

**Critical Ecosystem Partnership Fund
28th Meeting of the CEPF Donor Council
Brussels, Belgium
20 January 2016
2:00 to 5:00 pm CET**

Selection of new hotspots for investment

Recommended Action Item:

The Donor Council is asked **to approve the selection** of the Mediterranean Basin and the Mountains of Central Asia as the next hotspots for investment.

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.

In order to ensure a pipeline of regions for investment, the CEPF Secretariat proposes moving ahead immediately with developing ecosystem profiles for two hotspots. The profiling teams would be selected through a competitive process and contracted by the end of FY16, enabling the profiles to be prepared during FY17 and grant making to begin in early FY18. The implication of delaying the selection of 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 Hotspot. 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.

While reinvesting in hotspots where there are opportunities to build on successful results is highly desirable, it is also important for CEPF to continue to expand its good work and provide support to civil society in hotspots that have not been yet benefited from funding. Given the finite resources of the fund, it is, then, important to maintain a good balance between investing in new regions and reinvesting in previously approved hotspots.

Rationale for new investment in the Mountains of Central Asia

During its 21st meeting, on 11 June 2012, the CEPF Donor Council reviewed a list of five prioritized regions for investment (see table), with the aim of selecting two for new investment. The Donor Council reached consensus on the selection of Wallacea, and the Secretariat subsequently commissioned an ecosystem profile and launched an investment program for this hotspot.

Rank	Hotspot	Countries
1	Mountains of Central Asia	Afghanistan, China, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan
2	Madrean Pine Oak Woodlands	Mexico
3	Wallacea	Indonesia and Timor Leste
4	Chilean Winter Rainfall - Valdivian Forests	Chile
5	Cerrado	Brazil

Consensus was not reached on the selection of a second hotspot from the remaining four hotspots, although preferences were expressed for two in particular: Mountains of Central Asia and Cerrado. The Cerrado was described as being a solid choice because it is under-served and under-capacitated, and because work could start relatively rapidly and demonstrate quick results. The Mountains of Central Asia was thought to be an opportune choice due to potential synergies with bilateral aid but was also regarded as being a high risk region at the time.

During its 22nd meeting on 18 December 2012, the Donor Council discussed the relative merits of the Cerrado or the Mountains of Central Asia as CEPF's next hotspot for investment. After examining the opportunities and challenges associated with the two regions, the Donor Council asked the Secretariat to assess whether the hotspots' political and operational environments were conducive to achieving meaningful results through CEPF investment.

The Secretariat found that both hotspots possess critical pre-conditions and attributes that would allow CEPF to foster civil society engagement to achieve meaningful conservation outcomes (CEPF/DC23/5). All experts concurred that CEPF's strategy could readily be structured to reduce potential political risks and to take advantage of new and significant opportunities. No one interviewed advised against entering either of the two hotspots.

Consequently, at its 23rd meeting on 25 June 2013, the Donor Council selected Cerrado as the new region for CEPF investment. The Donor Council deferred making a decision on whether to profile the Mountains of Central Asia until additional funding was obtained.

The Secretariat recommends profiling the Mountains of Central Asia for new investment. The potential niche for CEPF in the hotspot is as follows:

- to build the capacity of nascent local civil society to engage in site, national, and regional-level conservation initiatives and environmental policy strengthening;
- to demonstrate the valuable role civil society can play in conservation and mainstreaming biodiversity into development in countries with economies in transition;
- to take advantages of opportunities for synergy with investments by the EU, GEF, Government of Japan and the World Bank; and
- to take advantage of a potentially unique window of opportunity to forge regional cooperation for biodiversity, especially with regard to Kazakhstan, Kyrgyzstan, and Tajikistan, which constitute the majority of the hotspot by area.

Rationale for reinvestment in the Mediterranean Basin

The Mediterranean Basin biodiversity hotspot is the second largest hotspot in the world, covering more than 2 million square kilometers. It is the third richest hotspot in the world in terms of its plant diversity. Rivaling the natural diversity in the hotspot, the cultural, linguistic and socioeconomic diversity of the region is spectacular. Many of the ecosystems reached equilibrium long ago with human activity dominating the landscapes. However, this delicate balance is in a precarious state, as many local communities depend on remaining habitats for freshwater, food and a variety of other ecosystem services. Species populations in the hotspot have become increasingly fragmented and isolated as a result of infrastructure development, triggered in part by the tourism industry. The pressure on scarce water resources resulting from major water investments as well as climate change has recently become the most important pressure on nature. The increasing number and magnitude of water investments has caused irreversible damage to the fragile water cycle of small rivers basins in the hotspot.

CEPF has been making grants in the Mediterranean Basin Hotspot since June 2012, with 91 grants totaling \$10.1 million awarded to date. CEPF grant making follows an ecosystem profile developed through an extensive stakeholder consultation process conducted in 2009-2010. The ecosystem profile presents a consensus-based investment strategy, with a level and scope of stakeholder buy-in that is, in many ways, unprecedented for the region.

Much has changed in the six years since the Ecosystem Profile for the Mediterranean Basin Hotspot was prepared, however:

- Although the biological priorities defined in the profile have generally stood the test of time, many studies have been undertaken in the last years (including through CEPF funding), leading to new data on species and habitats. This includes the comprehensive Red List assessments of freshwater species and identification of freshwater Key Biodiversity Areas, identification of Important Plant Areas in the Middle East and North Africa, and inventories of cave ecosystems in the Balkans. This great wealth of data could potentially inform current understanding of geographic priorities for conservation investment.
- More importantly, the political situation has drastically changed in the last few years in the Middle-East and North Africa sub-regions of the hotspot, following the so-called 'Arab Spring'. These political changes have, in some cases, enabled the emergence of a nascent civil society, eager to engage in environmental protection and development, albeit often lacking capacities to engage efficiently in preserving the natural wealth of their countries. Conversely conflicts have drastically affected the operating environment for civil society in Libya and Syria, with broader impacts for the entire region and beyond, while Tunisia and Egypt have undergone important

political changes. The deteriorating security situation, exemplified by terrorist attacks in Tunisia and Egypt, is impacting the tourism industry and economic development.

- In addition, there have been major shifts in patterns of conservation investment, with several traditional funders of biodiversity conservation reorienting their programs to other priorities or leaving the region altogether, while new initiatives have been launched to support civil society. The level of donor coordination has improved, in particular thanks to the Mediterranean Donor Roundtable initiated by the MAVA Foundation and the Prince Albert II Foundation in 2012, paving the way for new collaborations.
- Finally, investments by CEPF and other funders have built a strong platform of conservation results, good practice, information and capacity that can be built upon.

There is a need, therefore, to update the ecosystem profile, through a participatory process, to create a platform on which funders interested in making investments in the region over the next five years can share goals and strategies, take advantage of emerging opportunities, and align well with existing investments by governments and other donors.

At this stage, the MAVA Foundation, the Prince Albert II Foundation and Spain's Fundacion Biodiversidad have all expressed an interest in participating to the update of the ecosystem profile to guide future investments in the Mediterranean Basin. It is intended that these funders would be engaged throughout the process, to frame the work of the team updating the profile, and develop synergistic investment niches that avoid duplication and leverage the strengths of each organization. Moreover, it is hoped that this collaborative process may attract other funders interested in supporting civil-society-led efforts to conserve the region's biodiversity.

After an initial scoping exercise to frame the exercise, the first major task would be a series of thematic studies to update the situational analysis of the region, through targeted consultations with practitioners in the conservation and development communities, from government, civil society and donor agencies. The findings from the thematic analyses would be validated at a series of national workshops, which would also provide an opportunity for stakeholder to identify and prioritize investment needs and opportunities. The results of these workshops would then be synthesized into an updated Ecosystem Profile document, which would be reviewed at a regional workshop, which would be the final opportunity for broad stakeholder input. The updated ecosystem profile would be principally designed to guide future CEPF investment in the region but participating funders and other partners would be encouraged to use the document as a guide to their own investments, in a similar way to that currently being done in the Indo-Burma Hotspot.

Investments in all countries would be determined by the security situation, which may be dynamic over the next five years. This has been the case during the current investment phase, and has required some adaptive management on the part of the CEPF Secretariat and the RIT. In addition, CEPF did not invest in Egypt and Turkey during the current phase, because the GEF Focal Points in these countries did not endorse the ecosystem profile. The Secretariat is confident that this would not be a problem during a new phase of investment, and would proactively engage the Operational Focal Points from these, and other countries, during the ecosystem profile update process.

The Secretariat recommends profiling the Mediterranean Basin for reinvestment. The potential niche for CEPF in the hotspot is as follows:

- Increased focus on support to local and national organizations, in particular regarding their fundraising and advocacy capacity.
- Consolidation of activities on Integrated River Basin Management and protection of rivers and freshwater biodiversity.

- Consolidation of activities on Integrated Coastal Zone Management, in particular through strengthening partnerships between civil society and local government.
- Support to conservation of threatened species through actions across KBAs and national boundaries, with an emphasis on flora.
- Support to expansion of protected area networks, with emphasis on innovative protection schemes, such as micro-reserves, locally managed protected areas, private reserves, etc.