

Annual Portfolio Review: Tropical Andes Region

October 2008 to December 2009

Introduction

Known as the “global center of biodiversity,” the Tropical Andes biodiversity hotspot is the most diverse region on the planet in terms of species endemism and richness. The hotspot stretches along the eastern slopes of the Andes from northwestern Venezuela to the northwestern corner of Argentina, covering 150 million hectares. It is shaped by steep altitude gradients between snow-capped peaks, complex valleys, and a piedmont zone above 500 meters. Below is the vast wildness of Amazon rain forest.

Given its high importance, the Tropical Andes was among the first three regions selected by CEPF to receive funding, beginning in 2001 and ending in 2006. CEPF and its partners adopted an ambitious landscape-scale agenda that called for strengthening the Vilcabamba-Amboró Corridor, a 30-million hectare swath of forest containing 16 large protected areas grouped within three clusters: the Vilcabamba-Manu range, which lies entirely in Peru; Tambopata - Pilon Lajas, which straddles the border between Peru and Bolivia; and Cotopata-Amboró, which lies in Bolivia.

CEPF’s investment strategy was developed during two bi-national workshops by government officials, representatives from nongovernmental organizations (NGOs), donors and scientists. They agreed on key threats to be tackled and articulated a common vision for a bi-national biological corridor. A consensus emerged on the need to create a mega-corridor for management as a cohesive and integrated unit, to be characterized by a mosaic of protected areas and reserves under sustainable management. To achieve this vision, CEPF funded strategic directions dedicated to expanding coverage of protected areas; strengthening management in existing areas; reducing threats, particularly from colonization, logging, agricultural encroachment, and mining; and achieving greater coordination between the various stakeholders.

CEPF’s total investment of \$6.13 million through 31 grants yielded many impressive achievements. More than 4.0 million hectares were brought under new protection. Seventeen protected areas covering more than 20 million hectares benefited through a variety of management improvements, including the preparation of management plans, establishment of local co-management committees, and development of eco-enterprises for local communities. The conservation community achieved a major victory in Pilon Lajas Biosphere Reserve when partners convinced the government of Bolivia to reverse the last timber concession inside the reserve. Particularly important were grants to the national environmental trust funds in Bolivia and Peru, each of which provided a 1:1 match, to generate an additional \$2 million for a variety of conservation activities.

Although many important objectives were achieved, several significant threats remained and new ones emerged during the course of CEPF investment. Under the South American Infrastructure Integration Initiative (IIRSA), the corridor started to undergo dramatic change, as road, petroleum, gas, mining, hydroelectric, canalization, and other infrastructure projects expanded their operations significantly. The sheer scale of these development schemes transformed the landscape in ways that posed new and major challenges to the integrity of the corridor ecosystem. They directly threatened the sustainability of the many hard-won achievements realized with CEPF funding.

The most imminent threats emerged from the construction of the Southern Inter-Oceanic Highway in Peru and the Northern Corridor Highway in Bolivia, located in the Tambopata - Pilón Lajas sub-corridor. The Inter-Oceanic Highway would be the first paved roadway connecting the Atlantic and Pacific oceans in South America. While many economic opportunities were expected to arise, road upgrading also was expected to exacerbate migration, deforestation, land invasion and speculation, hunting and mining. Given these challenges, CEPF approved the consolidation program in late 2008 to target high priority needs in the Tambopata - Pilón Lajas sub-corridor to mitigate the environmental impacts expected to be produced through the road upgrading.

This document covers progress in the consolidation program for this region from October 1, 2008, when the first consolidation grant was approved, until December 31, 2009.

Niche for CEPF Investment

Overview

Given the existing challenges and opportunities in the region, CEPF embarked on a consolidation phase in 2008 with an approved budget of \$2.185 million. The consolidation strategy aimed to address high priority needs in the eight protected areas considered to be most vulnerable to the potential threats introduced by the new roads. It contained four inter-dependent investment priorities:

1. Support civil society participation in development planning and implementation for the Vilcabamba-Amboró Conservation Corridor, focusing on the Inter-Oceanic and Northern Corridor highways.
2. Support management improvements to mitigate the adverse impacts arising from improved road access in the eight most vulnerable protected areas.
3. Support the establishment of sustainable financing mechanisms.
4. Support productive projects that maintain forest cover in areas of strategic value for corridor-level connectivity.

Portfolio Status

Consolidation investment commenced in Tropical Andes with the first of a total of six grants starting on October 1st, 2008. Similar to CEPF's strategy during its first investment phase, the consolidation portfolio joined forces with national conservation funds in Peru and Bolivia: Fondo de las Americas del Peru (FONDAM), Fundación Para El Desarrollo Del Sistema Nacional de Áreas Protegidas (FUNDESNA) in Bolivia, and Fundación Protección y Uso Sostenible del Medio Ambiente (PUMA) in Bolivia. These partnerships are dedicated to providing sub-grants to local organizations to implement CEPF consolidation priorities. They have shown to be important opportunities for CEPF to leverage additional funding. Through these partners in the consolidation phase, CEPF's investment of \$2.185 million is expected to generate an additional \$1.2 million. In addition, CEPF's experience demonstrates that these partners can provide additional funds after CEPF grants have ended, helping to provide financial sustainability.

Coordinating CEPF Grantmaking

Consolidation programs do not have formal coordinating entities or regional implementation teams beyond the U.S.-based Grant Director. All CEPF grant management functions are conducted by the CEPF Secretariat.

Performance Assessment

During the first year of consolidation investment, two of CEPF's six grants achieved their 2009 targets as planned, while four grants missed their targets slightly (see Table 1). Several factors weighed into the delayed achievement of performance targets. Most notably, FONDAM, FUNDESNAPE, and PUMA, which collectively manage four projects with major sub-granting components, were required to dedicate more time than expected to preparing and accepting proposals from their sub-grantees. They worked closely with local communities, prospective sub-grantees, and the local and national governments to arrive at consensus on specific sub-grant designs. Furthermore, in Bolivia, FUNDESNAPE dedicated more time than expected to ensuring its objectives and sub-grants were well aligned with the government's own priorities. In recent years, the Bolivian government has scrutinized international donor funding closely. With the positive dialogue achieved between FUNDESNAPE and the government, CEPF's portfolio has received strong support from the Bolivian environmental authorities. Another factor that impacted performance was the need to dedicate more time than expected to planning the sustainable financing strategic direction, particularly with respect to CEPF financing of carbon projects. The Government of Bolivia requested further consultations on the subject of CEPF financing of REDD projects. In the case of Peru, FONDAM needed more time to define evaluation criteria for REDD proposals to be submitted for consideration as sub-grants.

Due to the delays in planning the portfolio sub-granting projects, portfolio-level spending rate is not commensurate with expected expenditures as determined by implementation schedules. Grantees spent a total \$307,790, which equals 14% of the \$2.185 million committed to date. As of December 2009, the portfolio was 30% into its three-year cycle. (See Annex 1 for details on spending rates.)

Table 1. Tropical Andes Consolidation Grants, January 2010

Organization	Title	Amount	Active Dates	Achievement of 2009 Targets
Conservation International (CI) Subgrantee: - Noel Kempff Mercado Natural History Museum	Fostering Stakeholder Collaboration and Monitoring the Impacts and the Conservation Actions Around Infrastructure Projects in the Vilcabamba-Amboró Conservation Corridor	\$250,000	January 2009 – December 2011	Slightly missed
Fondo de las Américas del Perú (FONDAM) Subgrantees: - Conservación Ambiental y Desarrollo en el Perú (CAMDE) - Asociación Caritas Madre de Dios, - Asociación Agricultura Ecológica - Asociación para el Desarrollo Económico y Social del Agro – ACCION AGRARIA	Strengthening Connectivity Along Peru's Inter-Oceanic Highway in Madre de Dios through the Sustainable Use of Natural Resources and Economic Development	\$235,000	January 2009 – December 2011	Achieved
Fondo de las Américas del Perú (FONDAM) Subgrantees: - To be determined.	Strengthening of the Management and Financial Sustainability of Key Protected Areas along the Southern Inter-Oceanic Highway in Madre de Dios, Peru	\$465,000	July 2009 – December 2012	Slightly missed
Fundación Para El Desarrollo Del Sistema Nacional de	Mitigating the Potential Environmental and Social Impacts	\$655,000	January 2009 – December 2011	Slightly missed

Organization	Title	Amount	Active Dates	Achievement of 2009 Targets
Áreas Protegidas, Fundación Protección y Uso Sostenible del Medio Ambiente (FUNDESNAPE) Subgrantees: - Instituto de Ecología (IE) - Consejo Regional Tsimane Mosestén (CRTM): - Federación de Asociaciones Municipales (FAM) - Herencia	Generated by the Northern Corridor Road Construction Project in Bolivia			
Fundación Peruana para la Conservación de la Naturaleza (PRONATURALEZA)	Promoting Civil Society Participation and Field-Level Monitoring to Mitigate the Environmental and Social Impacts of the Peruvian Inter-Oceanic Highway in the Vilcabamba–Amboró Conservation Corridor	\$330,000	January 2009 – June 2011	Achieved
Fundación Protección y Uso Sostenible del Medio Ambiente (PUMA) Subgrantees: - Asociación Económica de Productores y Acopiadores de Cacao - Centro Experimental de Asistencia Técnica Agropecuaria CEATA - Turismo Ecológico Social TES - Programa de Implementación de sistemas Agroforestales PRISA - Fundación ECOTOP	Impact Mitigation for Biodiversity Conservation in High Risk Areas of the Northern Corridor Highway in Bolivia	\$250,000	November 2008 – December 2011	Slightly missed
	Total	\$2,185,000		

Portfolio Investment Highlights by Investment Priority

Investment priority 1: Support civil society participation in development planning and implementation for the Vilcabamba - Amboró Conservation Corridor, focusing on the Inter-Oceanic and Northern Corridor highways.

This investment priority aims to support a network of local civil society groups and citizens in Peru and Bolivia to strengthen participatory environmental management and monitoring systems as needed to mitigate the threats emerging from the two highways. Components within grants to CI, FUNDESNAPE, and Pronaturaleza support this investment priority.

In Peru, Pronaturaleza began the year by planning how best to strengthen efforts of the Working Group of Civil Society (known by its Spanish acronym GTSC) and its three regional chapters in Cuzco, Madre de Dios, and Puno, the three regions to be most directly impact by the Inter-Ocean Highway. The GTSC is comprised of 56 grassroots and national NGOs, universities, businesses, and individuals dedicated to

promoting the environmental and social sustainability of infrastructure projects. CEPF funding has helped each group to hire a part-time coordinator and develop local priorities and work plans to target their efforts.

During the year, all three regional groups worked with local environmental authorities to analyze the potential impacts from the highway. The regional groups also provided technical advice and project development assistance to develop locally-driven environment projects to mitigate these impacts. In Madre del Dios, the GTSC worked closely with the Regional Government for Natural Resource Management (GOREMAD) on several aspects of the road mitigation, including identifying vulnerable areas that can be set aside for conservation and agroforestry, developing ideas for REDD projects to prevent deforestation, examining the impact of petroleum exploration in environmentally and socially sensitive area, and developing a new agriculture policy to support agroforestry. As one immediate result of these discussions, GOREMAD agreed to set aside the Lago Valencia wetland, known for its rich wildlife, as a municipal reserve. In Puno, the GTSC worked closely with local government agencies to prepare an environmental proposal to be submitted in early 2010 to Peru's National System of Public Investment, which funds local-level development projects. Both the GTSC in Puno and Madre de Dios have been actively monitoring the development of a new proposed mega-dam, known as Inambari, which is to be sited in the buffer zone of Bahuaja Sonene National Park. In Cuzco, the GTSC has been working with its local environmental authorities to develop a proposal for public funding dedicated to promoting the sustainable management of land next to the highway that serves as the buffer zone to the Marcapata – Camanti Regional Conservation Area.

To complement the work of the GTSC, Pronaturaleza developed a communications strategy aimed at disseminating information to the public regarding the potential benefits and negative impacts from the road. A consultant conducted surveys and collected baseline information that was used to develop the communications strategy. As a result, a series of outreach materials began design and production, including a short film, a radio series, posters, bulletins, a blog site, and a book.

Pronaturaleza also launched a component dedicated to monitoring the social, economic, and environmental impacts of the road. It conducted consultations with governmental officials, civil society groups, and communities to design monitoring protocols that will allow for an assessment of the social, economic, and environmental impacts of the road. In 2010, the project will collect the baseline data for Madre de Dios, considered to be the most at risk of the three regions that CEPF targets in Peru.

To complement the work and monitoring efforts launched by Pronaturaleza, CI met with the Center for Conservation Data (CDC) to examine the logistics of conducting a regional deforestation analysis and web-based mechanism for data analysis and dissemination. In Bolivia, CI provided a sub-grant to the Noel Kempff Mercado Natural History Museum to produce a baseline deforestation analysis for the period spanning from 1976 to 2008. The study measured deforestation rates along the entire trajectory of proposed road upgrading and in CEPF targeted protected areas of Madidi, Pilón Lajas, Santa Rosa, and Manuripi.

In Bolivia, FUNDESNAP worked with 12 community, municipal, and national public and private groups to design how local civil society organizations will engage in helping to design, mitigate, and monitor the impacts arising from the Northern Corridor road upgrading project. FUNDESNAP worked very closely with proposed sub-grantees – the Ecological Institute, the Tsimane Masetén Regional Council (an indigenous organizations responsible for co-managing Pilón Lajas Biosphere Reserve), and the Bolivian Federation of Municipal Governments – to develop their proposals for funding in 2010.

Investment priority 2: Support management improvements to mitigate the adverse impacts arising from improved road access in the eight most vulnerable protected areas.

This strategic direction seeks to mitigate the impacts of improved road access through improvements through strengthening of civil society participation in protected areas management, mainly by establishing and strengthening community management committees, local conservation projects, and improvements in patrolling target areas. Grants to FONDAM and FUNDESNAPE are dedicated to providing sub-grants to local organizations to implement projects that fulfill the objectives of this investment priority. In 2009, both grantees dedicated their time to identifying priorities for CEPF funding in each targeted protected area and to developing designs and budgets for sub-grantees.

In Bolivia, FUNDESNAPE worked closely with four partner organizations – the Regional Council of the Tsimané Mosekene (CRTM), Bolivian National Service for Protected Areas (SERNAP), the Federation of Municipal Associations (FAM), and World Wildlife Fund (WWF) – to design sub-grants to fulfill the objectives of this investment priority in four protected areas: Pílon Lajas, Madidi, Manuripi, Pampas del Río Yacuma. The plan is to award the sub-grants for implementation in 2010.

In Peru, FONDAM worked closely with the Peruvian parks agency to prepare terms of reference that will serve as the basis for a call for proposals planned in 2010 in three protected areas – Alto Purus, Bahuaja Sonene, and Tambopata. The plan is to issue a call for proposals for implementation in 2010.

Investment priority 3: Support the establishment of sustainable financing mechanisms.

This investment priority seeks to examine how six protected areas – Alto Purus, Apolobamba, Bahuaja Sonene, Madidi, Pampas del Yacuma, Pílon Lajas and Tambopata – can establish mechanisms to cover their long term management costs. CEPF aims to support the creation and consolidation of sustainable financing mechanisms. This investment priority is led by FONDAM, FUNDESNAPE, and CI.

FUNDESNAPE undertook two major activities in Bolivia with respect to promoting financial sustainability. First, the group undertook an assessment of the current status of financing mechanisms for the four protected areas located in Bolivia. It also entered into negotiations with local government authorities to obtain necessary information on the four protected areas that are the subject of CEPF's investments. As the second major activity, FUNDESNAPE entered into negotiations with the government on how best to channel funding to support the preparation of a proposal for REDD. The Government of Bolivia has received several large sources of funding to prepare its national climate change policy and to produce several site-based forest management proposals. FUNDESNAPE entered into negotiations to examine how best CEPF funds can complement these larger initiatives.

In Peru, the grant to FONDAM calls for supporting the preparation of two REDD proposals what would be geared toward selling sell carbon on the voluntary market. Given the highly technical nature of preparing proposals for REDD and the voluntary market, FONDAM decided that rather than issuing a call for proposals immediately, it contracted the consulting firm EcoResources to develop a guide with evaluation criteria to permit a thorough assessment of proposals to be submitted for financing. By the end of 2009, EcoResources submitted its report to serve as a basis for FONDAM's request for proposals in 2010.

Investment priority 4: Support productive projects that maintain forest cover in areas of strategic value for corridor-level connectivity.

This investment priority aims to maintain sustainable land-use practices in areas where the roads will traverse biologically important parts of the Castaña and Malinowsky conservation sub-corridors, which

are comprised of protected areas and tracts under sustainable land use activities such as Brazil nut cultivation. Sub-grants under grants to FONDAM and PUMA support this investment priority.

In Bolivia, PUMA trained members from 28 communities to develop project proposals for funding consideration. The year culminated when five community-based agroforestry projects were approved. These projects benefit 28 communities and are designed to promote land use practices that provide economic incentives to small-scale farmers to maintain forest connectivity in an area that lies between the Northern Corridor Norte road and the protected areas of Pílon Lajas and Madidi. The goal of these projects is to offer local communities economic incentives to adopt agroforestry systems that maintain forest cover and connectivity, rather than having these farmers convert their lands for less environmentally sustainable activities, such as cattle ranching or gold mining. Three of the five approved projects promote cocoa production, while the other two projects support the cultivation of copoazu (a special variety of white cocoa produced in the Amazon) and jipijapa (a fiber used to make souvenirs for sale to tourists).

In Peru, FONDAM embarked on providing four sub-grants to promote community-based agroforestry projects in areas considered to be strategic due to their locations in between the Inter-Oceanic highway and sites of high biological value. Three projects work with local communities on agroforestry, supporting soil restoration, reforestation, sustainable cattle ranching, and the production of cocoa, platanos, and various fruits. The fourth project supports the CASAL Brazil nut association to improve their production and post-harvesting procedures. The association hopes to become certified as an organic producer of Brazil nuts through their sub-grant.

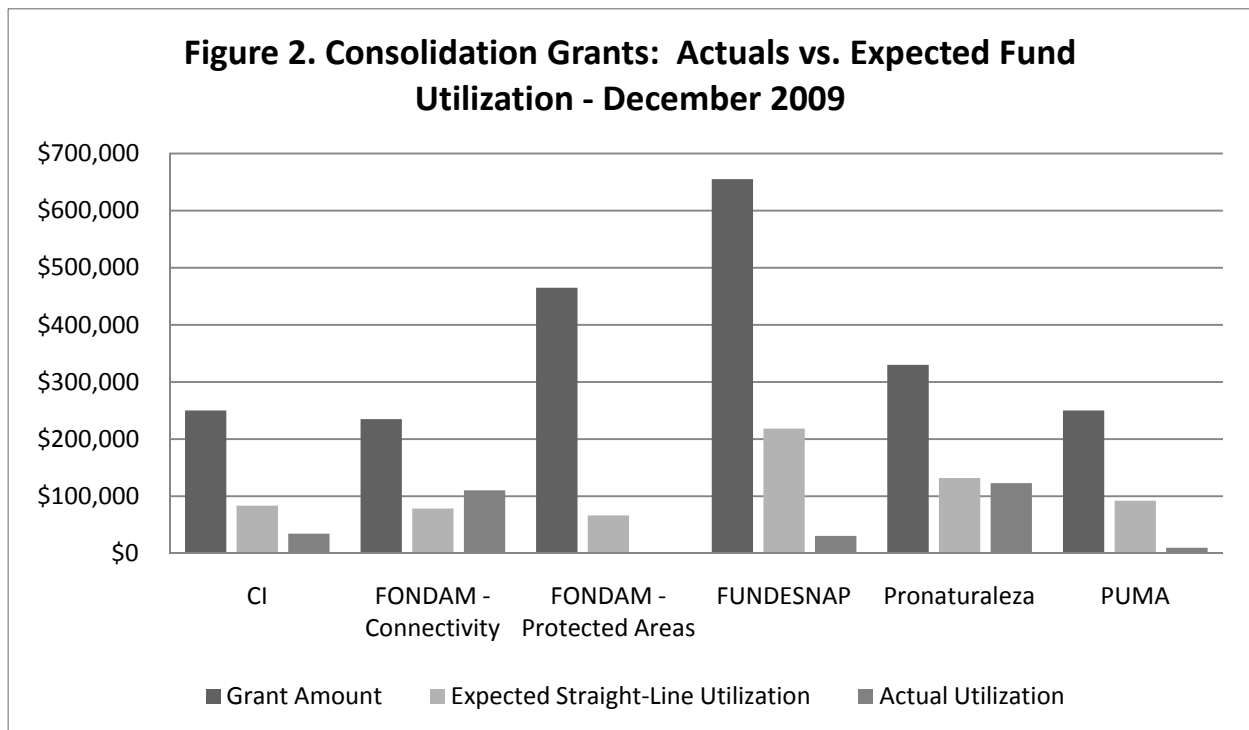
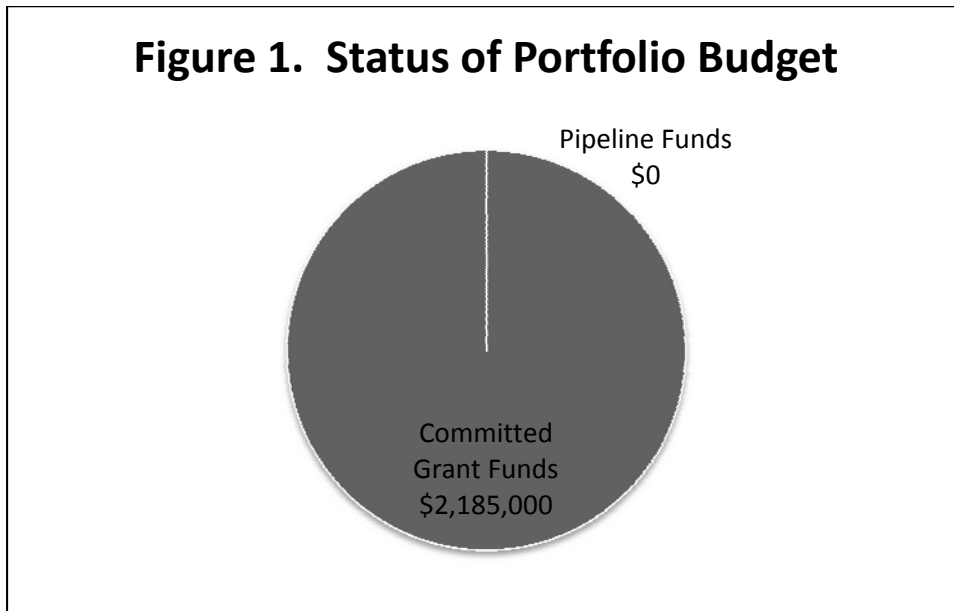
Collaboration with CEPF Donor Partners

Given the highly targeted nature of the sites where CEPF invests, the best potential collaboration with CEPF donors exists with the World Bank. To the knowledge of the CEPF Secretariat and its grantees, no other CEPF donor has been identified as investing specifically in the Vilcabamba – Amboró Conservation Corridor. Over the coming year, CEPF and its grantees will seek to strengthen ties to the World Bank.

Conclusion

During the first year of CEPF's consolidation program in the Vilcabamba – Amboró Conservation Corridor, the overall portfolio achieved several important 2009 targets. Grantees made the most progress in strengthening local community and civil society engagement in the mitigation of expected environmental impacts produced by the Inter-Ocean Highway in Peru. They also launched nine community-based agroforestry projects designed to provide incentives for farmers and Brazil nut collectors to keep their lands under forest cover in Bolivia and Peru. In addition, grantees conducted extensive outreach to key local stakeholder groups, including local communities and environmental authorities, to ensure strong collaboration as their projects progress. They devoted a significant amount of time to preparing sub-grant designs for funding. While good progress was made on several grants, other important targets were delayed in 2009 due to the need to devote more time than expected to planning sub-grants and to the need to enter into discussions with the important government counterparts. For the coming year, sub-grants should be ready for funding, thus helping to ensure satisfactory portfolio-level performance in 2010.

Annex 1. CEPF Investments in Tropical Andes, December 2009



Annex 2 – Update of the Logical Framework for CEPF Investment in the Tropical Andes

Objective	Targets	Progress
Reinforce and sustain the conservation gains achieved as a result of previous CEPF investment in the Vilcabamba – Amboró Conservation Corridor.	12.3 million hectares located in key biodiversity areas with strengthened protection and management.	Sub-grants prepared to support conservation in 10,529,135 hectares.
	\$2,000,000 leveraged	Total = \$970,285 FONDAM – CEPF Match - \$235,000 PUMA – CEPF Match - \$250,000 FUNDESNAP Match - \$485,285
	28,400 hectares in production landscapes with improved management for biodiversity conservation	Nine community-based agroforestry sub-grants were approved to promote improved land management in production landscapes for biodiversity conservation.
	Twelve stakeholder networks strengthened to support long-term conservation action by mitigating threats from road construction, and replicating and scaling up CEPF successes.	Four networks in Peru – Civil society working group to mitigation the impacts of the Inter-Oceanic road (national, Cusco, Puno y Madre de Dios). Several other networks are currently in the process of being strengthened.
Intermediate Outcomes	Targets	Progress
Outcome 1: A. Conservation and human welfare considerations are fully incorporated into infrastructure and development plans for the VACC, particularly in areas impacted by the two highways. B. Donor collaboration and coordination achieved to fulfill conservation goals.	Eight policies influenced as a result of CEPF grant consolidation in order to mitigate the environmental and social impacts of the Inter-Oceanic Sur and Northern Corridor road construction projects.	Several policy priorities identified for attention, but no results achieved to date.
	One public-private partnership between a road construction company, government, and civil society to mainstream biodiversity into road construction and maintenance.	Collaboration with Oderbrecht – Pronaturaleza – CI continues in order to foster improved environmental and social practices.
Outcome 2: Management effectiveness improved in the eight protected areas, covering over 12.3 million hectares, that are the most vulnerable to new threats introduced by improved road access:	Eight KBAs demonstrate improvements in their protection and management: <ul style="list-style-type: none"> ● 2,746,900 ha – Tambopata National Reserve ● 402,335 ha -Amarakaeri Communal Reserve 	Four grants plan their sub-grants with governmental entities and communities to support management improvements in the eight targeted KBAs.

Tambopata, Amaraakaeri, Bahuaja Sonene, Alto Purus, Pilón Lajas, Madidi, Apolobamba, and Manuripi.	<ul style="list-style-type: none"> • 1,091,416 ha -Bahuaja Sonene National Park • 2,510,694 ha - Alto Purus National Park • 400,000 ha - Pilón Lajas Biosphere Reserve • 1.895.750 ha - Madidi National Park • 483,743 ha – Apolobamba Integrated Management Natural Area • 1,884,375 ha - Manuripi Amazonian National Wildlife Reserve 	
	100% of targeted communities involved in sustainable use projects demonstrate tangible socioeconomic benefits.	Nine community-based agroforestry sub-grants were approved to promote the sustainable resource use on schedule to demonstrate socio-economic benefits.
	Five projects enable effective stewardship by indigenous and local communities for biodiversity and ecosystem conservation.	Five grants (FONDAM II and III, FUNDESNAP, PUMA, Pronaturaleza) are scheduled to increase the capacity of local communities to improve their stewardship over their ecosystems.
Outcome 3: Stable funding mechanisms are operational in support of priority management needs in six protected: Tambopata, Bahuaja Sonene, Alto Purus, Pilón Lajas, Madidi, and Manuripi.	Three sustainable financing mechanisms established and/or strengthened with initial capital secured.	Preliminary assessments launched as preparation to fund REDD proposals.
Outcome 4: Forest cover is maintained in strategic locations in the Castaña and Malinowsky Conservation Corridors.	Two sub-corridors under improved governance and management for sustainable development through achievement of key conservation milestones.	Nine agroforestry projects approved in targeted conservation corridors to foster improved governance and management.
	Two projects located outside protected areas integrate biodiversity conservation in management practices.	Two projects (FONDAM and PUMA) integrate biodiversity conservation into land management practices.