

**Critical Ecosystem Partnership Fund
29th Meeting of the CEPF Donor Council
Arlington, Virginia
10 June 2016
8:00-11:00 am EST**

Selection of Hotspots for Investment

Recommended Action Item:

The Donor Council is asked to review the prioritization of hotspots for CEPF investment, select one hotspot for immediate ecosystem profiling and subsequent investment, and select at least one additional hotspot for future investment, subject to additional funding commitments to the CEPF partnership.

Background

On 9 September 2015, Conservation International committed \$25 million towards the CEPF partnership, commencing in 2016. This is anticipated to be the first of several commitments from partners towards implementation of the Phase III Strategy. This commitment enables the CEPF Secretariat to develop ecosystem profiles for up to three new hotspots, with confidence that funds for their implementation will be available.

During its 28th meeting, on 20 January 2016, the Donor Council approved moving ahead immediately with developing an ecosystem profile for the Mountains of Central Asia Hotspot (for a first phase of investment) and updating the ecosystem profile for the Mediterranean Basin Hotspot (for a second phase of investment). The ecosystem profiling teams were subsequently selected, through a competitive process, and each process began in May 2016. It is expected that the ecosystem profiles will be completed and approved during FY17, allowing grant making to begin in these hotspots by early FY18.

Now that these two ecosystem profiling processes are underway, the CEPF Secretariat proposes moving ahead with a third ecosystem profile, in order maintain a strong pipeline of hotspots for investment. The implication of delaying the selection of a new hotspot for investment would be a period of limited grant making from FY18 onwards, during which Operations Costs would likely increase as a proportion of overall expenditure, and opportunities to respond to urgent needs on the ground would be lost.

During its 24th meeting, on 28 January 2014, the Donor Council approved the draft strategic framework for Phase III of CEPF. In order for CEPF to emerge as a transformational fund, the framework identifies a need to move beyond the past model of one-off, five-year investments in hotspots. Specifically, it recognizes that, given the scale of the challenges faced, the speed at which civil society can be engaged and strengthened, and the time required to refine pilot approaches, document successful models, and

integrate them into public policy and business practices, the duration of CEPF investment in each hotspot needs to extend to at least 10 years to ensure enduring impacts.

This points to a need for reinvestment in some of the hotspots where CEPF has already invested. To date, full reinvestments are underway in the Indo-Burma, Madagascar and Indian Ocean Islands, and Tropical Andes Hotspots, and planned for the Guinean Forests of West Africa and Mediterranean Basin Hotspots. Initial experience with these reinvestments to date has been very positive, as CEPF has been able to build on foundations of knowledge, networks and capacity that were put in place during earlier phases of investment, and learn from experience.

During its 25th meeting, on 24 June 2014, the Donor Council approved the framework and draft scope of work for the long-term strategic visions for graduating civil society from CEPF support in the biodiversity hotspots. This document further elaborates elements of the strategic framework for the third phase of CEPF. Among other things, the framework presents a table of the first 12 hotspots to be covered during Phase III. Ten of these hotspots have active or pipeline investments approved by the Donor Council (Table 1); the remaining two hotspots have yet to be selected.

Table 1. Current status of investment in the first 12 hotspots to receive funding under CEPF Phase III

Hotspot	Current status of investment
Cerrado	Active; current investment phase will continue until 2021
East Melanesian Islands	Active; current investment phase will continue until 2021
Eastern Afromontane	Active; current investment phase will continue until 2019
Guinean Forests of West Africa	Active; current investment phase will continue until 2021
Indo-Burma	Active; current investment phase will continue until 2020
Madagascar and Indian Ocean Islands	Active; current investment phase will continue until 2020
Mediterranean Basin	Active; profiling begun for reinvestment phase to 2022
Mountains of Central Asia	Profiling begun for an investment phase to 2022
Tropical Andes	Active; current investment phase will continue until 2020
Wallacea	Active; current investment phase will continue until 2019
Tbd	Funding available; hotspot not yet selected
Tbd	Funding not yet available

To inform the selection of hotspots for investment, a set of criteria was developed by the CEPF Secretariat, in consultation with the Working Group, and approved at the 31st meeting of the Working Group on 11 April 2012. The approved criteria were subsequently applied to the full list of 34 biodiversity hotspots, to produce a ranking that was used to inform the selection of hotspots for investment during CEPF Phase III, including both reinvestments in existing CEPF investment hotspots and new investments in hotspot that had not previously received CEPF investment. The approved criteria are presented in Table 2.

In order to inform the selection of additional hotspots for investment under CEPF Phase III, this analysis was revisited. The same set of criteria that had been approved by the Working Group was applied to the 34 hotspots¹, and the scores were updated to reflect changes that had occurred since 2012.

¹ The list of biodiversity hotspots has subsequently grown to 36, with the addition of the Forests of East Australia and the North American Coastal Plain. As both of these hotspots are in developed countries ineligible for support from CEPF, they were not included in the updated analysis.

Table 2. Criteria for prioritizing hotspots for investment approved by the Working Group in April 2012

No.	Criterion	Indicator(s) and thresholds
1	Magnitude of threat to biodiversity	<p>(a) Percentage original habitat remaining:</p> <p>0-5% = extreme (5) 6-10% = very high (4) 11-20% = high (3) 21-30% = medium (2) >30% = low (1) [by definition, no hotspot is low]</p> <p style="text-align: right;"><i>AND</i></p> <p>(b) Number of CR and EX mammals, birds and amphibians:</p> <p>>50 = extreme (5) 31-50 = very high (4) 21-30 = high (3) 11-20 = medium (2) 0-10 = low (1)</p>
2	Shortfall between conservation needs and available funding from non-CEPF sources	<p>Qualitative assessment of the criterion, based on the following descriptors of the availability of conservation funding to civil society organizations:</p> <p>Almost none = extremely high (5) None in some countries, insufficient in others = very high (4) Insufficient = high (3) Insufficient in some countries, sufficient in others = medium (2) Sufficient = low (1)</p>
3	Opportunity to integrate biodiversity conservation into landscape and development planning	<p>Relative importance of land-use change and infrastructure development as causes of biodiversity loss:</p> <p>One of these factors identified as the top driver of biodiversity loss = very high (4) One or both factors identified in the top three drivers of biodiversity loss = high (3) One or both factors identified in the top five drivers of biodiversity loss = medium (2) Neither factor identified in the top five drivers of biodiversity loss = low (1)</p>

No.	Criterion	Indicator(s) and thresholds
4	Opportunity to increase conservation capacity of domestic civil society	<p>Qualitative assessment of the criterion, based on the following descriptors of domestic civil society engaged in biodiversity conservation:</p> <p>Limited or non-existent = medium (2) Few national NGOs with limited capacity; limited or non-existent local NGOs and CBOs = high (3) Significant number of effective national NGOs; limited or non-existent local NGOs + CBOs = high (3) Large number of effective national NGOs, complemented by emerging local NGOs and/or CBOs = medium (2) Large number of effective domestic organizations at national, local and grassroots levels, well coordinated through networks, with low dependence on external funding support = low (1)</p>
5	Value for money	<p>World Bank ICP Price Level Index (2005 data):</p> <p>0-40 = high (3) 41-80 = medium (2) >80 = low (1)</p>
6	Practicality of effective CEPF implementation	<p>CEPF able to operate safely, legally and effectively within all or a significant part of the hotspot:</p> <p>Yes No</p> <p>Note: no score is assigned to this criterion; if the hotspot is assessed as “No”, investment there is not practical</p>
7	Opportunity for Ecosystem Profiles to act as shared strategies	<p>Opportunity to coordinate CEPF investments with those of other funders:</p> <p>Tangible and immediate opportunities to coordinate CEPF investments with those of CEPF donors or other funders = high (3) Significant potential to coordinate CEPF investments with those of CEPF donors or other funders in future = medium (2) Limited potential to coordinate CEPF investments with those of CEPF donors or other funders in future = low (1)</p>
8	Potential to deliver human wellbeing benefits	<p>Level of economic development of the hotspot:</p> <p>Significant part (>50%) within Low Income countries = very high (4) Significant part (>50%) within Low Income or Lower Middle Income countries = high (3) Significant part (50-80%) within Upper Middle Income or High Income countries = medium (2) Very significant part (>80%) within Upper Middle Income or High Income countries = low (1)</p>

Fifteen hotspots received a total score of 22 or more (Table 3). Seven of these hotspots have active CEPF investment phases, and will not be in need of reinvestment any earlier than 2019. Six were the focus of past CEPF investments that have now ended. In three of these cases (Coastal Forests of East Africa, Mesoamerica, and Philippines), the past investment covered the whole hotspot. In the other three, significant parts of the hotspot were excluded, by design: Cuba in the Caribbean Islands; Borneo and the Lesser Sundas in Sundaland; and Sri Lanka in the Western Ghats and Sri Lanka. The remaining two hotspots have not received any CEPF investment to date. These comprise the Horn of Africa and the Madrean Pine-Oak Woodlands. The CEPF Secretariat considers investment in much of the Horn of Africa to be impractical at the present time.

Table 3. Highest ranked hotspots for investment, based on reapplication of the approved criteria

Rank	Hotspot	Feasibility /eligibility	Score	Past investment	On-going investment	Progress towards graduation
1=	Caribbean Islands	Yes	26	\$6.9 million 2010-2016		Not graduated
1=	Indo-Burma	Yes	26	\$9.5 million 2008-2013	\$15.0 million 2013-2020	Not graduated
1=	Madagascar and Indian Ocean Islands	Yes	26	\$5.7 million 2001-2012	\$7.5 million 2015-2020	Not graduated
1=	Mesoamerica	Yes	26	\$14.1 million 2002-2012		Not graduated
5	Guinean Forests of West Africa	Yes	25	\$8.3 million 2001-2011	\$9.0 million 2016-2021	Not graduated
6=	Eastern Afromontane	Yes	24		\$9.8 million 2012-2019	Not graduated
6=	Horn of Africa	No	24			No CEPF investment to date
6=	Sundaland	Yes	24	\$10.0 million 2001-2006		Not graduated
6=	Tropical Andes	Yes	24	\$8.1 million 2001-2013	\$10 million 2015-2020	Not graduated
10=	Coastal Forests of Eastern Africa	Yes	22	\$8.8 million 2004-2014		Not graduated
10=	Madrean Pine-Oak Woodlands	Yes	22			No CEPF investment to date
10=	Philippines	Yes	22	\$7.0 million 2002-2007		Not graduated
10=	Western Ghats and Sri Lanka	Yes	22	\$6.0 million 2008-2015		Not graduated
10=	Mediterranean Basin	Yes	22	\$11.2 million 2011-2016	Profiling 2017-2022	Not graduated
10=	Mountains of Central Asia	Yes	22		Profiling 2017-2022	Not graduated

Informed by results of the analysis, the Working Group, at its 50th meeting in May 2016, proposed a shortlist of three hotspots, comprising the Caribbean Islands, Mesoamerica and the Coastal Forests of Eastern Africa. Based on the commitments of funding to CEPF, it will be possible to begin preparation of the ecosystem profile for one of these hotspots in early FY17. The Working Group recommended that

the Donor Council select one hotspot for immediate development of an ecosystem profile, and at least one other for future investment pending commitment of additional funds by existing or new donors

The implicit criteria used by Working Group members to discriminate among the highest ranked hotspots were opportunities for alignment with other donor investments (which were noted to be particularly good in the case of the Caribbean Islands and the Coastal Forests of Eastern Africa) and opportunities to build on a solid foundation of past investment by CEPF (which were noted to be good for the Caribbean Islands and Mesoamerica). Working Group members also cited priority given to Small Island Developing States (Caribbean) and increasing threats (Mesoamerica) as reasons for proposing particular hotspots.

Rationale for reinvestment in the Caribbean Islands biodiversity hotspot

The five year (2010-2016) CEPF investment in the Caribbean Islands reached nine countries (but did not include Cuba or any European overseas territories). Overall, performance was evaluated as strong. The major results from the first investment phase are summarized below:

1. **Laid a foundation for innovative financing** through the development of the Caribbean's first forest carbon offset project that is designed to benefit smallholders and cocoa farmers in the Dominican Republic, and also through provision of analytical support and training for a payment for ecosystem services system involving Santo Domingo's water authority.
2. **Improved management of 26 Key Biodiversity Areas (KBAs) covering 540,000 hectares** through the development, approval and implementation of participatory protected area management plans with the meaningful involvement of local communities. Plans and implementation actions incorporated strategies for climate change adaptation and laid the foundation for the creation of Haiti's first municipal reserve.
3. **Strengthened organizational capacity of 54 local civil society organizations** in all aspects of management of biodiversity conservation projects, effective communications and public awareness raising. CEPF was the first conservation donor dedicated to strengthening local NGOs in Haiti.
4. **Forged alliances and solidified multi-sectoral partnerships** throughout the hotspot, in particular in the Dominican Republic which now serves as a model for how civil society can foster strategic alliances with the private sector and government.
5. **Improved management of invasive alien species (IAS)** through building capacity of key local civil society organizations and communities, resulting in development of biosecurity plans and systems, successful eradications of IAS, increased populations of endemic and endangered species, increased visitation of tourists which benefit local communities by providing new opportunities for tourism revenue, and the designation of a new protected area in the Bahamas.
6. **Increased local community capacity and national attention** to make a case for protected areas, which has resulted in the cessation of a proposed large port development and potential bauxite mining concessions in Jamaican KBAs.
7. **Supported the development of a regional hub** in the form of the Caribbean Natural Resources Institute (CANARI), a local civil society organization that has been working in the Caribbean islands for over 30 years. Having CANARI serve as the Regional Implementation Team (RIT) was a key strategy for sustainability of CEPF's investment, as it continues to support stakeholders working on biodiversity conservation in the region even after CEPF's investment has concluded.

Reinvestment in the Caribbean Islands Hotspot would maintain the momentum that has been built through the first phase of investment, particularly in the following ways:

1. **Further strengthen civil society's capacity and credibility** in bringing biodiversity conservation into key national dialogues and local communities' agendas.
2. **Extend lessons learned and progress to Cuba**, the largest country by land area in the Caribbean. This would be a landmark, truly *regional* investment adding a new dynamic to the hotspot, particularly at this time when Cuba is undergoing a major transformation that presents seminal opportunities and challenges for conservation.
3. **Increase resilience to climate change in Small Island Developing States**, including through demonstration of ridges-to-reef conservation models and ecosystem-based adaptation to sea level rise, water scarcity, and extreme weather events.
4. **Fill an important niche in specifically supporting civil society's work in biodiversity conservation**. Currently, most of the funding and grants available to Caribbean civil society is focused on climate change adaptation and disaster management without realizing the crucial link to biodiversity conservation.

Rationale for reinvestment in the Mesoamerica biodiversity hotspot

CEPF's investment in Mesoamerica spanned from 2002 to 2012, and focused on 18 large KBAs in Mexico, Guatemala, Belize, Nicaragua, Costa Rica and Panama. CEPF's investments were focused on those areas with the highest needs, often due to the presence of immediate threats or due to the absence of very basic management capacity. CEPF classifies portfolio performance as very strong, having achieved the following key impacts:

1. **Improved management of 1.9 million hectares located in 18 key biodiversity areas**. CEPF contributed to dramatic reduction of forest fires, a decline in agricultural encroachment and poor land use, as well as the recovery of degraded lands and wildlife populations. Laguna del Tigre National Park, once considered a lost cause because of heavy encroachment, experienced a major reversal with significant management improvements and renewed political commitment.
2. **Major policies were adopted in support of mainstreaming conservation into development policy for forest fire management, nature tourism, road development and protected areas management**. Of particular note, the Guatemala National Council of Protected Areas issued a decree prohibiting the construction of new roads in the Maya Biosphere Reserve, a wilderness area of more than 2.1 million hectares, which is the largest tropical forest north of the Amazon. In Panama, CEPF grantees successfully promoted an alternative to road construction through La Amistad Biosphere Reserve. They also worked on promoting the environmental sustainability of dams in Panama.
3. **Over \$60 million leveraged in support of conservation outcomes**, including through the Guatemala and Costa Rica debt swaps. CEPF also financed the first carbon credit scheme for conservation coffee in Latin America based on the Plan Vivo approach, which has since been adopted worldwide, including with CEPF's support in the Dominican Republic.
4. **Nearly 300 communities benefited directly from CEPF projects across a broad array of activities**, including forest fire control, park management implementation, carbon credits from conservation coffee, sustainable agriculture, watershed management and ecotourism.
5. **Strengthened capacity of indigenous people who had never before had access to donor support**. Of particular note, CEPF partners played an instrumental role in helping the Rama/Kriol people of Southeast Nicaragua secure land title to over 400,000 hectares of their ancestral land.

6. **Multi-stakeholder collaborative networks were established and/or strengthened** at various levels of decision making and on numerous topics, signaling a new approach to conservation in a region that historically has been characterized by isolated and fragmented approaches to conservation. Through CEPF, local civil society groups worked collaboratively with their government counterparts. In Guatemala, for example, the Mirador Rio Azul Multi-Sectoral Roundtable grew from a small grassroots group into a high-profile network of 35 stakeholders dedicated to improved coordination to protect the Selva Maya.

Reinvestment in the Mesoamerica Hotspot would build on these achievements and reinvigorate the conservation community in the hotspot, which is currently challenged by diminishing sources of dedicated donor funding for biodiversity conservation, particularly in the following ways:

1. **Respond to strong development pressure that puts the hotspot's biodiversity at immediate risk.** Civil society is well placed to help mainstream biodiversity conservation into the planning for ambitious developments throughout the hotspot, including dams, mines, roads and the *Canal Seco* Project in Nicaragua, to link the Atlantic and Pacific Oceans for navigation through Lake Cocibolca, home to the world's only freshwater shark.
2. **Demonstrate models for sustainable use and conservation of natural resources that deliver tangible benefits for vulnerable and marginalized people.** Mesoamerica is home to five of the Western Hemisphere's 10 poorest countries.
3. **Build the capacity of Indigenous People,** who play a vital role in forest conservation and who are among the most underprivileged communities in the hotspot. Over 50% of Mesoamerica's forests are located in territories occupied by Indigenous People, who historically have had little access to donor funding.
4. **Support ecosystem-based adaptation to build the resiliency of KBAs and corridors** that provide important ecosystem services to the people of the hotspot, particularly for small-scale agriculture, water resources management, and disaster prevention, as a response to projections of a warmer, drier climate, with more extreme weather events.

Rationale for reinvestment in the Coastal Forests of Eastern Africa biodiversity hotspot

CEPF made an initial phase of investment in the hotspot from 2004 to 2009, followed by consolidation grants between 2011 and 2014. These investments focused on the Coastal Forests of Kenya and Tanzania, as well as the Eastern Arc Mountains, which were subsequently included within the Eastern Afromontane Hotspot. The Coastal Forests of Mozambique, which comprise more than half of the hotspot, were not covered by earlier CEPF investments, and present an opportunity for new investment to replicate some of the conservation models developed in Kenya and Tanzania, and align with investments by other donors, such as the European Union-funded rural development program in the coastal provinces of Nampula and Zambezia. Key impacts from the first phase of CEPF investment include the following:

1. **The Kilombero and Uluguru nature reserves were gazetted** by Tanzania's Forestry and Beekeeping Division, adding 158,626 hectares to Tanzania's protected area network.
2. **Biodiversity data informed the development of climate change mitigation strategies.** Forest plot data gathered during biological surveys and forest change analyses for the Eastern Arc and coastal forests were used directly in Tanzania government's Reduced Emissions from Deforestation and Degradation plus (REDD+) readiness work, and in proposals to World Bank, UN-REDD and Norway support to REDD in Tanzania.

3. **Changes in attitudes and behavior towards forest resources were observed** among communities living in and around priority sites, thanks to projects that emphasized the direct link between a healthy forest and economic returns.
4. **A teachers' resource manual for primary schools in Tanzania was developed** and ratified by the Ministry of Education. This, together with other tools and materials, contributed to environmental communication for awareness raising, education and capacity building.
5. **Global, national and local awareness about forest conservation was increased** through the establishment of a coastal forest website, a BBC World documentary, World Environment Day events involving thousands of people including local artists living in communities close to the forests, and the distribution of printed materials on forest values, natural resource policies and linkages with climate change.

Reinvestment in the Coastal Forests of Eastern Africa Hotspot would build on these achievements, reinvigorate the conservation community in the hotspot and extend support to civil society groups active in the coastal zone of Mozambique, particularly in the following ways:

1. **Respond to increasing pressures and threats from industry.** Coastal forests and sacred groves are increasingly being targeted by the mining sector. Legislation is insufficient to protect the region's diminishing biodiversity, and where it does exist, government support for implementation is often unsatisfactory. Civil society has an important role in mainstreaming biodiversity concerns into new regulations related to resource extraction, and in ensuring that existing laws and processes pertaining to EIA are implemented.
2. **Build civil society capacity to address new threats, such as those posed by the extractives industry.** Civil society in the hotspot has limited experience of addressing these emerging threats. CEPF support would help civil society organizations develop the skills, confidence and credibility necessary to engage constructively and effectively with new and powerful private sector interests.
3. **Support coastal communities, which include some of the poorest people in the world, to develop biodiversity-friendly enterprises that reduce poverty and improve resilience to the impacts of climate change.** Previous work in Tanzania and Kenya, focusing on production of honey, medicinal plants and other products, demonstrated successful models. A new investment across the whole hotspot would allow for sharing of lessons and experiences with groups in Mozambique.

Annex: maps of the three short-listed hotspots



Caribbean Islands Hotspot



Mesoamerica Hotspot



Coastal Forests of Eastern Africa
Hotspot

Annex 1

Position of the World Bank regarding potential CEPF investment in Cuba

From: Andrea Kutter <akutter@worldbank.org>

Date: Wednesday, June 1, 2016 at 10:42 AM

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Subject: RE: CEPF 51st Working Group Meeting - May 19, 2016

Dear colleagues,

I would like to refer to our discussion during the last Working Group meeting regarding a potential second investment in the Caribbean hotspot which also suggests the inclusion of Cuba.

I have engaged with our legal team to get legal advice on whether the World Bank can support a second investment in the hotspot that includes Cuba. I would like to share the following summary:

“The World Bank has no objection to include Cuba in a potential second investment phase for the Caribbean Hotspot if the CEPF can guarantee that (I) the World Bank is not directly financing Cuba with grants channeled through the WB to the CEPF; and; (II) benefits are indirect because the World Bank is pooling resources with other donors to finance a regional hotspot under CEPF and not directly providing financial or technical assistance to Cuba.”

We hope that this legal opinion is useful for the related discussion in the Donor Council.

Kind regards,

Andrea

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