CEPF/DC23/5

Critical Ecosystem Partnership Fund

Twenty-Third Meeting of the Donor Council
Jackson Hole, Wyoming, USA

25 June 2013

1 pm – 3 pm CDT

Feasibility Assessment for Selection of New Investment Region

I. Background

During its 22nd meeting on 18 December 2012, the Donor Council discussed the potential selection of the Cerrado of Brazil 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 are conducive to achieving meaningful results through CEPF investment.

The Secretariat examined the political and operational milieu of the Cerrado and the Mountains of Central Asia. The Secretariat interviewed 13 conservation practitioners, 10 of whom have extensive experience working in the two hotspots under review. They represent Conservation International, the European Union, Global Environmental Facility Secretariat, UNDP – GEF Small Grants Program (SGP), and the World Bank. Information on the activities of the Government of Japan were provided by the Ministry of Environment of Japan and were included in the analysis. A list of people interviewed appears in Annex A.

The interviews and this report cover the following points:

- The nature of governmental and private sector support for biodiversity conservation and for local civil society engagement in conservation.
- The extent to which governments in Central Asia are sufficiently stable to allow CEPF to facilitate regional-level cooperation as well as compliance with CEPF grant-making policies.
- The present and past performance of initiatives similar to CEPF in the region, particularly those funded by CEPF donors, to allow for synergy and definition of gaps to determine CEPF's niche.

The next section provides a summary of the findings and the recommendation of the Secretariat followed by the detailed analysis of each hotspot.

II. Summary of Findings

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, as highlighted below. 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.

Cerrado

- The most biodiverse savanna in the world.

- Its water resources generate hydroelectricity for 90 percent of Brazil's population and provide irrigation for food production on a global scale.
- Significant need and urgency based on high deforestation rates that are double the rates of the Amazon.
- Weak conservation presence, with low protected areas coverage and a few conservation efforts, particularly in comparison to the Amazon and the Atlantic Forest.
- Favorable policy environment based on new national Forest Code and growing market forces that support conservation.
- Excellent opportunities to scale up current pilot efforts working with large agribusiness and state governments that could mainstream biodiversity conservation in agricultural practices and operations.
- Small and limited civil society capacity to support the implementation of these new opportunities.
- Excellent opportunities for synergy with the SGP, whose efforts focus on improving livelihoods through increasing land productivity and sustainable agriculture.
- Favorable operating environment for CEPF grant making, with no impediments to programmatic performance or policy compliance envisioned.
- A potentially innovative model for CEPF, testing a more proactive engagement with the private sector, with large-scale agriculture as the main threat, in support of stronger local governance that could be replicated in other geographies.
- Ability to mainstream biodiversity conservation on the development of savannas in Brazil, other South American countries and Sub-Saharan Africa.

Potential CEPF Niche: Build on new conservation policies and pilot efforts to help scale up and further mainstream biodiversity conservation into the agricultural development of the Cerrado's savanna ecosystem.

Mountains of Central Asia

- Fragile and highly threatened habitats and species located in some of the highest mountains in the world. Home to globally important food cultivars.
- Its water resources, including the extremely diminished and threatened Aral Sea, provide drinking water, irrigation, and hydropower for Central Asia. Water is a major issue for regional stability.
- Significant need as demonstrated by high levels of poverty in combination with very low environmental performance ratings.
- Emerging from Soviet-era authoritarian rule, with a nascent civil society sector that lacks capacity in current conservation methodologies and access to donor funding and policy dialogues.
- Conservation leadership demonstrated by the president of Kyrgyzstan, combined with progress in preparing a regional snow leopard initiative, provides momentum and a potentially unique window of opportunity to forge regional cooperation for biodiversity.
- Good progress in protected areas expansion, but scant resources for site management.
- Growth in tourism allows for potential ecotourism ventures.
- Favorable opportunities for synergy with The World Bank, EU, Japan, GEF and GEF-SGP, which has focused on sustainable livelihoods.
- Favorable operating environment for CEPF grant making, with no impediments to programmatic performance or policy compliance envisioned if investments are focused in Kazakhstan, Kyrgyzstan, and Tajikistan.

Potential CEPF Niche: Build 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 it can play in conservation and mainstreaming biodiversity in development.

III. Recommendation for New Hotspot

Based on the assessment and the different characteristics and opportunities that each of the hotspots provides, as well as the similar status of civil society in each of these hotspots, **the Secretariat recommends allowing CEPF to grant funding in both hotspots to begin profiling during FY15, then staggering implementation. Considering the available funding, the Secretariat recommends funding the Cerrado initially and then moving to the Mountains of Central Asia as soon as replenishment or the contribution of a new donor is confirmed for CEPF.** This recommendation recognizes the opportunity of learning from implementation in the Cerrado with a stronger focus on engaging with corporate private sector and the important role that CEPF can have in the Mountains of Central Asia in building the capacity of a nascent civil society community.

The Cerrado Hotspot

Background

Despite the Cerrado's ranking as the most biologically rich savanna in the world, conservation efforts in the hotspot lag significantly behind those in the Amazon and Atlantic Forest today. With a territory covering 203 million hectares, an area roughly the size of Mexico, Brazilians have long considered the Cerrado to be biologically unimportant. As one indicator of this low standing, less than 3 percent of the hotspot's land area is under formal protection, despite the large range of habitats and species. At the same time, deforestation in the Cerrado is twice the rate of the Amazon's. About 49 percent of the Cerrado's original vegetation is degraded, while about 21 percent of the hotspot's original vegetation remains intact. In the six years between 2002 and 2008, the Cerrado lost 8.5 million hectares of natural vegetation. The Cerrado is considered to be one of the world's last major frontiers still undergoing significant deforestation.

Much of the destruction and threat in the Cerrado originates from agricultural development over the last 40 years. Today, the Cerrado produces 70 percent of Brazil's farm output, from cattle, soy, beans, maize, rice, and coffee. Its charcoal supplies the steel industry and its cellulose pulp supplies the paper industry. Brazil's emergence as the world's third largest agricultural producer and the largest exporter of soya and beef is credited to production expansion in the Cerrado. The Cerrado plays an important role in the world's food supply.

The Cerrado became Brazil's agricultural powerhouse after researchers at EMBRAPA—the Brazilian Agricultural Research Corporation, which received significant support from JICA—discovered in the 1960s that its acidic soils could be made fertile by adding phosphorus and lime. Brazilian researchers also developed tropical varieties of soybeans, until then a temperate crop. With these two breakthroughs, Brazil turned itself from a food importer into one of the world's great breadbaskets in less than 30 years.

The impacts of the "Cerrado Miracle" reach far beyond Brazil, to other parts of South America and Africa. Large transportation projects under the Initiative for the Integration of the Regional Infrastructure of South America (IIRSA), such as the Southern Inter-Oceanic Highway, South America's first road to connect the Atlantic and Pacific oceans and a focal area of CEPF investment in Tropical Andes since

2008, are designed to bring Brazilian products from the Cerrado to Asian markets. IIRSA projects threaten to introduce drivers of environmental and social decline to the other South American hotpots.

Furthermore, development agencies and governments view the Cerrado as a model for developing the savannas of the world, including those grasslands found in Bolivia, Colombia, Venezuela, and sub-Sahara Africa. Brazil's global reach is exemplified by the presence of EMBRAPA, the largest public agricultural research corporation in the developing world, in Ghana, Mali, Mozambique, Senegal, Panama and Venezuela. Forty-two countries in Africa have benefited from Brazilian Technical Cooperation in agriculture under EMBRAPA.

While agricultural development of the Cerrado has helped elevate Brazil's economic status, the deforestation and dam development has also drawn concern not only for the loss of biodiversity, but also for increased carbon emissions and, more importantly from a Brazilian perspective, for impacts on rivers. The five major river basins that have their headwaters in the Cerrado generate electricity for 90 percent of the population. These rivers also irrigate the Cerrado's farms. While no study exists examining the linkage between large-scale deforestation and water supply, Brazilians today understand that watershed conservation is a national priority.

Conservation Efforts

Over the last 15 years, perceptions of the Cerrado's importance for biodiversity and ecosystem services has begun to shift within Brazilian society and government as recognition grows of the ecosystem services and biodiversity values. The government has put in place several environmental policies and programs benefiting the Cerrado. In the 2009 Copenhagen Climate Change Conference, Brazil pledged to reduce emissions of greenhouse gases from deforestation in the Cerrado by 40 percent by 2020. By March 2010, government announced the Action Plan for Prevention and Control of Fires and Deforestation in the Cerrado (PPCerrado), which calls for setting up a monitoring system similar to the system in the Amazon, providing incentives for sustainable development, and creating new protected areas. The Sustainable Cerrado Program has an allocation of $42 million to promote sustainable development. The World Bank is the executing agency for this $13 million GEF project, which receives co-financing from Brazilian federal and state governments. The program started in March 2010 and ends in December 2013. It supports strengthening legally protected areas, promoting sustainable agriculture, strengthening public policies and government agencies, and coordination and ecosystem monitoring. These initiatives are largely geared toward supporting governmental efforts in the Cerrado. Also, Brazil's revised 2012 Forest Code requires developers in the Cerrado to leave intact 20 percent of the natural vegetation as legal reserves. It also requires natural vegetation to cover riparian zones of all rivers.

Furthermore, EMBRAPA is now turning its research and extension away from merely increasing production and acreage to ways of increasing the intensity of land use and rotating crops and livestock so as to feed more people without cutting down the forest. It has pioneered and encouraged the adoption of new operational farm techniques and technologies to improve land productivity and restore degraded lands, including no-till agriculture, which has been adopted on 50 percent of Brazilian farms. Its current focus is on "forest, agriculture and livestock integration", where the fields are used alternately for crops and livestock, with trees planted in between the fields.

The attitudes of large agribusinesses and landowners are also changing. Some businesses are seeking to boost productivity on existing land as the agricultural frontier grows ever more distant and costly to develop. Watershed protection is also a growing priority for them as a means of ensuring their own profitability and sustainability. Other agribusinesses are responding to market forces that require better social and environmental stewardship, particularly in Brazil's own large domestic market as well as in European, Japanese and U.S. markets. In June 2011, for example, the Dutch food and feed industry bought the first soy produced under the socially and environmental responsible principles of the Round

Table on Responsible Soy (RTRS). The first 85,000 tons of certified soy originated from Grupo André Maggi, a large Brazilian producer, who obtained certification on 70,000 hectares.

Experts claim that while significantly stronger legislative frameworks now exist in Brazil and market opportunities are growing for improved environmental stewardship in the Cerrado, several obstacles remain. Local municipalities, small farmers, large agribusinesses, and community groups alike lack basic capacity in methodologies and best practices to promote conservation. The hotspot is significantly less advanced in local municipal and civil society capacity for conservation than the Atlantic Forest was in 2002 when CEPF entered the hotspot. Most local civil society groups are dedicated to increasing agricultural productivity and sustainability through such techniques as no-till agriculture. Environmental NGO presence in the Cerrado is small relative to its size, with CI and The Nature Conservancy (TNC) as the only international NGOs present. Experts estimate that about 10 small Brazilian environmental groups, many with only one or two staff, work in the Mexico-sized Cerrado. To date, conservation efforts remain at pilot levels.

Pilot projects by CI and TNC demonstrate that demand within the agribusiness sector exists for technical assistance in conservation. CI has united a broad alliance of stakeholders in the region: the agribusiness sector, the government, NGOs, universities and research institutions focused on restoring degraded areas and integrating biodiversity conservation. Its flagship project is a five-year, $6.5 million effort financed by Monsanto, where it assists 20 of the company's client agribusinesses, each with 30,000 hectares to 150,000 hectares of land that they manage, to adopt conservation actions in compliance with the Forest Code. At the same time, Monsanto salespeople conduct outreach to these farmers on the benefits that healthy forests provide for agricultural production, such as the role that riverbank vegetation plays in preventing soil erosion.

The Conservancy has been working with local NGOs, farmers, agribusiness companies and governmental institutions on land-use planning and on combining sustainable ranching and farming with protection of land set-asides. It has several relevant activities that serve as pilot efforts linking conservation and agribusiness development. In the buffer zone of Emas National Park in the southwestern Cerrado, TNC worked with its local partner O Boticário and a landowner to create a 22,000-acre reserve as part of the farmer's compliance with the Forest Code. TNC also participates in the Greener Soybeans program, a partnership between the Conservancy, the Mato Gross Association of Soybean Farmers, and the state government to allow farmers that illegally cleared forest up to 2007 to regularize their property without being penalized.

CEPF Donor Investments

This assessment has identified CI, the GEF, and the World Bank as the three CEPF donors working directly on conservation in the Cerrado. As mentioned previously, the World Bank is the implementing agency for the GEF-financed Sustainable Cerrado Program. The project supports strengthening legally protected areas, promoting sustainable agriculture, strengthening public policies and government agencies, and coordination and ecosystem monitoring. In addition, the GEF–SGP in Brazil focuses almost exclusively on biodiversity conservation in the Cerrado. Since 1994, 94 percent of its 317 projects, which total $8 million, have supported local civil society efforts – conducted mostly by agrarian communities and associations -- in biodiversity conservation, sustainable forest management, and sustainable agriculture. The director of Brazil's GEF-SGP states that performance on the small grants is excellent. He notes no concerns with respect to ensuring policy compliance for grant making to civil society groups.

A rapid assessment of websites shows that other leading donors—including Britain, Germany, the Inter-American Development Bank, Norway and the United States—do not fund Cerrado conservation. Rather, most international funding is focused on the Amazon and Atlantic Forest.

Opportunities for CEPF Investment
Experts interviewed for this report articulated that CEPF has the potential to make an important difference in the Cerrado under the current political environment as awareness grows in Brazil of the ecosystem services provided by the Cerrado; as the government strengthens its policy frameworks and monitoring protocols for conservation; and as market forces create new incentives for conservation. Several opportunities for CEPF engagement could serve as a basis for putting the Cerrado on a more sustainable development trajectory.

Potential CEPF Niche: Build on new conservation policies and pilot efforts to help scale up and further mainstream biodiversity conservation into the agricultural development of the Cerrado's savanna ecosystem.

Potential Objectives

1. Empower civil society to collaborate with agribusinesses and local governments to scale up current pilot efforts that integrate conservation best practices and corporate responsibility requirements into their operations.
2. In support of the 2012 Forest Code, provide technical assistance in regional land-use planning for conservation and sustainable development, and build local municipal and civil society capacity for conservation planning and implementation, in such areas as conservation set-asides, certification, green marketing, etc.
3. Facilitate the declaration of new protected areas in the 43 million hectares that remain under natural vegetation and that are still mostly under public ownership.
4. Collaborate with EMBRAPA to identify the lessons learned and best practices for mainstreaming biodiversity into its farming research and extension protocols for development of savanna ecosystems.
5. Facilitate the amplification of the sustainable agriculture efforts established by the GEF-SGP.
6. Build a network of local conservation civil society groups able to provide local leadership on biodiversity to ensure that the Cerrado's profile is raised within the country.
7. Generate data and analysis on the Cerrado's ecosystem service values to Brazil's economy, and raise awareness of these values among decision makers and the public.

The Mountains of Central Asia Hotspot

Background
Seven countries make up the Mountains of Central Asia Hotspot: southern Kazakhstan, most of Kyrgyzstan and Tajikistan, eastern Uzbekistan, western China, northeastern Afghanistan, and a small part of Turkmenistan. Within the Venezuela-sized territory, endangered species like the snow leopard, saiga antelope, and Marco Polo sheep roam among some of world's highest mountains. The hotspot is a global center of cultivars for domesticated crops, home to the apple, pear, peach, apricot, cherry, walnut and tulip. Glacial waters from the high Kyrgyz and Tajik mountains flow through Uzbekistan and Kazakhstan into the Aral Sea. These so-called "water tower" nations are the main source of drinking water, irrigation and hydropower for the entire region.

The hotspot's political and operating environment is very complex, due in part to the legacy inherited from the former Soviet Union. Since in 1991, the fledgling nations of Central Asia not only have engaged in a process of nation-building, but they also have struggled to overcome their historic dependency on Soviet subsidies. While the region generally enjoyed positive economic growth prior to 2008's global recession due to high commodity prices, most countries still rank among the poorest in the world. More than 40 percent of its citizens live below the poverty line. The Human Development Index places Central Asia in the lower-middle quadrant of the development spectrum, with Kazakhstan leading the pack with a ranking of 69 of 186, followed by Turkmenistan(102), Uzbekistan (114), Kyrgyzstan (125), Tajikistan (125) and Afghanistan (175).

Analysts looking for signs of democratization cite Kyrgyzstan as the only country in Central Asia's history to have experienced the democratic transition of presidential power. Uzbekistan and Kazakhstan are still ruled by their Soviet leaders. Tajikistan's president has held power since 1994. Turkmenistan's Soviet-era dictator was replaced by a similarly autocratic successor in 2006. The region has a reputation for poor governance, which includes corruption and crackdowns on opposition groups and ethnic minorities. In addition, security is an issue in isolated corners of the region, with virtually every country having experienced episodic civil and ethnic unrest in the last five years. Drug trafficking is present in Tajikistan near the Afghan border. These factors discourage much foreign private investment from the West outside of Kazakhstan, as well as investment in biodiversity conservation from private foundations. China has invested billions of dollars to access the region's rich gas, oil and mineral deposits. Extractive industries and agriculture dominate their economies. A bright spot from an environmental perspective is an expected 30 percent growth in Kyrgyzstan's tourism sector in 2013.

Regional tensions are dominated by energy and water management issues, particularly between Tajikistan and Uzbekistan. The construction of the world's highest hydroelectric dam, known as the Rogun Dam, is a flash point, as Tajikistan seeks to relieve its persistent energy crisis. Uzbekistan has vociferously objected, fearing the loss of water access for its water-intensive cotton production, a major economic sector. Relations between Tajikistan and Uzbekistan are acrimonious, recently leading Uzbekistan to cut gas deliveries to Tajikistan.

The United Nations, the European Union, and the World Bank have sought ways to balance the power and water needs of the region. In 2010, the World Bank launched its Central Asia Energy-Water Development Program, which assists countries in water management and energy security. Alongside this program, the World Bank began a series of initiatives to resolve the dispute, including funding impact and technical assessments and holding consultations.

Environmental and conservation status

Against this complex backdrop, the environment and biodiversity have suffered significantly. The 2012 Environmental Performance Index (EPI) issued by Yale and Columbia universities ranks the countries of Central Asia as among the worst of the 132 nations assessed: Kazakhstan ranked 129, Uzbekistan 130, and Turkmenistan next to last at 131. Tajikistan and Kyrgyzstan ranked slightly better at 121 and 101, respectively. The environmental challenges confronting the region run the full gamut: the Aral Sea's desiccation, unsecured storage of millions of tons of waste near major cities from uranium mining, mining practices that destroy mountains and glaciers, and major pollution from chemicals, heavy metals, and oil. Only 5 percent of Tajikistan's 7.2 million inhabitants are connected to public sewerage, and only one-third have access to chlorinated piped water.

The EPI classifies the republics as "low" for biodiversity and habitat protection as well. Among key drivers of biodiversity loss in the highly fragile montane environments are overgrazing, poaching, deforestation, climate change, invasive species and pollution. A high percentage of the region's rural poor depend on various natural resources for fuel wood and timber, hunting, grazing, and the collection of wild

medicinal plants. As a result of these threats, only 20 percent of the hotspot's 86.3 million hectares, or 17.2 million hectares, remain under natural vegetation.

Forest cover suffered tremendously under Soviet rule. Forests now cover only 4.5 percent of Kyrgyzstan and 3 percent of Tajikistan, the lowest coverage in Central Asia. Over 6 percent of Kyrgyzstan is legally protected, and Tajikistan boasts 22 percent of its land under protection, the highest in Central Asia. Since independence, protected areas budgets have declined significantly, which has resulted in the lack of management plans and their implementation. Kazakhstan has made the most progress, doubling its protected areas coverage in the last decade to 8.6 percent in 2012. Its protected areas strategy calls for continued expansion.

In general, experts report that significant progress has been made in the development of environmental and sustainable development strategies, programs and plans, but implementation has been stymied by the lack of financing. Conservation agencies are overwhelmed with their management responsibilities and suffer from inadequate budgets.

Amid what would appear to be a daunting environmental challenge are several rays of hope. The Republic of Kyrgyzstan has assumed leadership on several conservation issues in recent years. In 2012, the government suspended licenses issued to two North American gold mining companies located inside the Sarychat-Ertash nature reserve, causing significant controversy in the mining sector. More recently, Kyrgyzstan has taken a lead role in the establishment of a new regional initiative to save the snow leopard, which is currently being managed by the Global Tiger Initiative at the World Bank. Experts interviewed for this assessment say that environmental agencies are interested in pursuing innovative conservation approaches, including such efforts as payments for ecosystem service schemes. They lack the expertise and legal frameworks to do so.

Environmental Civil Society

The status of civil society groups varies widely in the hotspot. Favorable environments for civil society engagement in Kazakhstan and Kyrgyzstan have led to the creation of an active civil society sector for conservation. This is followed by Tajikistan, which has a dynamic civil society sector as well, although the government imposes some restrictions in terms of project locations and their purpose. Afghanistan, China's Xinjiang Uyghur Autonomous Region, Turkmenistan and Uzbekistan restrict local civil society groups, with the latter two either fully forbidding or putting onerous restrictions on international conservation donors to fund local groups.

A website on Central Asian environmental NGOs lists 18 environmental groups working in Kazakhstan (many work outside the hotspot), 12 in Kyrgyzstan, and nine in Tajikistan. These groups are dedicated to environmental education, youth brigades, community engagement in forest and pasture management, and species conservation. In addition, the Regional Environmental Centre for Central Asia (CAREC), based in Kazakhstan, promotes multi-stakeholder cooperation in addressing environmental problems at the local, national and regional levels. It promotes the protection of mountains and sustainable development focusing on water projects. With funding from USAID, it hosted a meeting in 2012 on transboundary cooperation in small watersheds.

Central Asia has several international NGOs working in the region. Germany's Nature and Biodiversity Conservation Union (NABU) has partnered with Belgium's AGRECO GEIE and the Netherland's GRM International BV on a program to prevent illegal hunting and trade of endangered species. They also support an ambitious project to establish a cross-border protected area between Tajikistan and Kyrgyzstan, facilitating government collaboration. Flora and Fauna International and the Snow Leopard Trust work in Kazakhstan, Kyrgyzstan and Tajikistan on a variety of species and site protection activities. World Wildlife Fund has a presence in the region, but its website shows no current projects. No other international conservation NGOs were identified as working in the region.

There has been a steady, if uneven, growth of civil society organizations and activities in the region. Some of the organizations that began work after 1991 were entirely new; others were hybrids of Soviet predecessors. Many NGOs and CSOs remain nascent, small and dependent on donor support. In the Soviet tradition of supporting strong science training, the local environmental community has strong scientific and administrative capacity. However, given their physical isolation, they lack training in current approaches to conservation, according to experts. In a recent GEF extended constituency meeting in April 2013 in Tajikistan, NGOs expressed serious concerns about the lack of meaningful engagement of civil society groups in governmental and GEF programmatic and policy discussions and activities. They also stated that their ability to receive GEF funds was significantly hampered by their failure to meet match requirements, as there are few other donors from whom they can access funds.

CEPF Donor Investment

The World Bank, the European Union, JICA, and the Global Environment Facility have had active portfolios in the region since the departure of the Soviet Union, supporting a broad development agenda in democracy building, education, energy, transportation, trade, agriculture, environment and water management. Of CEPF's donors, only the GEF is directly funding biodiversity conservation in the Central Asian republics in a major way. Japan's Satoyama Initiative very recently has begun investment in collaboration with the SGP.

The GEF has funded a total of 30 projects for $29.5 million, with Kazakhstan receiving the most at $16.6 million, followed by Uzbekistan ($4.2 million), Turkmenistan ($3.3 million), Tajikistan ($3.2 million), and Kyrgyzstan ($2.2 million). It is important to note that the assessment is unable to determine the percentage of funds channeled to sites within the hotspot, an important consideration given Kazakhstan's large territory which lies mostly outside the hotspot. The GEF-SGP has been active in Kazakhstan since 1996, followed by Kyrgyzstan in 2001, Uzbekistan in 2008, and Tajikistan in 2009. Seventy-two percent of 656 projects awarded for $12 million, equaling 473 grants, have biodiversity or land degradation objectives. These grants are supporting community engagement in biodiversity management through species conservation, sustainable funding, ecotourism development and community-based rangeland management.

In collaboration with the SGP, the Satoyama Initiative recently approved an allocation of $127,000 for Kyrgyzstan under the Community Development and Knowledge Management for the Satoyama Initiative (COMDEKS), to provide complementary funds to the small grant fund.

The SGP's experience is instructive for CEPF. The SGP reports a successful and well-performing portfolio of projects, as grantees demonstrate strong administrative and technical capacity for implementation. The program has not encountered significant operational difficulty with grant making or monitoring. Security is reported not to be a concern for any of the four SGP country programs. The one restriction noted was that Tajikistan does not allow grant making in Badakhshan Province near the Afghanistan border due to civil unrest.

The World Bank also is supporting land management and species conservation. At the request of Kyrgyzstan President Almazbek Atambayev, the World Bank's Global Tiger Initiative (GTI) has recently embarked on a new regional program to protect the snow leopard. Cooperation on preparatory activities between the governments of the 12 range countries, including Central Asia states, has been strong. The snow leopard initiative will be launched in September 2013 in Bishkek at a regional cooperation summit with all the heads of states and environmental delegations present, to be followed by a donor meeting to discuss funding. The initiative's secretariat will be based on Bishkek, reflecting the Kyrgyz's lead role.

The Bank approved in March 2013 the Environmental Land Management and Rural Livelihoods Project in Tajikistan for $16.8 million. The project contains components to support sustainable village and

community-based rural production and land management , which could complement a potential CEPF investment.

A rapid review of websites of the Asia Development Bank and USAID did not identify any funding for biodiversity conservation.

Opportunities for CEPF Investment

All experts interviewed for this assessment agreed that important windows of opportunity for CEPF engagement have emerged in the Mountains of Central Asia in recent years, particularly if CEPF targets Kazakhstan, Kyrgyzstan and Tajikistan. No one interviewed advised not entering the hotspot. These three countries have supportive operating environments for CEPF grant making to proceed without impediments to programmatic performance or policy compliance. The countries account for more than 60 percent of the land area of the hotspot, or 53 million hectares, and have demonstrated critical need for conservation support. Furthermore, potentially groundbreaking opportunities to foster regional collaboration exist according to the experts interviewed, with high-level political leadership exercised by Kyrgyzstan's president for biodiversity conservation. The Central Asian republics view biodiversity conservation as a politically neutral issue, unlike water and energy. Regional efforts such as the snow leopard initiative and the establishment of a binational protected area between Kyrgyzstan and Tajikistan attest to the role that biodiversity conservation can play in forging regional cooperation. Experts state that all Central Asia countries are very concerned about their land management problem, thus providing CEPF with a window of opportunity to explore how its support to local NGOs can forge stronger ties with the local and national governments, supporting more effective mainstreaming of biodiversity in land use planning and development.

Potential CEPF Niche: 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 it can play in mainstreaming biodiversity in development.

Potential Objectives

1. Build implementation capacity and collaborative networks and partnerships among environmental civil society, governments and communities focused on strengthening the management of priority conservation sites and species.
2. Support civil society engagement in transboundary cooperation on biodiversity conservation issues through the snow leopard initiative and efforts dedicated to transboundary protected areas and watershed protection.
3. Strengthen the capacity of local civil society to engage in site-based conservation and policy formulation, particularly in current best practices in such areas as sustainable financing, agricultural certification, landscape planning, economic valuation and payments for ecosystem services. Consider support for a pilot project in payments for ecosystems services.
4. Promote sustainable livelihoods projects in land management to foster connectivity. In addition, build ecotourism opportunities in key sites to take advantage of growing tourism.
5. Seek opportunities to work with the private sector to mainstream better environmental practices into the mining sector in areas sensitive for biodiversity.
6. Facilitate the declaration of new protected areas that still remain under natural vegetation and that are still under mostly public ownership.

Annex A – People Interviewed

1. Jose Maria Cardoso da Silva, Conservation International – Washington, DC
2. Andre Guimaraes, Conservation International – Brazil
3. Terence Hay-Edie, UNDP, GEF-SGP – New York
4. Nathalie Johnson, The World Bank – Washington, DC

5. Khurshed Kholov, GEF – SGP – Tajikistan
6. Sebastian Molina-Munos, European Union – Brussels
7. Adriana Moreira, The World Bank – Brazil
8. Evgeniia Postnova, GEF – SGP – Kyrgyzstan
9. Olga Romanova, GEF – SGP – Kazakhstan
10. Donald Sawyer, GEF – SGP – Brazil
11. Keshav Varma, The World Bank – Washington, DC
12. Joao Vieira, European Union – Brussels
13. Yoko Watanabe – GEF Secretariat – Washington, DC

The Secretariat is grateful to the support provided by the Ministry of Environment of Japan, which provided additional information on Japan's support to Central Asia.