

Annual Portfolio Overview
Cerrado
July 2016 – June 2017

Introduction

Covering over 2 million square kilometers, the Cerrado biodiversity hotspot (Figure 1) is one of the world's largest hotspots and biologically richest savanna regions. The hotspot lies mainly within Brazil and extends marginally (1%) into neighboring parts of Bolivia and Paraguay.

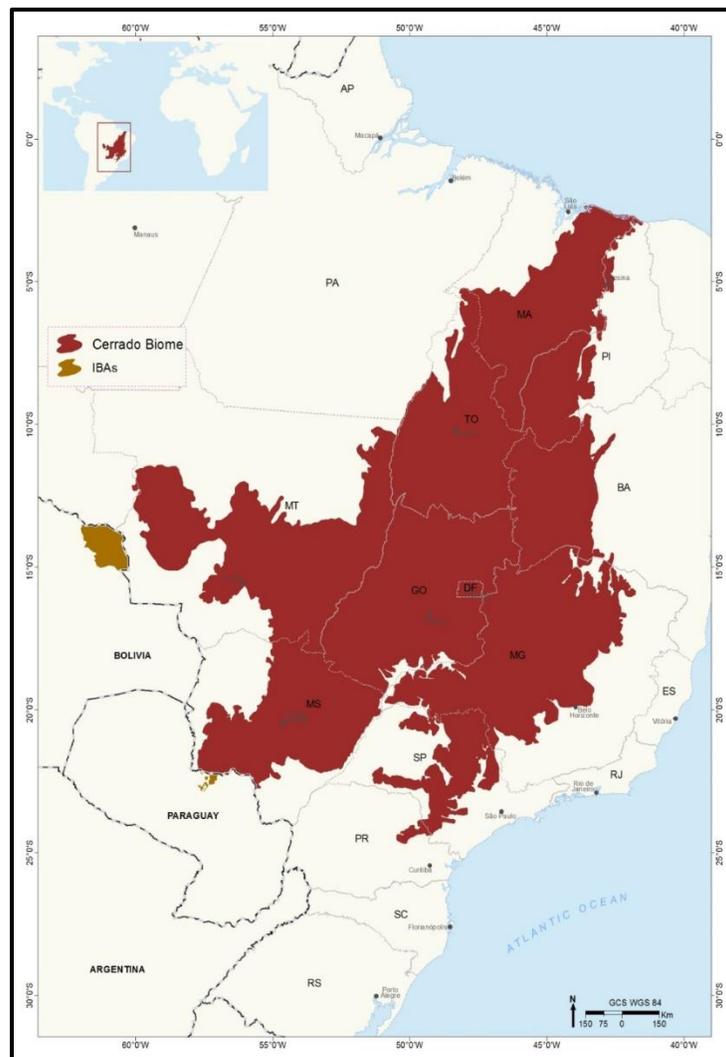


Figure 1: Map of the Cerrado Hotspot, covering 2.064.301 km²

Cerrado consists of vast plateaus between 300 and 1,600 meters in elevation. These structures primarily support savanna formations, separated by a network of lower-lying plains. They, in turn, support 15 different vegetation types, including various kinds of woodland, scrubland and grassland. The diverse ecosystems of the Cerrado are home to a great variety of species, including many found nowhere else in the world. Although more extensive surveys are required to catalog the enormous variety of species in the Cerrado, the hotspot is estimated to contain over 12,000 plant species, with over one-third of these endemic to the area. The region also contains at least 2,373 vertebrate species, approximately one-fifth of which are endemic. The Cerrado is home to a few iconic large mammals, including South America's largest canid and felid: the maned wolf (*Chrysocyon brachyurus*) and the jaguar (*Panthera onca*), respectively. The Cerrado is also home to the giant armadillo (*Priodontes maximus*), the most impressive member of the Cerrado armadillo fauna. Among the endemic species in the Cerrado are *Caryocar brasiliense*, a culturally and economically important fruit tree known as *pequi*, and *Syngonanthus nitens*, called "golden grass," which is widespread in the Cerrado and is used to make regional handicrafts.

In addition to its high biodiversity, the Cerrado supports human populations both within and outside of the hotspot's boundaries. Locally, its biodiversity resources underpin the livelihoods of the millions of family farmers, traditional communities and indigenous peoples in the Cerrado. The ecosystem services delivered by the hotspot are even more far reaching. The Cerrado is one of the world's largest producers of livestock and agricultural products, and accounts for 30 percent of Brazil's gross domestic product. From a hydrological perspective, the ecology of the Pantanal, the largest wetland in the world, depends on water flowing from the Cerrado, while most of the Amazon River's southern tributaries originate in the hotspot. The Cerrado also provides much of southern Brazil with water for human and agricultural use through surface flow, groundwater recharge and atmospheric flows of water vapor. The Cerrado also has vast amounts of carbon stored in its forests, including the deep roots that the forests' trees need to survive the long dry season.

The economic development of the Cerrado is putting pressure on both local communities and natural ecosystems through continued conversion of land for crops and ranching. By some accounts, deforestation in the Cerrado is now responsible for greater emissions of greenhouse gases than forest loss in the Amazon.

By 2010, 47 percent of the hotspot's land had already been converted for human land uses. This problem is exacerbated by the fact that the Cerrado has one of the lowest levels of protection of any hotspot, with only 8 percent of the land area protected.

The extreme biological richness of the hotspot combined with the alarming rate of land conversion in the area means urgent action must be taken to ensure environmental sustainability and the well-being of human societies.

Annual Portfolio Overviews (APOs) aim at providing an update on progress of CEPF's investment strategy. This particular APO covers progress in the Cerrado hotspot from July 1st, 2016 to June 30th, 2017. This APO is the first one for the Cerrado hotspot.

I- Niche for CEPF Investment

1. Overview

In contrast to the size of the Cerrado and the scale of the threats facing the region, funding opportunities for civil society organizations wishing to engage in conservation are currently limited. The CEPF investment is meant to be used to leverage, enhance and amplify opportunities for financial support as well as technical cooperation. The highest priority conservation objectives for the Cerrado over the five years of CEPF investment include avoiding or minimizing the amount of new land clearing, restoring degraded lands in order to recreate ecological connectivity, and expanding the network of protected areas. In addition to the civil society groups, CEPF investment aims at targeting local communities of family farmers, indigenous and traditional peoples, and civil society networks in great need of capacity building. Private sector and government engagements are also essential for successful conservation of the Cerrado. By investing in one of the most important regions for agricultural commodities in the world, CEPF hopes to help increase the effectiveness and scale of sustainable practices by agribusinesses.

CEPF uses conservation outcomes, or biological targets, to determine its geographic and taxonomic focus for investment and to then measure the success of those investments. Conservation outcomes can be defined at three scales—species, site and corridor—that interlock geographically through the presence of species at sites, which then fit into corridors. Based on the International Union for the Conservation of Nature (IUCN) Red List and the National Red List for Brazil, which has a more complete and updated catalog of the Cerrado’s flora and fauna, it was estimated that at least 980 species are threatened with extinction within the hotspot. Because only 10 percent of the Cerrado’s plant species have been evaluated, this number is surely an underestimate. In addition, 649 rare species that were identified in two studies looking at plants and fish with a restricted geographical distribution were also considered conservation targets, bringing the total of target species to 1,629. During the ecosystem profiling process, existing lists of Key Biodiversity Areas (KBAs) within Brazil and Important Bird Areas (IBAs) within Bolivia and Paraguay were built upon and updated using the newest available data. The final result from this process was a map that included 761 KBAs in Brazil, plus one IBA in Bolivia and three IBAs in Paraguay. These 765 sites account for roughly 60 percent of the Cerrado’s area. The sites in Bolivia and Paraguay each benefit from some form of environmental protection, and therefore, they are considered to face fewer threats than most KBAs in Brazil, 90 percent of which have no protection. Brazil’s 761 KBAs were also evaluated for their contribution to hydrological services, such as water usage for livestock, industry, irrigation, and other urban and rural purposes. Using this evaluation metric, 152 of Brazil’s KBAs were considered to be of very high importance for hydrological services. All of these 152 areas are in or near major agricultural or urban areas, where demand for water is highest. Based on examining clusters of KBAs with high relative biological importance, 13 conservation corridors were identified, covering about one-third of the hotspot’s area.

The identification of conservation outcomes provides a long-term, overarching agenda for protecting the Cerrado’s unique and valuable biodiversity. Realistically, only a fraction of these priorities can be tackled by civil society organizations during the CEPF investment from July 1, 2016 to June 30, 2021.

Therefore, the CEPF investment strategy focuses on 17 investment priorities which have been grouped into seven strategic directions (Table 1). One strategic direction will support the implementation of

conservation action plans, focusing on habitat management and protection for seven¹ terrestrial and freshwater priority species, which are all listed as threatened on the IUCN Red List, from the 1,629 threatened species in the hotspot. In addition, priority is given to four landscape-scale conservation corridors, selected from among 13 identified in the hotspot: Veadeiros-Pouso Alto-Kalungas; Central de Matopiba; Sertão Veredas-Peruaçu; and Mirador-Mesas. These four priority corridors contain 62 KBAs with “Very High” relative importance for conservation. The total area encompassed by the four priority corridors is 32.2 million hectares, representing approximately 16 percent of the entire Cerrado Hotspot. These four priority corridors have a high proportion of natural vegetation cover but little protected area coverage and low capacity to manage existing protected areas. All four corridors have a high need for additional investment, and present excellent opportunities to catalyze and amplify the results of conservation actions. The projects in these four priority corridors need to be promoted with the idea of subsequent replication throughout the Cerrado by other donors and civil society organizations.

Table 1: CEPF Strategic Directions and respective Investment Priorities for the Cerrado Hotspot

CEPF Strategic Directions	CEPF Investment Priorities
1. Promote the adoption of best practices in agriculture in the priority corridors	1.1 Identify and disseminate sustainable technologies and production practices in the agriculture sector to ensure protection of biodiversity, maintenance of ecosystem services and food security
	1.2 Promote the development and adoption of public policies and economic incentives for improved agricultural and livestock production practices, promoting sustainable agricultural landscapes
2. Support the creation/ expansion and effective management of protected areas in the priority corridors	2.1 Support studies and analyses necessary to justify the creation and expansion of public protected areas, while promoting conservation and sustainable use of biodiversity and valuing local and traditional culture
	2.2 Promote the inclusion of existing indigenous, <i>quilombola</i> and traditional populations, respecting and integrating their traditional knowledge, into conservation/restoration planning by government and civil society
	2.3 Encourage the creation and implementation of private protected areas (RPPNs) to extend legal protection in priority KBAs
3. Promote and strengthen supply chains associated with the sustainable use of natural resources and ecological restoration in the hotspot	3.1 Support the development of markets and supply chains for sustainably harvested non-timber products, in particular for women and youth
	3.2 Promote capacity-building initiatives in particular among seed collectors, seedlings producers and those who carry out restoration activities, to enhance technical and management skills and low-cost, ecologically appropriate technologies in the supply chain of ecological restoration
	3.3 Promote the adoption of public policies and economic incentives to expand the scale and effectiveness of conservation and restoration of Permanent Preservation Areas (APPs) and Legal Reserves (LRs), through improved productive systems that enhance ecosystem services

¹ The original Ecosystem Profile had mistakenly listed nine priority species for the CEPF investment strategy. This mistake was corrected in a revised version of the Ecosystem Profile in February 2017.

CEPF Strategic Directions	CEPF Investment Priorities
4. Support the protection of threatened species in the hotspot	4.1 Support the implementation of National Action Plans (PANs) for priority species, with a focus on habitat management and protection
5. Support the implementation of tools to integrate and to share data on monitoring to better inform decision-making processes in the hotspot	5.1 Support the dissemination of data on native vegetation cover and dynamics of land uses, seeking reliability and shorter time intervals between analyses and informed evidence-based decision-making
	5.2 Support the collection and dissemination of monitoring data on quantity and quality of water resources, to integrate and to share data on the main river basins in the hotspot
6. Strengthen the capacity of civil society organizations to promote better management of territories and of natural resources and to support other investment priorities in the hotspot	6.1 Strengthen capacities of civil society organizations to participate in collective bodies and processes related to the management of territories and natural resources
	6.2 Develop and strengthen technical and management skills of civil society organizations, on environment, conservation strategy and planning, policy advocacy, fund raising, compliance with regulations and other topics relevant to investment priorities
	6.3 Facilitate processes of dialogue and cooperation among public, private and civil society actors to identify synergies and to catalyze integrated actions and policies for the conservation and sustainable development of the Cerrado
	6.4 Disseminate information about the biological, ecological, social and cultural functions of the Cerrado to different stakeholders, including civil society leaders, decision makers, and national and international audiences
7. Coordinate the implementation of the investment strategy of the CEPF in the hotspot through a Regional Implementation Team	7.1 Coordinate and implement the strategy of investments of CEPF in the Cerrado, through procedures to ensure the effective use of resources and achievement of expected results
	7.2 Support and strategically guide the network of institutions responsible for the implementation of actions and projects funded by CEPF, promoting their coordination, integration, cooperation and exchange of experiences and lessons learned

Strategic Direction 1. To promote the adoption of best practices in agriculture in the four priority corridors, CEPF will prioritize the capacity building of farmer organizations and the disseminations of best practices focused on soil and water conservation and locally adapted solutions (*Investment Priority 1.1*). CEPF will also support cooperation, social dialogue and coordination initiatives to influence policies and their implementation, and to propose incentives for best agricultural practices (*Investment Priority 1.2*).

Strategic Direction 2. To support the creation/expansion and effective management of protected areas in the four priority corridors, CEPF will support technical and territorial studies, as well as joint policy initiatives and social dialogue, to back up proposals for the creation or expansion of protected areas in the priority corridors and for the preparation and implementation of management plans (*Investment Priority 2.1*). CEPF will also support the establishment of community agreements for resource use and help communities to declare their territories as Indigenous and Community Conserved Areas (*Investment*

Priority 2.2). CEPF will support the creation and implementation of Private Natural Heritage Reserves (RPPNs) within the 62 priority KBAs to provide increased connectivity as well as increased representation of priority areas in the protected areas network (*Investment Priority 2.3*).

Strategic Direction 3. To promote and strengthen supply chains associated with the sustainable use of natural resources and ecological restoration in the hotspot, CEPF will help local communities to improve sustainable extraction and production practices for non-timber products, through exchange of experiences and practices, transfer of appropriate social technologies, and networking, coordination, knowledge management and capacity building actions to influence public policies removing barriers to sustainable use (*Investment Priority 3.1*). CEPF may also support training, compliance, research, and pilot demonstrations to tailor techniques that will enable restoration in the Cerrado, as well as networking to influence the legal framework regarding native seed collection and seedling production for upscaling (*Investment Priority 3.2*). CEPF will also support Permanent Preservation Areas and Legal Reserves to comply with the Rural Environmental Registry, via strategic partnerships and promotion of the productive chain of restoration (*Investment Priority 3.3*).

Strategic Direction 4. To support the protection of threatened species in the hotspot, CEPF will support the implementation of priority actions, especially those related to management and habitat protection, set out in the National Action Plans (PANs) of seven species that are highly threatened globally and have been prioritized for CEPF investment.

Strategic Direction 5. To support an agile, efficient, reliable and transparent system to better inform decision-making processes in the hotspot, CEPF will support the creation of an online platform, through partnerships and leveraged resources, to store and disseminate data produced by monitoring programs. Supported projects will also strengthen and expand civil society skills and encourage the production of integrated analysis, including on public policies affecting the Cerrado, to generate annual information on deforestation and changes in vegetation cover and to better inform decision-makers (*Investment Priority 5.1*). CEPF will also support workshops with members of watershed management committees and stakeholders of the main rivers in the hotspot, to discuss results, exchange experiences on conservation initiatives, plan watershed management actions and increase awareness among the general public as well as the agriculture sector in particular (*Investment Priority 5.2*).

Strategic Direction 6. To strengthen the capacity of civil society organizations to promote better management of territories and natural resources and to support other investment priorities in the hotspot, CEPF will help these organizations become most prominent and influential in several forums, such as management boards of protected areas and mosaics, municipal and state environmental councils, territories boards or watershed management committees, among others (*Investment Priority 6.1*). Inspired by the Atlantic Forest experience, CEPF will support the implementation of an institutional strengthening program defined by/with local organizations (*Investment Priority 6.2*). CEPF will help establish or enhance multi-stakeholder initiatives (MSI) to leverage institutional, political and financial support to conserve the Cerrado, and also support exchanges and integration among conservation and sustainable use institutions, and best practices of territorial governance among public and private institutions of Brazil, Paraguay and Bolivia (*Investment Priority 6.3*). CEPF will also support the development of promotional publications, broadcasting spots, public campaigns and other communication tools and media and sponsor the implementation of an integrated database to contribute to the dissemination of information on the Cerrado (*Investment Priority 6.4*).

Strategic Direction 7. To coordinate the implementation of the CEPF investment strategy in the hotspot, CEPF will support a Regional Implementation Team to convert its strategy into a cohesive portfolio of grants. The RIT will establish and coordinate a process for proposal solicitation and review (*Investment Priority 7.1*), manage a program of small grants (*Investment Priority 7.2*), and provide reporting and monitoring (*Investment Priority 7.3*).

2. Coordinating CEPF Grant Making

Through an open and competitive procurement process launched on November 11, 2015, and concluded on April 4, 2016, CEPF selected a lead local organization, Instituto Internacional de Educação do Brasil (IEB), as the Regional Implementation Team (RIT) to oversee the strategic development of the grant portfolio and ensure delivery of the CEPF program in the Cerrado. The purpose of the RIT is to convert the plan in the ecosystem profile into a cohesive portfolio of grants. The team has to operate in a transparent and open manner, consistent with the CEPF mission and all provisions of the CEPF Operational Manual.

IEB is a Brazilian non-profit, non-governmental organization dedicated to capacity building and training of people, as well as strengthening organizations in the areas of natural resource management, environmental and territorial management and other topics related to sustainability. With more than 18 years of experience in creating partnerships, IEB is a local reference in the leadership of consortia and in the articulation of civil society entities, such as socio-environmental organizations, companies, and governments. The results of these actions contribute to the creation of public spaces for dialogue and the rapprochement between civil society organizations, community associations, government agencies and the private sector. IEB was selected as the RIT because it demonstrated a strong track record of experience working in Brazil, managing programs of similar size, scale, and complexity to the RIT, and experience in directly managing small grants programs. IEB also has robust administrative, financial, and monitoring systems aligned with the RIT scope of work.

Overall coordination of the RIT is provided by Michael Becker, the RIT Leader. With his strong experience in project management and biodiversity conservation background, as well as his network of actors in the Cerrado, the Team Leader is responsible for the overall management of the team, and, in close consultation with the CEPF Grant Director, for overseeing the development of the CEPF investment portfolio in the hotspot. He is also responsible for reporting to CEPF, the monitoring and evaluation strategy, and interaction with the local advisory committee and other stakeholders. He officially took up his position on a full-time basis in September 2016.

The full-time Grants Manager, Camila Pinheiro de Castro, is a long-lasting staff of IEB and has been involved in the RIT project since the start. She oversees the whole small grants process, and provides day-to-day support to small grantees, ensuring compliance with protocols, procurement and reporting, while also providing targeted support to large grantees.

In June 2017, a third full-time employee, Aryanne Gonçalves Amaral, was recruited as Project Assistant. With a PhD in Botany and project management skills, the Project Assistant is leading the communication aspects, and supporting all aspects of the grant making processes for both small and large grants.

This core team is supported on part-time basis by Michael Jackson of Oliveira Alves, a GIS intern in charge of preparing strategic analysis for the RIT, by Magdalena Lambert, IEB's Financial Officer, by Wladia Alves da Silvá, IEB's Financial Assistant, by Ailton Dias, IEB's office coordinator in charge of the capacity

building/public policy aspects for the RIT, and by Maria-José Gontijo, founder and General Coordinator of IEB, who provides coordination with donors and private sector.

All are based at the IEB head office in Brasilia. The team provides local knowledge and insights and represents CEPF in the hotspot. Members of the team are primarily responsible for building a broad constituency of civil society groups working across institutional and political boundaries toward achieving the objectives described in the ecosystem profile and any regionally appropriate long-term conservation and development visions.

The RIT has also created an advisory committee to follow the implementation of the CEPF investment strategy in the Cerrado and provide high-level guidance from analyzed information on the portfolio of projects supported through small and large grants. The advisory committee is formed by a minimum of four and maximum of 12 members with a mandate of three years, with the possibility to renew their mandate for one period. The composition and terms of reference of the advisory committee will be completed in early 2018.

3. Portfolio status to date

An endorsement letter from the Ministry of Planning, Development and Management of Brazil, represented by Marcelo Moisés de Paula, General Coordinator for External Financing and GEF Operational Focal Point, was received on July 29, 2016. This GEF Operational Focal Point endorsement of the ecosystem profile allowed CEPF to disburse funds in Brazil. Strategic efforts continue to secure the GEF focal point endorsements for Bolivia and Paraguay, which are still awaited. Securing these endorsements will be less impactful considering that the vast majority of the investment will focus on Brazil given the geographical spread of the Cerrado in this country (99%).

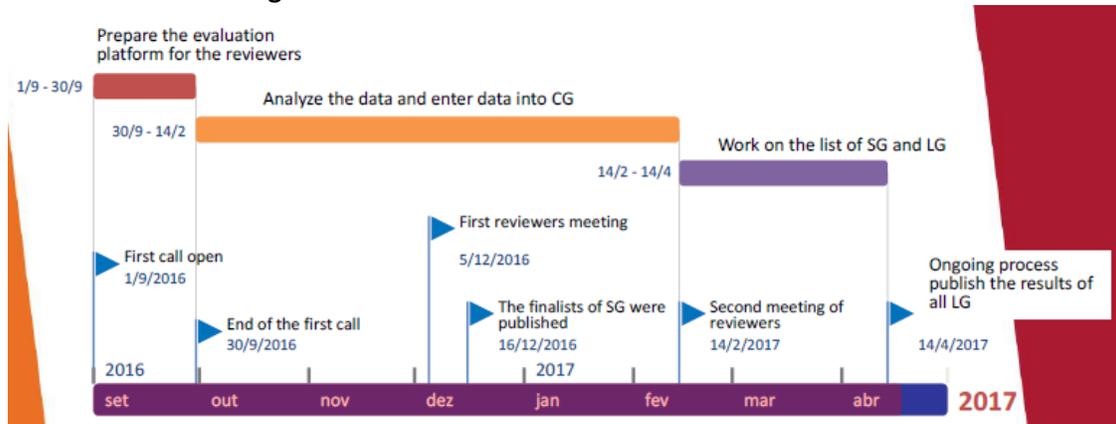
A first call for proposals was launched in English and Portuguese for both small (up to \$20,000) and large grants on August 29, 2016. The deadline for sending Letters of Inquiry (LOIs) was September 30, 2016. All relevant documents, including the LOI template were in both languages. The first six strategic directions were eligible. Strategic Directions 1 and 2 were limited to the four priority corridors, while the other strategic directions were open to applications from the entire hotspot. Applications were accepted in English and Portuguese for both large grants and small grants.

A total of 144 LOIs were received by email (no online application was yet available at the time), consisting in 89 for large grants and 55 for small grants. Following the end of the call on September 30, 2016, the review process was split into three periods (Figure 2): (i) analysis of the LOIs and data entry into the online systems, which saw the first reviewers meetings taking place on December 5, 2016 and the subsequent publication of the list of shortlisted small grant applications; (ii) work on the shortlisting of large grant applications, which saw the second meeting of reviewers taking place on February 14, 2017 and the sending of rejection and invitation letters as of March 2017; and (iii) ongoing work on the shortlisted projects for grant awarding, with three large grants signed in June 2017 and 20 pending grants.

For the small grant applicants, 11 were shortlisted in total, based on the assessments of 49 voluntary peer reviewers through PROSAS (www.prosas.com.br), the online system used by the RIT to process the reviews of both small and large grants. Each LOI received a grade based on a number of set questions. A shortlist was established and sent to a selection committee (a panel of about 12 experts / external reviewers). They agreed on a final shortlist after an all-day meeting and agreeing on a threshold for the grade (2.4) after reviewing documents and discussing contents. For small grants, the final decision on

which small grants to award was made by the RIT (11 selected); for large grants, the decision was made jointly by the RIT and the CEPF Grant Director. In both cases, the decision was informed by the shortlist prepared by the selection committee. A total of 21 large grant applicants were invited to submit a full proposal using CEPF new online grant making system: ConservationGrants. An additional six large grants applicants were considered for two planning grants, in order to better align projects design. These decisions were based on the external reviewers' comments and on the Grant Director's review and final decision.

Figure 2: The Selection Process of the 1st Call for LOIs

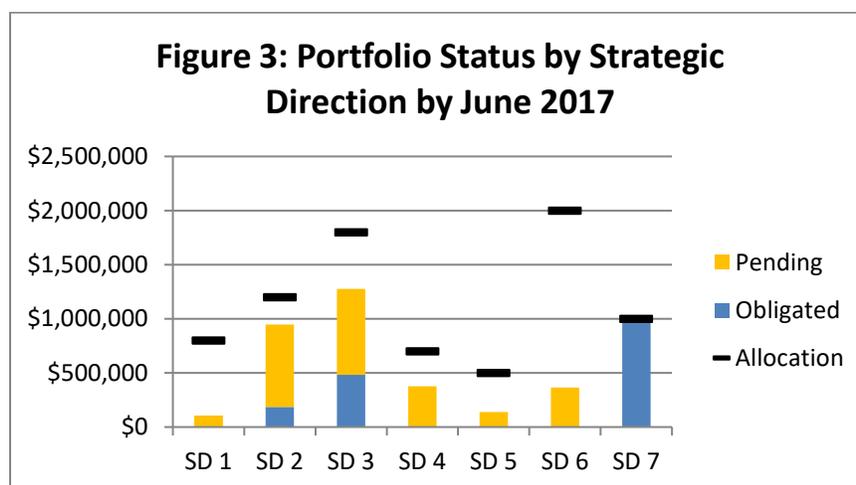


As of June 30, 2017, four large grants have been contracted, representing 21% of the total funds available for the investment strategy in the Cerrado (Table 2). All were to local organizations. The first large grant was the RIT grant, which deals with coordination and monitoring of the implementation of the investment strategy of the CEPF in the hotspot and falls under Strategic Direction 7. Another two (led by WWF-Brazil) will begin implementation as of July 1, 2017 for two and three years respectively. The fourth (led by IMAFLORA) will also begin implementation on July 1, 2017, for two years. No small grants have been contracted to date.

Table 2: Grant-Making Status by Strategic Direction, June 2017

Strategic Direction		Budget Allocation	Contracted Grants			Budget balance	% Contracted
			Total Amount	No. of Large grants	No. of Small grants		
SD1	Promote the adoption of best practices in agriculture in the priority corridors	\$ 800,000	\$ -	0	0	\$ 800,000	0%
SD2	Support the creation/ expansion and effective management of protected areas in the priority corridors	\$ 1,200,000	\$ 187,000	1	0	\$ 1,013,000	16%
SD3	Promote and strengthen supply chains associated with the sustainable use of natural resources and ecological restoration in the hotspot	\$ 1,800,000	\$ 481,828	2	0	\$ 1,318,172	27%
SD4	Support the protection of threatened species in the hotspot	\$ 700,000	\$ -	0	0	\$ 700,000	0%
SD5	Support the implementation of tools to integrate and to share data on monitoring to better inform decision-making processes in the hotspot	\$ 500,000	\$ -	0	0	\$ 500,000	0%
SD6	Strengthen the capacity of civil society organizations to promote better management of territories and of natural resources and to support other investment priorities in the hotspot	\$ 2,000,000	\$ -	0	0	\$ 2,000,000	0%
SD7	Coordinate the implementation of the investment strategy of the CEPF in the hotspot through a Regional Implementation Team	\$ 1,000,000	\$ 1,000,000	1	0	\$ -	100%
TOTAL		\$ 8,000,000	\$ 1,668,828	4	0	\$ 6,331,172	21%

These four grants represent a total of \$1,668,828 already awarded. A remaining 17 large grants and 11 small grants are pending the finalization of the contracting process. These represent an additional \$2,596,000 roughly (\$2,378K and \$218K respectively). Should all these grants be awarded as currently planned, together with the four grants already contracted, it is expected that about 53% of the investment will be awarded by June 2018 and that at least one project for each strategic direction will be supported (Figure 3).



II- Performance of CEPF Investment

1. Assessment

Since the launch of the investment strategy in the Cerrado Hotspot in June 2016, clear communications channels have been established between the RIT and the CEPF Secretariat, while systems and processes for proposal solicitation and review (including two online management systems- see below) have been

put in place. Both teams are on a “learning curve” with these systems and in terms of setting up a *modus operandi*, as well as a collaborative relationship and a consultative approach with external stakeholders. During this first year, processes relevant to the due diligence for small grants have been prepared and key documents have been translated into Portuguese (like the Gender Tracking Tool and the flow down provisions of CEPF’s grant agreement, for instance). More translations are still needed though.

Following the first call for LOIs, the CEPF Secretariat started with the implementation of its new online system: ConservationGrants. Having initially received the applications offline, the use of this online system required the migration of data, which was quite time consuming for both the Secretariat and the RIT. In addition, the RIT and the Grant Director were introduced to the system with regular trainings (more are scheduled for the months to come). This led to a lengthier review process of the full proposals. This duration is expected to improve with the next call.

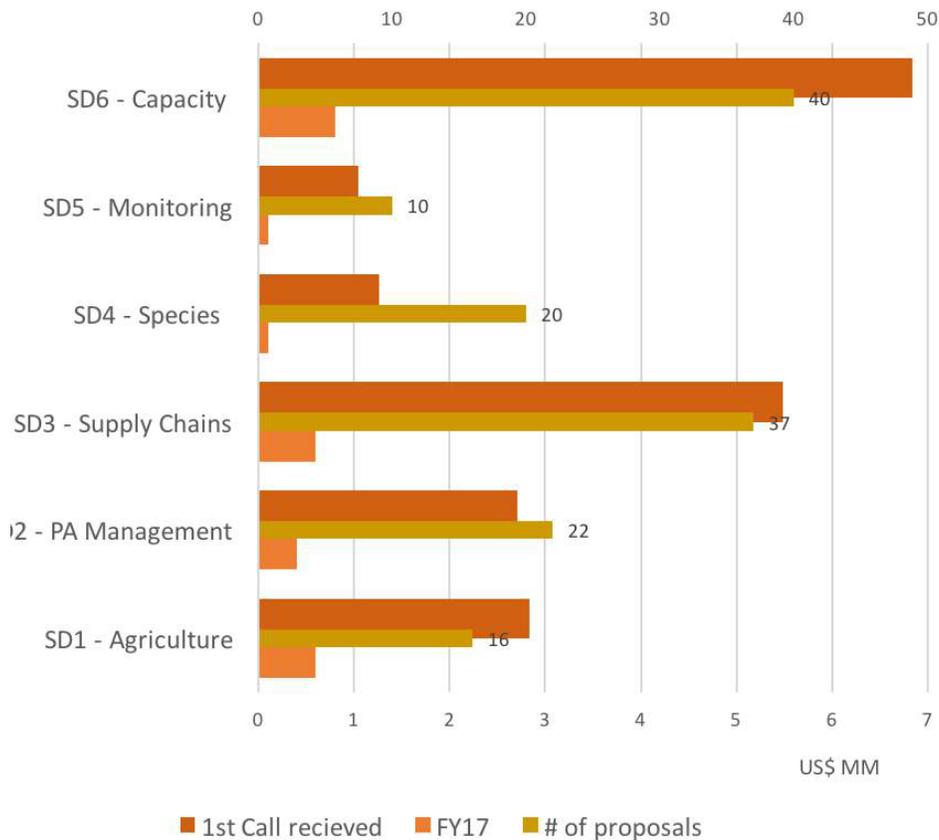
Due to wide differences in applicants’ capacities and internet connectivity across the various hotspots where CEPF operates, ConservationGrants was not set up to accommodate a full online process for small grants and a full external review. Therefore, considering the particular case of the Cerrado and the civil society organizations active there, the RIT started using another online system (PROSAS) for small grants and for the external reviews of both large and small applications. The RIT is responsible for capturing the relevant data from PROSAS to ConservationGrants. Overall, the team was happy with the reports that it can get from its online system and found worthwhile the effort required in terms of initial data entry. The external reviewers have also expressed their satisfaction with the use of PROSAS, despite some minor technical issues and some needs for refinement. Moving forward, all applications (large and small) will be fully online with ConservationGrants and PROSAS respectively.

In terms of external communication, both teams identified the need to improve on the communication flow to applicants and external reviewers to clarify the application process and the selection process. This point will be especially considered for the next call for proposals in March. In November 2016, the RIT initiated its outreach process towards the private sector. The Cerrado Hotspot is a pilot for CEPF in terms of testing the partnership approach with the private sector. This process will be strategized in the coming months.

Looking at the 141 LOIs received, 5% only (7) were submitted by international Civil Society Organizations (CSOs) and none of these happened to be shortlisted. The RIT was proactive in making CEPF funding further accessible to local civil society organizations.

On average, the proponents requested \$ 139,000 and the overall amount requested by the small and large applicants during the 1st call (\$18,500,000) exceeded by far the CEPF investment. Strategic Directions 3 and 6 were the most popular, with 37 and 40 applications respectively, while Strategic Directions 1 and 5 were the least solicited, with 16 and 10 respectively (Figure 4).

Figure 4: Funding Requested as part of the 1st Call for LOIs



In terms of geographic representation, the applications were distributed in various regions of the Cerrado but none or few projects were submitted for parts of the following states: Federal District, Tocantins, Goiás, São Paulo, Mato Grosso, and Maranhão. These areas will specifically be targeted for outreach efforts in preparation of the next call.

2. Portfolio Investment Highlights by Strategic Direction

As discussed previously, four large grants have been contracted, as of June 30, 2017. One of these is the RIT grant, under Strategic Direction 7, which deals with coordination and monitoring. Another two (led by WWF-Brazil), under Strategic Directions 3 and 2, will begin implementation as of July 1, 2017 for two and three years respectively. The fourth one (led by IMAFLORA), under Strategic Direction 3, will also begin implementation on July 1, 2017, for two years. Of the 11 small grants in the pipeline, none have been contracted yet. Consequently, there has been no opportunity to achieve any tangible conservation results, although it is expected that these will begin to materialize as the CEPF grant portfolio expands and implementation gets underway for more projects during 2018.

III- Collaboration with CEPF's donors and other funders

The CEPF donors which have been contacted by the RIT so far were the European Union and l'Agence Française de Développement (AFD). Both donors were very interested in CEPF's strategy for the Cerrado. However, in the case of AFD, its local agenda is very different than CEPF's strategy for the Cerrado. Therefore, little practical cooperation is foreseen, even in the review process of proposals. The overall agenda of the European Union is much closer to the CEPF's overall objectives. A representative of the

European Commission delegation to Brazil participates in the advisory committee (presented under section 2- Coordinating CEPF Grant Making).

Additional meetings have already been scheduled by the RIT with the Japanese Embassy, the World Bank, and Conservation International, as well as other donors active in the hotspot in order to best align investment strategies.

Conclusion

The development of a comprehensive and impactful portfolio of CEPF grants is already underway in the Cerrado Biodiversity Hotspot. Through adapted systems and clarified procedures, a good understanding of the local context, adequate experience and network, and the establishment of a panel of external reviewers and an advisory committee, the RIT has made significant progress toward developing a CEPF investment portfolio that aligns with the strategy set out in the ecosystem profile. The RIT and the CEPF Secretariat have coordinated closely and have advanced their respective learning curves. With four grants already contracted under three of the seven Strategic Directions and with an additional 26 grants (large and small) in the pipeline under the first six Strategic Directions, the CEPF investment strategy implementation is developing well.

As part of the first call for proposals in Brazil, the total amount requested was three-fold the one available for the entire hotspot for the full investment phase. While Strategic Directions 6 and 3 attracted the greatest amount of interest, Strategic Direction 3 accounts for the greatest amounts of committed and pipeline investment. Having the greatest allocation of funds (\$2.0 million) out of the total investment and considering the actual projects in the pipeline, Strategic Direction 6 will still have future opportunities. Indeed, even if all pipeline projects under Strategic Direction 6 were to be funded, more than \$1.6 million would still remain unallocated. In fact, future opportunities for CEPF grant making should focus on Strategic Directions 1, 5 and 6.

To ensure a more even spread of investment across the Cerrado in Brazil, future outreach efforts should concentrate on geographic gaps (i.e., areas from which no or little applications were received). This will help ensure that local civil society is aware of and able to access CEPF funding. In addition, the RIT will proactively identify and approach donors active in the hotspot through networking. Through these different strategies, CEPF and the RIT aim to increase the constituency of grantees while avoiding duplication of efforts and creating synergies with other initiatives.

Annexes

Annex 1: Logical Framework

Objective	Targets	Progress as of June 2017
<p>Engage civil society in the conservation of globally threatened biodiversity through targeted investments that maintain ecosystem functions and human well-being</p> <p>TOTAL BUDGET:</p> <p>\$ 8,000,000</p>	<p>At least 40 local civil society organizations with increased capacities actively participate in conservation actions and management of territories guided by the ecosystem profile.</p> <p>At least eight partnerships and networks formed among public, private and civil society actors to facilitate synergies and to catalyze integrated actions and policies for the conservation and sustainable development of the Cerrado in support of the ecosystem profile.</p> <p>At least 500,000 hectares of protected areas targeted by CEPF grants with new or strengthened protection and management.</p> <p>At least five land-use planning or public policies influenced to accommodate biodiversity.</p> <p>At least 500 000 hectares of production landscapes with improved management for biodiversity conservation or sustainable use within four corridors targeted by CEPF grants.</p> <p>At least five globally threatened species targeted by CEPF grants have stable or improved conservation status.</p> <p>At least 60 local and indigenous communities are empowered and directly benefit for sustainable use of resources and/or restoration of ecological connectivity at the landscape scale.</p>	<p>No progress reported to date</p>
Intermediate Outcomes	Targets	Progress as of June 2017
<p>Outcome 1: Best practices in agriculture adopted in the priority corridors.</p> <p>US\$ 800,000</p>	<p>At least six sustainable technologies and production best practices in the agriculture sector identified and disseminated to ensure protection of biodiversity, maintenance of ecosystem services and food security.</p> <p>At least four financial incentives for sustainable land-sparing agricultural and livestock practices promoted among commodity chains in priority corridors.</p> <p>At least two consistent public policies (legislation, policies, programs, public-private partnerships, etc.) created or adjusted to promote conservation and sustainable use of biodiversity.</p>	<p>No progress reported to date.</p>

Intermediate Outcomes	Targets	Progress as of June 2017
<p>Outcome 2: Protected areas in the priority corridors expanded and the effectiveness of their management strengthened.</p> <p>US\$ 1,200,000</p>	<p>At least ten studies and analyses carried out to justify the creation or expansion of public protected areas in priority corridors and/or to promote conservation and sustainable use of biodiversity while valuing local and traditional culture within management plans of protected areas.</p> <p>Five protected areas located in the CEPF Priority KBAs with an integrated management plan designed and implemented.</p> <p>At least 10% of indigenous, <i>quilombola</i> and traditional community lands, located in the priority corridors, integrated in the planning and strategies for conservation and sustainable development at macro scale, respecting traditional knowledge and culture, as an alternative form of protection and management of lands outside of the official national system (SNUC).</p> <p>At least 50 new Private Natural Heritage Reserves (RPPN) established in priority KBAs.</p>	<p>No progress reported to date.</p>
<p>Outcome 3: Supply chains associated with the sustainable use of natural resources and ecological restoration in the hotspot promoted and strengthened.</p> <p>US\$ 1,800,000</p>	<p>At least ten markets and supply chains for sustainably harvested non-timber forest products developed or enabled with direct benefit for networks or groups of women and youth in particular.</p> <p>Innovations regarding seeds, seedlings and planting that result in greater efficiency and lower cost in ecological restoration activities demonstrated in at least ten sites, especially in Permanent Preservation Areas (APPs) and Legal Reserves (LRs).</p> <p>Production capacity and management skills of 20 community-based businesses working with ecological restoration productive chain enhanced.</p> <p>One pilot network made of civil society organizations, academic institutions, businesses and governments supported to create synergies and provide socio-environmental benefits as incentives for ecosystem restoration and compliance with the Forest Law.</p> <p>At least two public policies (legislation, regional strategic plans, etc.) created or adjusted to promote ecosystem restoration and sustainable use of biodiversity.</p>	<p>No progress reported to date.</p>
<p>Outcome 4: Protection of priority threatened species and their habitats increased.</p> <p>US\$ 700,000</p>	<p>Priority actions identified in National Action Plans, especially on habitat management and protection, implemented for at least five priority threatened species.</p>	<p>No progress reported to date.</p>

Intermediate Outcomes	Targets	Progress as of June 2017
<p>Outcome 5: Decision-making processes in the hotspot improved thanks to better access to monitoring data.</p> <p>US\$ 500,000</p>	<p>At least one partnership successfully leverages resources for the implementation of a joint long-term dissemination program on native vegetation cover and dynamics of land uses in the hotspot in order to support different stakeholders for planning and decision making.</p> <p>At least four action plans based on shared data and experiences for better water quantity and quality developed and made available to relevant stakeholders to improve watershed management.</p>	<p>No progress reported to date.</p>
<p>Outcome 6: Strengthened capacity of civil society organizations to influence better management of territories and of natural resources and support other investment priorities in the hotspot.</p> <p>US\$ 2,000,000</p>	<p>At least five networks and/or alliances of civil society organizations strengthened, with enhanced skills to participate in relevant forums.</p> <p>At least 100 members of governance bodies and councils (national councils, watershed committees, protected areas management boards, Citizenship Territories, state/municipal councils, etc.) with strengthened capacity to participate in and influence forums related to the conservation and sustainable use of the Cerrado.</p> <p>At least 40 civil society organizations with developed and strengthened institutional and technical skills (environment, conservation strategy and planning, management, policy advocacy, fundraising and reporting, regulatory frameworks, etc.) to function effectively and participate in relevant conservation and management actions guided by the ecosystem profile.</p> <p>At least two multi-stakeholder initiatives (MSI) that involve the private sector (global commodity chains), small farmers, traditional communities, governments and donors promoted to identify synergies and to catalyze integrated actions and policies for the conservation and sustainable development of the Cerrado.</p> <p>At least 20 publications (books, manuals, technical reports, websites, etc.) or awareness raising actions (broadcasting spots, public campaigns and media outreach) on the Cerrado biodiversity, ecosystem services, protected areas, restoration, sustainable practices and climate resilience and civil society participation published.</p> <p>At least one tri-national initiatives to raise awareness for protection and management of Cerrado KBAs in Brazil, Bolivia and Paraguay launched</p>	<p>No progress reported to date.</p>

Intermediate Outcomes	Targets	Progress as of June 2017
<p>Outcome 7: A Regional Implementation Team (RIT) provides strategic leadership and effectively coordinates CEPF investment in the Cerrado Hotspot.</p> <p>US\$ 1,000,000</p>	<p>At least 60 civil society organizations, including at least 40 local and indigenous organizations actively participate in conservation actions guided by the ecosystem profile.</p> <p>At least 85 percent of local civil society organizations receiving grants demonstrate more effective capacity in managing the resources according to CEPF and government rules, in achieving goals and objectives and in learning to mobilize further resources.</p> <p>Funding leveraged from other donors towards the priorities set in the ecosystem profile bring an additional investment in the Cerrado Hotspot of at least \$2 million.</p> <p>At least two participatory assessments are undertaken and lessons learned and best practices from the hotspot are documented.</p>	<p>No progress reported to date.</p>

Annex 2: Contracted Grants to date

No.	Organization	Country	Obligated Amount	Project Title	Start Date	End Date
1	Instituto de Educação do Brasil - IEB	Brazil	\$ 1,000,000	Regional Implementation Team Cerrado	1-Jul-16	30-Jun-21
2	Fundo Mundial para a Natureza - WWF Br	Brazil	\$ 288,793	Cerrado Supply-Chain Innovation through Municipal-scale Planning, Policy and Capacity Building	1-Jul-17	31-Aug-19
3	Instituto de Manejo e Certificação Florestal e Agrícola - IMAFLORA	Brazil	\$ 193,035	Cerrado Waters Consortium: A Network for Ecosystem Services Provisioning and Agricultural Sustainability	1-Jul-17	30-Jun-19
4	Fundo Mundial para a Natureza - WWF Br	Brazil	\$ 187,000	Fortalecimento da Gestão Territorial Integral Nas Áreas Especialmente Protegidas do Mosaico Sertão Veredas Peruaçu	1-Jul-17	30-Jun-20