

**Critical Ecosystem Partnership Fund  
Twenty-Fourth Meeting of the Donor Council  
Paris, France  
28 January 2014  
2:30 p.m. Paris time (CET)**

**Recommended Action Item:**

The Donor Council is requested to approve the draft strategic framework for Phase III of CEPF.

**Background**

In June 2013, the CEPF Donor Council held its 23<sup>rd</sup> meeting and a retreat, during which it provided key suggestions regarding what should be included in a new phase of CEPF as the Secretariat and a consulting team began the development of a new strategic framework.

In the following months, the consulting team built on these recommendations, which revolved around specific improvements to CEPF as a mechanism that the donors agreed is a proven model for efficient delivery of biodiversity conservation. The consultants held follow-up conversations with Donor Council members, grantees and the Secretariat. The result of this consultation and accompanying analysis of the state of biodiversity conservation funding is the vision presented in the draft guidelines, which not only seeks to make key improvements to CEPF, but also to build a mechanism that can truly rise to the challenge presented by the biodiversity crisis.

Recognizing that resource mobilization is a challenge that has been well identified by the international community, and that the insufficiency of resources going to civil society is a barrier to delivery of systematic and sustainable solutions to stem the loss of biodiversity and help some of the world's poorest communities, CEPF's Secretariat is proposing that we explore the possibility of taking CEPF to a scale at which it can play a more transformational, and urgently needed, role.

The document attached describes the specific measures that address key points raised by the Donor Council members, and proposes to take advantage of the opportunity to empower CEPF to deliver the support civil society needs to save the world's high-biodiversity ecosystems that support more than 2 billion people.

## **Confronting the Biodiversity Conservation Challenge: CEPF Phase III (2014 – 2023)**

### **Introduction -- CEPF I and II**

The Critical Ecosystem Partnership Fund (CEPF) was created in 2000 to support the conservation of biodiversity within the global hotspots by engaging and strengthening the capacity of civil society. A first phase, which lasted until 2007, saw the establishment of the Fund and the growth of the partnership from the three founding donors—Conservation International (CI), the World Bank and the Global Environment Facility (GEF)—to five, with the MacArthur Foundation and the Government of Japan joining in 2001 and 2002 respectively.

During its first phase, CEPF established itself as a small-grant-making facility for civil society working on biodiversity conservation in hotspots. CEPF granted close to \$100 million to 600 civil society groups in 15 hotspots covering 34 countries. Important outcomes were achieved on the ground and the independent evaluation that was completed in 2006 emphasized the following successful elements of CEPF:

- Ecosystem profiles established as a coherent planning process guiding grant making at the hotspot level.
- Grant portfolios well aligned with strategic priorities set out in the ecosystem profiles.
- Flexibility to identify and support a wide range of civil society organizations, including groups with limited access to funding, ensured.
- Capacity built among local and national conservation NGOs.
- Contributions made to extending and strengthening protected area networks.
- Contributions made to sustainable financing for biodiversity conservation.
- Contributions made to transboundary conservation of biodiversity, advancing regional conservation agendas.

The second phase of CEPF was launched in 2008, incorporating the key recommendations from the evaluation. One of the key changes was the development of the Regional Implementation Teams as a mechanism to allow for greater presence in the field, provide closer monitoring and strengthen the conduit for building local civil society capacity. Another involved the evolution of the ecosystem profiles from desk studies to consultative processes enabling greater participation in the development of the granting strategies in the hotspots. The outcomes proposed by the strategic framework included investing in 14 hotspots, reaching out to 600 civil society organizations and improving the management of at least 20 million hectares of key biodiversity areas.

As of 2013, CEPF has granted more than \$163 million in 23 hotspots in more than 60 countries and territories reaching out to over 1800 grantees and influencing the management of over 30 million hectares of key biodiversity areas – thus exceeding the targets set for Phase II. The partnership has also grown to seven donors, with the French Development Agency and the European Union joining in 2007 and 2012 respectively. CEPF has become an established grant-making facility, positioning it as the only global fund targeting civil society to conserve biodiversity in hotspots around the world.

## **CEPF III – Stepping up to the biodiversity conservation challenge**

In June 2013, the CEPF Donor Council held its 23<sup>rd</sup> meeting in Jackson Hole, Wyoming. The objective of this meeting was to launch the development of a new strategic framework for Phase III of the Fund. During the meeting, the donor members discussed areas of work on which CEPF could focus to better deliver its mission of engaging civil society in conserving the world's most critical ecosystems. The discussions generated specific recommendations to improve what was enthusiastically recognized as a tried-and-tested model that has already benefited from more than a decade of evaluation and refinement, and set the stage for further consultations for the development of CEPF's new strategic framework.

It became clear, however, during the preparation of the new strategy—involving consultations with donors, grantees and other stakeholders—that iterative improvements would not, by themselves, enable CEPF to have a truly transformational impact on the most biologically important yet critically threatened regions of the world. It was also apparent that CEPF has found a unique niche that allows it to empower local actors to address global conservation priorities cost effectively. Realizing CEPF's potential requires more than strategic improvements to performance. It means taking the Fund to a scale at which it can provide the resources and depth of engagement needed to shift the momentum in global efforts to conserve biodiversity: the fundamental underpinning of human well-being.

There is a clear and pressing need to escalate funding for biodiversity conservation. The rate of extinction is as much as 1,000 times higher than it would be without anthropogenic influence. Meanwhile, a global consensus has emerged on the importance of critical ecosystems in delivering services essential to humanity, including climate change mitigation and adaptation, especially following the release of the Millennium Ecosystem Assessment in 2005. There is also a widely recognized global funding gap. While hard to quantify, biodiversity conservation expenditures have been estimated at roughly \$21 billion annually from 2001-2008<sup>1</sup>. CEPF's donor partner, the GEF (the financial mechanism of the Convention on Biological Diversity), was the principal contributor, providing 22 percent of this amount. The vast majority of GEF funding goes directly to governments, although the GEF Small Grants Program has provided \$225 million in biodiversity funding to civil society organizations since 1992. Another CEPF donor partner, the European Union, has also emerged as a major supporter, providing around half of all biodiversity-related development aid during 2007-2009, almost entirely through support to governments.

There is no other funding mechanism for biodiversity conservation that globally supports civil society on a comparable scale to CEPF. Independent evaluations have concluded that CEPF is a key, and largely irreplaceable, source of global funding and other support to civil society organizations engaged in biodiversity conservation.

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<sup>1</sup> e.g., Waldron *et al.* 2013. Targeting global conservation funding to limit immediate biodiversity declines. [www.pnas.org/cgi/doi/10.1073/pnas.1221370110](http://www.pnas.org/cgi/doi/10.1073/pnas.1221370110)

Building on the recommendations made by the Donor Council in June 2013, the Secretariat proposes taking CEPF to a scale where it can more widely and effectively impact the biodiversity crisis. Four key outcomes are expected from the new phase:

- 1) A revamped, scaled-up and transformational CEPF, which builds on current success but is more effectively tailored to meet the challenge of the biodiversity crisis via a broadened partnership and donor base.
- 2) Long-term strategic visions developed and implemented for at least 12 hotspots, facilitating the development of credible, effective and well-resourced civil societies, and delivering improved biodiversity conservation, enhanced provision from healthy ecosystems of services important to human wellbeing, and greater alignment of conservation goals with public policy and private sector business practices.
- 3) Strengthened implementation structures for each investment hotspot, led by Regional Implementation Teams (RITs) or similar organizations, which become the permanent stewards of the long-term strategic vision for the hotspot, able to coordinate and support civil society organizations and connect them with government and private sector partners.
- 4) An improved delivery model with more efficient operations, stronger communication products and more effective impact reporting, which facilitates learning, adaptive management and amplification of demonstration models.

These four outcomes will be achieved throughout a 10-year investment phase – CEPF III – during which at least 12 biodiversity hotspots will be targeted. Progress in each hotspot will be measured against targets for “graduation”, i.e. the conditions under which CEPF can withdraw from a hotspot with confidence that effective biodiversity conservation programs will continue sustainably. The five conditions that need to be met for a hotspot to graduate from CEPF support comprise:

- 1) Global conservation priorities and best practices for their management are documented, disseminated and used by public and private sector, civil society and donor agencies to guide their support for conservation in the region.
- 2) Local and national civil society groups dedicated to global conservation priorities collectively possess sufficient organizational and technical capacity to be effective advocates for, and agents of, conservation and sustainable development, while being equal partners of private sector and government agencies influencing decision making in favor of sustainable societies and economies.
- 3) Adequate and continual financial resources are available to address conservation of global priorities.
- 4) Public policies, the capacity to implement them, and systems of governance are supportive of the conservation of global biodiversity.
- 5) Mechanisms exist to identify and respond to emerging conservation challenges.

To deliver the four outcomes, the new phase will have four components: the pillars of CEPF III. These will be delivered in parallel and complement each other, establishing a fund that tackles the loss of global biodiversity by catalyzing civil society engagement, political will, private sector

support and donor funding to demonstrate effective responses to the most pressing conservation issues in the short term, while facilitating the emergence of conservation movements able to respond effectively to emerging issues into the long term.

### **Component 1 – Designing and launching a transformational Fund for Biodiversity and Civil Society – the New CEPF**

One recent study estimated the annual cost of reducing the extinction risk of all globally threatened species at \$3.4 to \$4.8 billion, while protecting and effectively managing all terrestrial sites of global conservation significance would cost more than \$76 billion per year<sup>2</sup>.

The CBD has adopted a revised and updated Strategic Plan for Biodiversity for the 2011-2020 period. The Strategic Plan consists of 20 new biodiversity targets for 2020, termed the “Aichi Biodiversity Targets,” that are designed to achieve five strategic goals:

- Address the underlying causes of biodiversity loss by mainstreaming biodiversity across government and society.
- Reduce the direct pressures on biodiversity and promote sustainable use.
- Improve the status of biodiversity by safeguarding ecosystems, species and genetic diversity.
- Enhance the benefits to all from biodiversity and ecosystem services.
- Enhance implementation through participatory planning, knowledge management and capacity building.

Subsequent CBD COP 11 talks in Hyderabad, India in 2012 reached consensus on the urgent need for more and better managed funds to reach the Aichi targets. While countries failed to agree on the exact amount needed, there now seems to be a general commitment to “double total biodiversity-related international financial resource flows to developing countries by 2015 and at least maintaining this level until 2020.”

Current assessments of the costs of effective conservation vary considerably. Not surprisingly, recent studies show the most severe underfunding in poorer countries, where even modest additional investments can generate major gains for conservation. Additional financing is clearly needed as a matter of priority. Global biodiversity funding – especially in poorer countries – will need to increase by at least an order of magnitude in the near future if the Aichi targets are to be met.

The need for funding for biodiversity conservation is clear. Donors are already engaged with host-country government counterparts as the recipients of the majority of funds, while the private sector has its own ability to raise money to engage in conservation. On the other hand, civil society, despite its indispensable role in achieving conservation goals, is the least funded sector.

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<sup>2</sup> McCarthy, D. et al. 2012. Financial Costs of Meeting Global Biodiversity Conservation Targets: Current Spending and Unmet Needs. *Science* 338 (6109): 946-949

CEPF's work with civil society has demonstrated that mentoring and organizational support can help civil society organizations become credible and trusted partners in sustainable development, impacting national-level conservation institutions and building local-regional-global networks where skills, funding and vision can be shared. This, in turn, lays the foundation for innovation and sustainability in both conservation and poverty alleviation. The convergence of these factors not only reinforces the rationale for CEPF itself, but strongly suggests a need to expand the reach and capacities the fund has developed in both time and scale.

CEPF's experience shows that short-term grant funding can make significant contributions to overcoming resource constraints facing civil society organizations, enabling them to play a variety of key roles, including:

- acting as delivery agents for conservation actions, especially where governments face serious capacity constraints,
- bringing experience and good practice to local contexts, and transferring skills and knowledge to government conservation agencies,
- counter-balancing the public sector where there is low accountability of government officials,
- catalyzing innovation, testing new approaches and responding to emerging challenges and opportunities,
- brokering partnerships among traditional and nontraditional conservation actors, including the private sector, and
- promoting wider societal changes in attitudes and behavior regarding consumption of natural resources and energy,
- ensuring that conservation programs are also beneficial to local people, such as by protecting vital ecosystem services and providing sustainable livelihood options.

After 13 years of achievement, CEPF is ready to elevate its ambitions and to take on a larger role, applying its tried-and-tested model across a broader front to build more resilient and sustainable civil society organizations and networks that can maintain conservation programs that transcend short-term funding uncertainties. Its long-term objective is to change the course of biodiversity decline by establishing sustainable local financial and institutional arrangements that achieve transformative impacts and secure long-term conservation goals. It may take a decade or longer in some hotspots, but CEPF has the approach needed to drive development of sustainable local financial and institutional arrangements that recognize the importance of processes outside the environment sector (e.g., policies and practices in the energy, agriculture, mining and transport). CEPF can strengthen civil society organizations to be more credible and effective partners to government and the private sector, steering decision making to a more sustainable future. It is the time to get CEPF to the next level.

It is envisioned that a transformational CEPF will build on its proven approach, model and tools, mobilizing significantly increased financial resources to prioritize support to civil society organizations in high biodiversity areas to achieve the following long-term outcomes:

- Ensure the long-term sustainability of individual hotspot conservation programs by building the institutional capacity of RITs and civil society organizations to become independent of CEPF while ensuring that adequate financing arrangements are in place.
- Significantly impact relevant recipient country government policies affecting biodiversity conservation, both directly and indirectly, in sectors such as agriculture, mining, transport and energy.
- Achieve gains, such as reduced vulnerability and increased resilience, from the strengthening of conservation and development links in climate adaptation; expand efforts to identify and develop payment for ecosystem services arrangements.
- New and stronger partnerships with development NGOs, private sector and local governments

This component will deliver two distinct and sequential products:

- 1.1 A business plan that will outline the characteristics, scope, size and governance of the New CEPF
- 1.2 The implementation of the New CEPF after the Donor Council has approved the business plan for the new fund

### **1.1. Business Plan: Developing the Roadmap for a Transformational Fund (18 months)**

During the next 18 months, CEPF will assess the feasibility of scaling up the scope, operations and impacts of the fund to a level more commensurate with the threats to conservation in the targeted hotspots. The result of this process will be a business plan defining CEPF's niche in the global scene as a key actor tackling the biodiversity crisis.

While the process will involve all current donor partners, it will also provide an opportunity to engage new donors and partners to help mobilize the necessary resources and political support. If CEPF is to become an agent of transformational change for civil society and biodiversity, there are a number of questions that need to be answered regarding feasibility, scope and shape of the future fund. These include:

- What should be the characteristics of the partnership that will allow for an effective and adaptive structure while making CEPF more widely and globally known and accepted?
- What are the implications of an expanded donor base for the governance of the fund? Should other (non-donor) stakeholders have a role in governance?
- How could a scaled up version of the Fund jeopardize the characteristics that have made of CEPF a unique mechanism (i.e. risk taking, flexibility to test and fail, pioneering approaches, etc.)
- What should be the relative balance between breadth (i.e. number and size of targeted geographies) over depth (i.e. size and duration of investment) in the fund's programs?
- What are the implications of a greatly expanded fund for the operations and institutional home of the Secretariat?

The Secretariat proposes to embark on the development of the business plan that would allow for launching CEPF at a greater scale. This 18-month effort would not only result in the development of a refined strategy resolving the questions listed above, but will also allow for attracting additional financial resources for the implementation of the strategy and broadening the CEPF donor base.

### ***What We Will Continue to Do: Pillars of CEPF***

The business plan will anchor the proposal for evolving to a transformational fund in the characteristics that have made CEPF's current model successful and unique. These include:

➤ **Investing in Biodiversity Hotspots**

Population growth, consumption and technological development impose increasing pressures on natural ecosystems and biodiversity. The impacts of these trends are exacerbated by social and political factors, including weak governance, low appreciation of the values of biodiversity, narrow measures of economic growth that do not factor in natural capital, and limited public participation in development decision making. Such pressures are leading to the decline and loss of species and populations, the fragmentation and degradation of habitats, and – of critical significance to humanity – the erosion of essential ecosystem services.

These negative forces are most pronounced within the biodiversity hotspots. Half of the world's plant species are found only within the hotspots, as are around half of the world's reptiles and amphibians, and one-third of the world's mammals and birds. Including species also found outside the hotspots, 77 percent of the terrestrial vertebrates on our planet occur within one or more hotspot. The hotspots harbor more than half the diversity of life, but they have already lost more than 80 percent of their original habitat.

While hotspots are not the only method of prioritizing locations for conservation efforts, there is very high geographic overlap between the hotspots and other recognized classifications of ecologically vulnerable regions. For example, all hotspots contain at least one Global 200 Ecoregion, all but three contain at least one Endemic Bird Area and nearly 80 percent of Alliance for Zero Extinction sites are located in the hotspots. No matter how successful conservation activities are elsewhere, the state of the hotspots—which cover less than 3 percent of the Earth's land surface—remains the real measure of conservation progress.

Critically, the hotspots are also inhabited by more than 2 billion people, over one-third of humanity, many of whom have relatively low incomes and consequently rely to a large extent on local natural resource systems. Hotspots thus hold both concentrations of threatened biodiversity as well as large numbers of people who are dependent on healthy ecosystems for their survival. By focusing on hotspots in developing countries, CEPF helps preserve the diversity of life underpinning ecosystems that are essential to maintaining healthy and sustainable societies.



➤ **Enhancing the Capacity of Civil Society Organizations**

CEPF's rationale also rests on the unique and essential role of civil society organizations in conserving biodiversity. The critical importance of civil society organizations has long been evident from efforts to manage natural resources around the world, and this has been thoroughly confirmed by more than a decade of CEPF experience.

CEPF's support for civil society organizations goes well beyond grants to individual organizations. It includes mentoring and organizational support to promote recognition for local civil society organizations, impacting national-level conservation institutions, and building local-regional-global networks where skills, funding and vision can be shared.

The rationale for CEPF's investments in civil society organizations rests on some key assumptions, which vary by hotspot in terms of their importance and are considered carefully during the ecosystem profile development process. These are important to keep in view as CEPF enters its third phase and scopes scaling up:

- The main drivers of biodiversity loss operate at local, national and regional scales and can be influenced by conservation interventions at these different scales.
- Civil society organizations are present and willing to engage in biodiversity conservation, to partner with unfamiliar actors from other sectors, and to adopt innovative approaches.
- The capacity of civil society organizations can be augmented and translated into more effective local conservation movements.
- Short-term grant funding can make significant contributions to overcoming the resource constraints facing civil society organizations.
- Increasing the capacity and credibility of local civil society organizations is likely to open political space for these organizations as they become recognized as trusted advisors (rather than causing them to be viewed as threats to vested interests).
- Some government and private sector/corporate actors are receptive to innovative conservation models demonstrated by CEPF projects and have incentives to adopt these for wider replication.
- National academic institutions produce graduates with the skills and perspective to respond to local conservation challenges by working with or within civil society organizations.
- Raised local public awareness that results from the participation of these organizations in conservation issues has the potential to change attitudes and, ultimately, behavior towards the consumption of energy and natural resources.

➤ **Strongly Linking Biodiversity Conservation to Human Well-being**

The success of human development strategies depend on the health of ecosystems and the provision of services that make development possible. Efforts to address the challenges human societies face are unlikely to achieve lasting success unless the natural ecosystems they

depend on are conserved and restored, and continue to provide goods and services that these societies depend on in the face of a changing climate.

From a relatively early stage CEPF has tried to highlight the tangible social and economic benefits that are attributable to the conservation programs it supports. CEPF has been able to demonstrate that many of the hotspots that it works in coincide with high levels of poverty and that people living in such areas tend to be directly dependent on natural ecosystems for their livelihood and survival. This has been particularly important to CEPF's donor partners, which prioritize improvements in human well-being and the mitigation of poverty

The conservation world has grappled with the challenge of making itself relevant to local social and economic development for several decades. Efforts to directly redeploy conservation resources into livelihood enhancements or similar enterprises through projects have had limited successes overall, especially through programs managed by national governments. Civil society organizations have had considerably more success, precisely because their knowledge, perspectives and constituencies all combine to make them well placed to identify and then implement conservation measures that also respond to local needs and priorities.

Progress has been made in demonstrating the value of ecosystem services to humanity and there is clear scientific justification for arguing that these ecosystem services depend on biodiversity, certainly over extended time periods. Biodiversity has a key role to play in maintaining the resilience of natural, and possibly some man-made, systems in the face of changing climate – and nature can only help humanity adapt to a changing climate by drawing on its own diversity.

Making CEPF transformational will also require ensuring its strategies continue to address the most pressing threats and taking advantage of important opportunities to make the fund not only relevant but attractive to donors. Biodiversity and civil society will continue to be the key pillars of CEPF's vision and mission, but it is important that the scaled-up version of the fund considers if and to what level other issues should continue to be prioritized. These include climate change mitigation, adaptation to climate change, building resilience in ecosystems, conservation of healthy ecosystems as a strategy for poverty eradication, the connection between biodiversity and health, and biodiversity and wealth—the opportunity to generate income out of conservation actions, etc.

The business plan will include the vision of the donors and other advisors in the proposal in regard to consideration of additional global issues. The strength of CEPF's focus on biodiversity in the last 13 years will be compared to the changes that other similar financial mechanisms have gone through. Similarly, the map of financial mechanisms for biodiversity and other issues will be presented, describing in greater detail the niche for the Transformational CEPF and whether and how these other issues should be incorporated.

➤ **Maintaining a lean, adaptive and agile management structure**

CEPF's strengths and successes over the last 13 years stem largely from a structure that has allowed it to pay high levels of attention to individual grantees. CEPF is an open and adaptive mechanism that allows a tailored approach to building the capacity of individual organizations and collectives of organizations, and provides a flexible and simple process for granting. Expanding the structure to respond to a greater and longer-term mandate should not compromise the characteristics that have made CEPF effective in the last 13 years.

***What needs to be resolved: questions the business plan will answer***

With the four pillars of CEPF clear, the business plan will resolve the following questions while proposing the model of the New CEPF.

**1.1.1 Implications of an expanded donor base and the potential of a greater membership**

CEPF's donor partnership has been central to the success of the Fund. While CEPF has long been committed to broadening its donor base and has been successful at evolving a donor partnership from three donors to seven, for a bigger and more transformational CEPF the donor base will have to be broadened potentially to include strategic alliances with non-donor organizations.

The business plan will analyze the opportunity and utility of developing strategic alliances with nontraditional CEPF partners such as development NGOs, private sector and/or government representatives, grantees and other conservation NGOs. Should the business plan conclude that there is value to bringing in additional voices to guide CEPF's work without making the governance too complex and jeopardizing the agility and adaptability that CEPF's current governance has demonstrated, the plan will present options for non-donors to participate in CEPF's decision making.

Broadening the donor base as well as the possible participation of non-donor partners will have implications in the governance of the Fund. The business plan will produce an assessment of the implications for governance and recommend to the Donor Council governance rules for the different types of donors. The plan will also propose roles and responsibilities for donors versus non-donor participants that allow non-donor partners to provide insight and advise to CEPF without jeopardizing effective and adaptive governance.

**1.1.2 Defining the Scope of the Transformational CEPF**

During the discussions with the donor partners, the balance between breadth and depth has been constantly brought up. During the Donor Council retreat in Jackson Hole, the donors agreed on the importance of taking regions to graduation. Identifying the number of regions that a scaled-up CEPF will support in the next 10 years will be the objective of this component of the business plan. Looking into the current portfolio and the opportunity for securing additional funding, and defining a balanced portfolio of regions that are very close to graduation with those that will require more long-term commitment, the business plan will present options for a

combination of geographies and the depth of intervention that a transformational CEPF should take on.

This component will be heavily informed by the evolution of components 2 and 3 detailed below. Of particular relevance is the definition of long-term vision for the hotspots where graduation and funding targets will be identified, but also the inclusion of specific strategic directions aiming to more effectively mainstream biodiversity conservation into policy decisions and private sector investment.

### **1.1.3 The Size of a Scaled-Up CEPF**

Considering the critical status of biodiversity and the documented need for additional financial resources, a new CEPF will have to increase the size of its funding and revisit the level and timing of its grant making to truly have a transformational impact on reversing biodiversity loss in the hotspots. CEPF has awarded \$165 million in grants to civil society organizations since 2000. Including ecosystem profiling, Secretariat and other management and financial costs, the total expenses are \$200 million over the 13 years of its existence, or equivalent to about \$175 million over a 10-year period. Of this funding, 80 percent was spent on granting, 5 percent on profiling and 15 percent on operational costs.

Based on experience from recent hotspots where CEPF has invested, both the level and duration of investment have been insufficient to ensure enduring, transformational impacts at a scale commensurate with that of the biodiversity crisis. The average level of investment - around \$1.6 million per hotspot per year - has been half or less what has been needed to achieve all of the targets set in the portfolio logframe. Increasing the level of investment to \$3.2 million per hotspot per year is the minimum requirement for a transformational impact. Similarly, 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.

Over the 10-years of CEPF Phase III, these *minimum* changes would argue for an investment of at least \$32 million per hotspot for granting, plus an additional \$2 million for profiling and \$6 million for operational costs. Twenty-five hotspots are eligible for CEPF funding. Operating in 12 of these over the next 10 years would require a tripling of CEPF from a \$175 million fund to a \$480 million fund. Whereas, fully realizing its potential, by operating in all 25 hotspots, would require an expansion of CEPF into a \$1 billion fund: almost six times its current size.

The business plan will determine the appropriate size and propose it to the Donor Council for approval using the previous experience of CEPF, the absorptive capacity of the hotspots and the financial appetite for a scaled-up CEPF.

### **1.1.4 Impact to CEPF operations**

CEPF has developed systems and processes that have been tailored to the size of our granting and that for the most part have been effective. Scaling up the fund will require a careful analysis

of the current structure and cost of the Secretariat, the size of the RITs as well as the adequateness of the systems and processes in place.

The business plan of a scaled-up fund will define the impact and needs in terms of operational structure, systems and institutional home to sustain effective granting at greater levels. The plan will present scenarios for the type of structures and systems that will be required depending on the level of funding and granting.

### **The Mechanics of Developing the Business Plan**

A small but dedicated team will be established to produce the business plan. This team will include one or two people who will work directly with the Executive Director. The team will produce quarterly progress reports that the Executive Director will present to the Donor Council for review and approval. Decisions on the governance, membership, size, breath, depth and operational implications will be made by the Donor Council. The Executive Director will also draw on a group of key additional experts to gain outside perspective and political support for the scaling up of CEPF. The business plan will be produced in 18 months and will be presented for approval of the Donor Council in 2016.

### **1.2 Instituting the New CEPF**

Upon approval of the business plan, CEPF would launch the new CEPF at multiple events during that year. At that point, the Secretariat would have began testing and implementing elements of the new model through components 2 and 3 below. Early implementation of these components will inform the production of the business plan and the development of the subcomponents outlined above.

### **Component 2 - Long-Term Strategic Visions for All Active Hotspots: Defining Graduation, Funding Targets and Terms of Investment**

CEPF should not be a permanent presence in each hotspot, but define and work toward an end point at which local civil society “graduates” from its support with sufficient capacity, access to resources and credibility to respond to future conservation challenges. Graduation criteria were detailed on page 3 of this document. The new ecosystem profiles will determine clearer graduation targets. In most hotspots, reaching a point at which civil society graduates from CEPF support will take more than five years. Spreading investment over longer periods (with periodic, adaptive ecosystem profile updates) would better enable CEPF to reach and secure sustained capacity improvements among local civil society. Developing long-term visions to achieve graduation targets for both civil society as well as necessary funding will be a key outcome of the implementation of the new portfolios.

It is envisioned that the new ecosystem profiles for Guinean Forest, Tropical Andes and Cerrado will determine more clearly graduation targets and terms for achieving them. The term of investment will likely follow the traditional five-year period, but will include projections on how many five-year periods are required to achieve graduation. This will enable CEPF to determine more clearly fundraising targets within these portfolios and project the full period of CEPF engagement for each of these regions.

To achieve the results of this component, a combination of upgrading the profiling process to more effectively include defining targets for civil society and funding, and the production of a long-term vision of the hotspot, will occur. For those hotspots where portfolios are well underway, such as the Mediterranean and Eastern Afrotropical, prioritization of the vision development will occur in 2014. Regions that just started or have been very recently profiled, such as East Melanesia, Indo-Burma, Madagascar and Wallacea, will produce long-term visions by 2015. The new hotspots that are under profiling will plan to produce long-term visions during the first 18 months of implementation.

The revision of the ecosystem profiling process in the Guinean Forest, Tropical Andes and Cerrado will provide opportunities for appropriate engagement by government and private sector, while still retaining ecosystem profiles as a shared strategy for civil society. The ecosystem profile is a uniquely branded CEPF product that has proven to be an effective means of stakeholder engagement that builds a common vision for biodiversity conservation. By emphasizing both private and public actors into the profiling process, new strategies will emerge that better reflect the challenges and opportunities for mainstreaming conservation into public policy and economic sectors. Under this new optic, ecosystem profiles will also include explicit targets for strengthening the civil society's capacity to engage with both sectors. As a result, some grantees will be supported to become trusted advisors of government agencies and to pilot solutions for biodiversity loss that can be scaled up by governments, while others are empowered to engage with private companies to address the biodiversity impacts of their business practices, leverage resources for conservation and build support for the development of green economies.

**2.1 Engage private sector partners in new ecosystem profiles** – Two of the regions recently approved by the Donor Council for developing ecosystem profiles, Guinean Forest of West Africa and Cerrado, present unique opportunities to engage with private sector partners and include them as a key group informing the development of the ecosystem profile, but also as a target for implementation of key strategies. The Secretariat will work with the profiling teams during 2014 to ensure that private sector partners are closely engaged in the development of the ecosystem profiles and specific targets and strategies are outlined in the documents to work more closely and effectively with these stakeholders.

**2.2 Define more clearly public policy outcomes in the new ecosystem profiles** – The ecosystem profiles for Tropical Andes, Guinean Forest and Cerrado will include key policy and decision-making targets more explicitly than CEPF has done in the past, allowing for civil society groups to propose projects that will advance more effective mainstreaming of biodiversity conservation in decision making. It is envisioned that to accomplish these targets, we will include strong components for building the capacity of civil society to engage with and influence government agencies. Capacity building targets then will become more clearly spelled out in the ecosystem profiles, guiding the granting in at least these new three regions.

**2.3. Produce long-term visions for each hotspot with clear graduation targets for civil society and funding needs** – Defining targets for graduation and financial needs is not

enough. The production of a long-term strategic vision should be the main product of this sub-component and will be a key outcome of the investment portfolios of all active hotspots. While this goal is easy to achieve in areas where profiling has not started or is at early stages (i.e. Cerrado, Guinean Forest or Tropical Andes), because it can be included as a strategic direction in the profile for the hotspot, CEPF should aim to develop long-term visions for all active regions in order to pursue transformational impact.

Active regions such as the Mediterranean, Eastern Afrotropical, IndoBurma, East Melanesia Islands, as well as the recently profiled Wallacea and Madagascar, could benefit from developing long-term visions and revising the ecosystem profiles to include specific targets for civil society capacity and funding needs. The Secretariat will prioritize the production of these visions in the recently profiled portfolios and the hotspots that are under implementation.

**2.4. Progress towards financial sustainability at the hotspot level** – Extinction rates continue to rise, as do global challenges to align human development with conservation of natural resources. CEPF's successes point to a clear conclusion: in a challenging financial climate, it is not only a question of mobilizing additional resources for conservation, but of using these as efficiently as possible.

This component will aim to build the foundations for financial sustainability in CEPF investment regions by improving understanding of donor opportunities that are locally available, potential gains in efficiency in existing programs, and an analysis of the economic potential of strategic interventions (for example, taxes, fees, offsets) to generate additional revenue for conservation programs. Based on these regional assessments, a strategy will be defined for each that will be used to inform and guide specific fundraising mechanisms and targets. CEPF will also continue to look for new sources of funding at a global scale, building relationships with a set of top-tier donors that share its values and mission.

2.4.1. Define financial targets to achieve graduation – Complementary to subcomponent 2.3, the Secretariat will support the inclusion of the definition of the financial goal to achieve the graduation targets (i.e. best estimate of the funding needed to achieve the targets) in the long-term vision of active hotspots. Defining a financial target would help identify the fundraising strategy for each region and thus the RIT needs to make progress towards achieving the fundraising needs.

2.4.2. Regional fundraising strategy – Following the definition of targets for graduation and financial needs, the long-term vision team will produce strategies that will guide the fundraising efforts for each active hotspot. The strategy will determine as well the capacity level of the RIT and the need to build that capacity to support the fundraising effort at the regional level.

The Secretariat envisions the following key outcomes out of the implementation of Component 2 of the Phase III strategy:

- 1) By 2016, a revised approach and term of investment for CEPF regions, including a more strategic role for civil society vis a vis government and private sector.
- 2) By 2016, a revised ecosystem profiling process that includes specific strategies that outline how civil society organizations should engage with and influence both government agencies and private sector actors.
- 3) By 2017, realistic terms of investment with long-term visions for all active hotspots.
- 4) By 2017, fundraising strategies for each and every active hotspot of the portfolio.
- 5) By 2019, at least four concrete examples of how civil society organizations have effectively engaged and influenced policies and private sector investments in four hotspots.
- 6) By 2019, a report on progress toward achieving graduation targets for both civil society capacity and funding for at least four hotspots.
- 7) By 2023, all active hotspots with long-term visions under implementation, and complementary donors to CEPF supporting the regional implementation.

### **Component 3 -- Strengthened Implementation Organizations That Become the Sustainable Stewards of the Long-Term Strategic Vision of the Hotspots**

RITs are CEPF's local representatives. RITs or similar organizations should be empowered to become long-term custodians of the vision built for their hotspots in the ecosystem profile beyond the CEPF investment period. This will entail an expansion of the RIT role from a focus on networking and capacity building for CEPF grantees to also include increased emphasis on direct coordination with government agencies and the private sector, as well as fundraising. Building the capacity of these organizations is therefore key in allowing CEPF to define and work toward an end point at which these regions can graduate from CEPF's support with sufficient civil society capacity, access to resources and credibility with government and the private sector to respond to future conservation challenges. This effort will essentially entail conducting an assessment of existing RITs to identify their capacity gaps, as well as defining the necessary governance structures, operational procedures, fundraising strategies and goals, skill sets and professionals that RITs need to have in place in order to operate independently from CEPF.

**3.1 Assessment of RIT capacity gaps in regard to new role** – Following the successful RIT Exchange that the Secretariat led in September 2013, the Secretariat will assess specifically the capacity needs of the current RITs in regard to playing a stronger role in connecting and coordinating with government agencies as well as with private sector actors. Additionally, their fundraising capacity will be evaluated. The assessment will be completed during the third quarter of FY2014 in preparation for the modification of the TORs to contract RITs for the five new regions that are currently under profiling: Madagascar and the Indian Ocean Islands, Wallacea, Guinean Forest of West Africa, Tropical Andes and Cerrado. Additionally the Secretariat will assess the opportunity of implementing these changes in the recently contracted RITs, namely East Melanesian Islands, Indo-Burma, Eastern Afromontane and Mediterranean to identify opportunities for recruiting additional staff or implementing specific capacity-building actions that would strengthen the role of the current RITs. Depending on the cost to fit the current RITs to their new roles, the Secretariat will propose specific



changes and adjustments to the agreements with the existing RITs to strengthen their current capacity.

**3.2 Modifying RIT Terms of Reference** – The Secretariat will modify the terms of reference of the RITs to define in clearer terms the expansion of their so they can become a stronger link with government agencies and private sector actors. The modification of the terms of reference will be completed before the end of FY2014 and on time to allow incorporating the changes in the structures of the four new RITs that will be contracted following the profiling processes of FY2014 and FY2015. The modification on the RIT TORs will also imply modification in the budget allocations and the specific capacity-building actions directed to the RITs to ensure setting up the foundations. These will be discussed with the Working Group and Donor Council when the RIT proposals are reviewed for selection in each of the four new hotspots.

**3.3 Strengthening existing RITs** – Contingent upon the results of the capacity assessment of the current RITs (Mediterranean, Eastern Afromontane, Indo-Burma and East Melanesian Islands) and the budget implications and availability of funds, the Secretariat will recommend to the Donor Council modifications of the budgets and structures of the current RITs to reflect the new roles. Decisions on how many and which of the current RITs should go through the modification process would highly depend on the capacity assessment, but also on the opportunities to make cost-effective changes given the timing of the implementation of these four investment portfolios. The decision on how many and which RITs to modify will be presented to the Donor Council during the first half of FY2015.

The Secretariat envisions the following key outcomes will result from implementation of Component 3 of the Phase III strategy:

- 1) By 2015, modified terms of reference for regional implementation teams that incorporate the skills to coordinate more closely with government and private sector, and to fundraise.
- 2) By 2016, an assessment of the gaps in the capacity of at least four RITs to fulfill the new role of direct coordination with government and private sector, and plans to bridge the identified gaps.
- 3) By 2017, new RITs and current RITs have the staff and skills needed to improve coordination among grantees, government officials and private sector partners to secure the results of Component 2.

#### **Component 4 – An Improved Model for Delivery**

The donor partners recognized in Jackson Hole the power of CEPF's model and the significant results the Fund has accomplished with a relatively small amount of money, which amounts to around \$12 million in grants per year, equivalent to 0.5 percent of annual biodiversity-related aid to developing countries. Nevertheless, donor members noted opportunities to enhance CEPF's efficacy. Addressing the Donor Council recommendations, the fourth component of the strategy

will focus on improving the delivery model of CEPF in 3 key areas: communications, monitoring and systems.

**4.1 More targeted communication products complementing monitoring** — The CEPF Secretariat has been implementing the new monitoring framework approved by the Donor Council in June 2012. This framework allows the Fund to track its impact and share lessons more effectively. However, the donors recommended that good impact tracking needs to be complemented by the development of communication products that more effectively showcase the Fund's extraordinary track record and disseminate the wealth of information produced. Stronger communication tools, materials and target audiences would allow CEPF to elevate the general awareness of its mission and results, and also enhance the understanding of the links between biodiversity conservation and socioeconomic development. The goal of this component is to make CEPF more visible and better understood as a mechanism that can effectively mobilize resources for biodiversity conservation, building capacity of local civil society and generating measurable gains against the global biodiversity crisis.

**4.1.1. Enhancing CEPF's communication products** – In 2014 and 2015 CEPF will produce a series of communication products to enhance CEPF's visibility and complement the reporting on the monitoring framework. These will include but not be limited to exhibits that are globally presenting CEPF's work in international fora such as the CBD COP 12 in October 2014; story features in our website and other media that describe the work of CEPF partners and their outcomes around specific themes; and strengthening of the production of communication materials at the RIT level to better and more strategically reach out to local and regional audiences. The expected outcome is a greater recognition of CEPF's model, its partners' achievements and contributions to global biodiversity conservation and capacity building of civil society organizations. The results of a more aggressive communication strategy will allow for elevating the profile of CEPF's work and model complementing the empowerment of grantees and RITs to influence policy and economic development more effectively.

**4.1.2 Production of a selected group of white papers capturing global lessons** – The Secretariat will engage with academic institutions through 2014 and 2015 to promote the production of white papers capturing specific lessons learned through multiple portfolios. Intern students and researchers will support the Secretariat in the compilation of data and the analysis to produce lesson learned documents that could be published and also distilled into shorter pieces to feed into the communication products described above. At least four white papers will be produced by the end of 2015. The findings of these lesson learned documents will serve to produce better training materials for RITs and grantees in the regions, and support the production of more targeted communication materials that can help strengthen the communication goals shared by the Donor Council.

**4.2 Complementing CEPF's monitoring framework to report on Aichi Targets** – CEPF will complement the monitoring framework by also tracking results in relation to the Aichi

Targets and report on them regularly to the CBD Secretariat, as well as to the governments that are parties to the convention, to support their national reporting. Also, CEPF will connect more closely with the resource mobilization stream of the CBD to promote greater engagement and thus more international recognition of CEPF's work. The Secretariat will continue to work on improving the reporting on the monitoring framework the Donor Council approved in 2012. In particular and for increasing CEPF's visibility at the global level, CEPF's Secretariat will produce a special report for CBD COP12 in Korea describing CEPF's contribution to the Aichi Targets.

**4.3 Enhanced Program Management** — A set of recommendations were made and are necessary to improve CEPF's management and raise the effectiveness of the Secretariat in its coordination role. These include:

- a. Coordinate more closely with donors: The CEPF Secretariat and RITs will systematically assess opportunities for closer alignment, synergy and information exchange with CEPF donor partners.
- b. Improve operational systems: CEPF will upgrade its operating system to enhance transparency in grant making, thorough financial oversight, tracking of performance and impacts, and timely reporting and communicating of results. Updating and upgrading GEM, CEPF's granting system created in 2007, to a more modern, agile and easier to use system that can bring together financials, proposal writing, progress reporting and monitoring data is needed.

## CONCLUSION

The Secretariat proposes to the Donor Council the implementation of a new phase of CEPF that will allow building on the extraordinary results of Phase I and II, taking it to a level where the fund can truly support the reversal of the biodiversity crisis. A 10-year phase scaling up the work of CEPF will consolidate a model that strengthens civil society to become trusted partners to decision makers to governments and private sector. The New CEPF will strategically catalyze funds, will and support to avoid further deterioration of critical ecosystems and secure human well being through the continued provision of vital services and permitting better adaptation to a changing climate. The time to scale up CEPF is now.