerships	1,358,430	5,500	4	1	1,363,930	5
	2. Engage industry in SKEP objectives	336,755	9,850	3	1	346,605	4
	3. Retain and restore critical biodiversity	209,108	78,793	7	4	287,901	11

		Sum of Funding Amount		Number of Grants/Projects**		Total Sum of Funding Amount	Total Number of Grants/Projects
Funding Region	Strategic Direction	Active	Completed	Active	Completed		
	4. Include conservation in planning and policy-making	297,376	37,020	4	2	334,396	6
	5. Increase awareness of Succulent Karoo	333,825	47,667	7	7	381,493	14
	6. Catalyze the SKEP program	121,883	792,253	2	3	914,136	5
Succulent Karoo Total		2,657,377	971,083	27	18	3,628,460	45
Sundaland	1. Enhance stewardship of resources	634,670	1,390,992	5	17	2,025,662	22
	2. Empower civil society to organize	3,486,931	817,588	10	11	4,304,520	21
	3. Alliance building between NGOs and private sector	1,796,790	316,539	3	4	2,113,329	7
	4. Impact assessment of interventions	657,077	266,116	3	6	923,193	9
Sundaland Total		6,575,468	2,791,235	21	38	9,366,704	59
The Philippines	1. Multiply and scale up investments corridor wide	1,512,542	1,193,825	6	6	2,706,367	12
	2. Build civil society awareness of conservation	316,987	58,177	3	1	375,164	4
	3. Build capacity for better protection of Pas	1,551,641	127,040	13	8	1,678,681	21
	4. Emergency critically endangered species program	1,218,111	90,084	4	3	1,308,195	7
The Philippines Total		4,599,281	1,469,126	26	18	6,068,407	44
Tropical Andes	1. Transboundary coordination	0	904,000	0	1	904,000	1
	2. Strengthening bi-national PA systems	0	675,757	0	2	675,757	2
	3. Community based conservation and management	299,999	1,308,454	2	8	1,608,453	10
	4. Awareness and education	499,455	110,297	2	3	609,752	5
	5. Strengthening environmental and legal policy	20,000	434,774	1	4	454,774	5
	6. Electronic information exchange	558,784	47,336	6	1	606,120	7
Tropical Andes Total		1,378,238	3,480,618	11	19	4,858,856	30
Total		47,873,207	19,948,828	321	247	67,822,035	568

*Footnote - the total grant count includes 17 multi-regional grants represented in each region that they cover. Therefore, the total number of grant agreements is 526.

Annex 4. Parallel Investments from Conservation International Affiliates

Verde Ventures Investments in CEPF Hotspots

CEPF Hotspot	Organization name	FY00-06
Eastern Arc	Wildlife Works	\$ 150,000
Guinean Forest of West Africa	Day Chocolate Company	\$ 250,000
Mesoamerica	Flama de Oro	\$ 100,000
Mesoamerica	Finca Irlanda	\$ 300,000
Mesoamerica	FINCA Triundo Verde, S.C.	\$ 160,520
Mesoamerica	Organización de Productores de Café de Angel Albino Corzo	\$ 272,658
Mesoamerica	Organizacion Regional de Productores Agro-Ecologicos	\$ 110,258
Mesoamerica	Comon Yaj Nop Tic, S. de S.S.	\$ 359,053
Mesoamerica	OPERT	\$ 120,300
Mesoamerica	Belize Lodge & Excursions	\$ 100,000
Mesoamerica	Campesinos Ecologicos de la Sierra Madre de Chiapas, S.C.	\$ 203,894
Mesoamerica	Indigenas y Campesinos Ecologicos de la Sierra Madre de Chiapas	\$ 827,117
Mesoamerica	Consultores Financieros, S.A. de C.V.	\$ 150,000
Sundaland	Gayo Organic Coffee Association	\$ 150,000
Sundaland	TriMaju	\$ 150,000
Sundaland	ForesTrade Indonesia	\$ 500,000
Tropical Andes	Central de Cooperativas Agrarias Cafetaleras de los Valles de Sandia	\$ 800,000
Tropical Andes	Rainforest Expeditions	\$ 360,556
		\$ 5,064,356

Global Conservation Fund Projects in CEPF Hotspots

Hotspot	Project	Grantee	FY02-05
Atlantic Forest	Abrolhos Bank	CI - Brazil	25,000
Atlantic Forest	Descobrimento National Park	CI - Brazil	25,000
Atlantic Forest	Serra das Lontras	CI - Brazil	25,000
Cape Floristic Region	Baviaanskloof	The Wilderness Foundation (via CI regional program)	20,877
Guinean Forests	Gola Forest	The Royal Society for the Protection of Birds	480,800
Guinean Forests	Protected Area Network	CI - Liberia	436,800
Guinean Forests	Southwest Forest	CI - Ghana	183,144
Madagascar	Daraina	Association Fanamby (1st grant via CI regional program)	407,726
Madagascar	Madagascar Trust Fund	Madagascar Protected Areas and Biodiversity Foundation	1,025,000
Madagascar	Makira	Wildlife Conservation Society	213,353
Madagascar	Menabe	Association Fanamby	408,982
Madagascar	Vohimana Forest	Man and the Environment (MATE)(via CI regional program)	12,000
Mesoamerica	Coiba National Park	Smithsonian Tropical Research Institute	29,000
Mesoamerica	Cojolita	CI - Conservation Economics	24,890
Mesoamerica	Guatemala Conservation Concession	CI - Mesoamerica	93,900
Mesoamerica	Honduran Emerald / Rio Aguan Valley	American Bird Conservancy	23,600
Mesoamerica	Little Water Caye	Friends of Nature	15,000
Mesoamerica	Osa Corridor	Centro de Derecho Ambiental y de los Recursos Naturales	24,255
Mesoamerica	Volcan Baru	The Nature Conservancy	12,478
Philippines	Mount Mantalingahan	CI - Philippines	96,692
Philippines	Sierra Madre	CI - Philippines	33,491
Succulent Karoo	Namaqualand	SANParks / National Parks Trust of South Africa and CI South Africa	821,500

Hotspot	Project	Grantee	FY02-05
Succulent Karoo	Sperrgebiet	CI - Southern Africa	23,760
Sundaland	Batang Gadis	CI - Indonesia	232,746
Sundaland	Bukit Bahar	BirdLife International - Indonesia / Royal Society for the Protection of Birds	24,958
Sundaland	Bukit Tigapuluh	WARSI	318,809
Sundaland	Siberut Island	CI - Indonesia	158,988
Tropical Andes	Alto Madidi	Amazon Conservation Association (via CI regional program)	18,500
Tropical Andes	Condor/Cofan	The Nature Conservancy / CI - Conservation Economics / Confan Federation	20,000
Tropical Andes	Cusco Polylepis	American Bird Conservancy	100,000
Tropical Andes	Debt for Nature Swap	Government of Colombia	466,666
Tropical Andes	Debt for Nature Swap	Government of Peru	366,666
Tropical Andes	Huascarán Polylepis	CI - Andes	199,816
Tropical Andes	Otishi National Park	CI - Andes	190,057
Tropical Andes	Pilon Lajas	CI - Andes	200,000
Tropical Andes	Serranía las Quinchas	Fundacion Para la Investigacion y Conservacion ProAves	36,500
Tropical Andes	Vilcabamba Amoro Corridor	CI - Andes	13,000
Tumbes-Chocó-Magdalena	Awacachi Corridor	Fauna & Flora International - Latin America	425,000
Tumbes-Chocó-Magdalena	Awa Guadillito	Federacion de Centros Awa del Ecuador	24,992
Tumbes-Chocó-Magdalena	Chachi	CI - Conservation Economics / German Technical Cooperation	17,240

Annex 5. Conservation International Costs Recovered Through CEPF Management Fee

(Information supplied by CEPF)

Indirect costs are expenses that benefit the whole, but cannot be attributed directly to a particular project or activity. Examples are the expenses related to general support departments such as Administration, Human Resource, Finance, Information Technology, General Counsel and Global Communications. Examples of the services provided:

- CI's Administration Department provides various administrative functions and general administrative support for CEPF such as providing additional office space, ordering furniture, supplies and reconfiguring offices. It provides general security, manages employee badges and keys, maintains the conference rooms, staffs the lobby and main phone lines and greets guests. Administration maintains fax machines and copiers and provides mail support by processing the mail, including DHL, Fed-EX, and priority mail requests.
- CI's Global Communications Department provides regular (weekly) technical support for maintenance and refinement of the CEPF Web site. Its online team also acts as project manager for any major expansion or redesign requiring external contractors, conducting a request for proposals, choosing and managing the external vendor, and ensuring functional quality in all aspects of the project. The department provides design and production management services for all major CEPF products, such as the annual report and the CEPF informational brochure. It also assists in developing and distributing all media announcements and responding to media inquiries. CEPF also benefits from institutionally researched and negotiated communications discounts and partnerships, such as a new partnership with Minden Pictures that enables free online usage of any of its photos.
- CI's Finance Department provides services in direct support of external grants and overall support for the CEPF department. For the external grants, the Finance Department manages the development of all external grant policies (directly linked to CEPF's policies), including legal and audit requirements. When a grant is ready for processing, the Finance department prepares financial risk assessments for each applicable grant and conducts anti-terrorist screenings as required by the Patriot Act. Once the grant is approved, the Finance team records the financial entries to track each individual grant commitment and all associated payments. Each quarter, the Finance team sends out wires to grantees at CEPF's request. When CEPF closes a grant is closed, the Finance Department reviews and checks the final balances and prepares closeout entries in Oracle.

As part of the institutional support, CI's Finance Department provides payroll processing, budget management, expense processing to include travel and visa expense reports, and management of the CI wide audit and compliance requirements.

- CI's Human Resources Department supports CEPF in attracting, retaining and developing the staff to support advancement of the CEPF mission. HR provides guidance on salary and benefits administration, as well as, any workplace conflict that may arise. It provides training, meeting facilitation services and conflict resolution as needed. Human Resources has assisted CEPF with articulating roles and responsibilities and has developed methods for setting employee's deliverables and evaluating performance.
- CI's IT department provides network services, e-room support and structure, grant tracker assistance, computer procurement and maintenance, and server infrastructure. IT also hosts the CEPF Web site, provides the technology to track visitor activity, and acts as project manager for any highly technical expansion to the site. For example, it recently acted as

project manager for the backend merger of the Grant Tracker database and the site's listing of all approved grants, managing the vendor and helping design the automated interface between the two systems.

The indirect costs pool is audited and reviewed every year and an indirect rate is calculated each year. CI received 24% of all direct expenses on both the CEPF Operations and Preparation Expenses and 13% of direct expenses on the grants to CI programs through FY05. In FY06, CI's audited rate on Operations and Preparation will be 22.1%. CI does not receive any indirect on the external grant expenses (0%). CI has received \$5.2 million in indirect for Operations (\$1.9m), Preparation (\$1.2m see above table) and Grant Funding (\$2m) on total expenses of \$84 million as of June 30th, 2005. This is an effective rate of 6% of total expenses, or 8% on cash expenses.

Annex 6. Calculation of CEPF Management Fees to Conservation International

The management fees are calculated according to the Financing Agreement as follows, showing how the data can be tracked to the CEPF Financial Statements:

On Grants

Grants paid in cash to CI, excluding management fee	\$15.7 m	
Management Fee* (13%***)	<u>\$ 2.0 m</u>	\$ 2.0 m
Grants paid in cash, including management fee	\$17.7 m	
<i>add: Grant Payable</i>	<u>\$ 5.7 m</u>	
Grants awarded to CI, including management fee	\$23.4 m	
<i>less: Management Fee (x 13/113)</i>	<u>\$ 2.6 m</u>	
Grants awarded to CI, excluding management fee	<u>\$20.8 m</u>	

On Ecosystem Profile Preparation

Payments to CI	\$ 3.8 m	
Payments to Other Organizations/Consultants	<u>\$ 1.3 m</u>	
Cost of Ecosystem Profiles, excluding management fee	\$ 5.1 m	
Management fee on Ecosystem Profile Preparation (24%**)	<u>\$ 1.2 m</u>	\$ 1.2 m
Cost of Ecosystem Profiles, including management fee	<u>\$ 6.3 m</u>	

On Operations

Operational costs, excluding management fee	\$ 8.0 m	
Management Fee on Operational Costs (24%**)	<u>\$ 1.9 m</u>	\$ 1.9 m
Total Operational costs, including management fee	<u>\$ 9.9 m</u>	
<i>(= Business Development, etc. in financial statements)</i>		

Total Management Fees

(Referred to by CEPF as 'indirect [costs] recovered') \$ 5.2 m

Notes

* Management fees on grants are based on grant payments and not grant commitments. No management fees are paid to CI on CEPF grants to other organizations.

**This % management fee is based on CI's audited cost ratios for the preceding fiscal year.

*** Based on Schedule 3 of the Financing Agreement