

Descriptions of Strategic Directions and Investment Priorities for the CEPF Investment Niche

| CEPF Strategic Directions | CEPF Investment Priorities |
|---|---|
| 1. Promote the adoption of best practices in agriculture in the priority corridors | 1.1 Identify and disseminate sustainable technologies and production practices in the agriculture sector to ensure protection of biodiversity, maintenance of ecosystem services and food security |
| | 1.2 Promote the development and adoption of public policies and economic incentives for improved agricultural and livestock production practices, promoting sustainable agricultural landscapes |
| 2. Support the creation/ expansion and effective management of protected areas in the priority corridors | 2.1 Support studies and analyses necessary to justify the creation and expansion of public protected areas, while promoting conservation and sustainable use of biodiversity and valuing local and traditional culture |
| | 2.2 Promote the inclusion of existing indigenous, <i>quilombola</i> and traditional populations, respecting and integrating their traditional knowledge, into conservation/restoration planning by government and civil society |
| | 2.3 Encourage the creation and implementation of private protected areas (RPPNs) to extend legal protection in priority KBAs |
| 3. Promote and strengthen supply chains associated with the sustainable use of natural resources and ecological restoration in the hotspot | 3.1 Support the development of markets and supply chains for sustainably harvested non-timber products, in particular for women and youth |
| | 3.2 Promote capacity-building initiatives in particular among seed collectors, seedlings producers and those who carry out restoration activities, to enhance technical and management skills and low-cost, ecologically appropriate technologies in the supply chain of ecological restoration |
| | 3.3 Promote the adoption of public policies and economic incentives to expand the scale and effectiveness of conservation and restoration of Permanent Preservation Areas (APPs) and Legal Reserves (LRs), through improved productive systems that enhance ecosystem services |
| 4. Support the protection of threatened species in the hotspot | 4.1 Support the implementation of National Action Plans (PANs) for priority species, with a focus on habitat management and protection |
| 5. Support the implementation of tools to integrate and to share data on monitoring to better inform decision-making processes in the hotspot | 5.1 Support the dissemination of data on native vegetation cover and dynamics of land uses, seeking reliability and shorter time intervals between analyses and informed evidence-based decision-making |
| | 5.2 Support the collection and dissemination of monitoring data on quantity and quality of water resources, to integrate and to share data on the main river basins in the hotspot |

| CEPF Strategic Directions | CEPF Investment Priorities |
|--|--|
| 6. Strengthen the capacity of civil society organizations to promote better management of territories and of natural resources and to support other investment priorities in the hotspot | 6.1 Strengthen capacities of civil society organizations to participate in collective bodies and processes related to the management of territories and natural resources |
| | 6.2 Develop and strengthen technical and management skills of civil society organizations, on environment, conservation strategy and planning, policy advocacy, fund raising, compliance with regulations and other topics relevant to investment priorities |
| | 6.3 Facilitate processes of dialogue and cooperation among public, private and civil society actors to identify synergies and to catalyze integrated actions and policies for the conservation and sustainable development of the Cerrado |
| | 6.4 Disseminate information about the biological, ecological, social and cultural functions of the Cerrado to different stakeholders, including civil society leaders, decision makers, and national and international audiences |
| 7. Coordinate the implementation of the investment strategy of the CEPF in the hotspot through a regional implementation team | 7.1 Coordinate and implement the strategy of investments of CEPF in the Cerrado, through procedures to ensure the effective use of resources and achievement of expected results |
| | 7.2 Support and strategically guide the network of institutions responsible for the implementation of actions and projects funded by CEPF, promoting their coordination, integration, cooperation and exchange of experiences and lessons learned |

For the investment strategy of CEPF, the seven Strategic Directions and 17 Investment Priorities are described below.

Strategic Direction 1. Promote the adoption of best practices in agriculture in the priority corridors

Sustainability has been an issue for Brazilian rural production, insofar as the growing concern of global society with climate change and biodiversity loss and establishment of environmental standards has begun to restrict demand for products regarded as harmful to the environment. One of the main sources of greenhouse gases in the Cerrado is agriculture, mainly because of inappropriate management practices. Such practices are one reason why new Cerrado areas keep being opened, to increase output. Agriculture is the sector that consumes the most water in Brazil through irrigation.

CEPF could contribute significantly to GHG reduction, water use efficiency and higher yields, while avoiding opening new areas and promoting social development, through the dissemination of best practices in agriculture. In this scenario, the investments of CEPF could induce the implementation of social and environmental safeguards. The purpose would be to strengthen initiatives that generate added value for the protection and recovery of natural capital, best practices for production and respect of the rights and the traditional livelihoods of communities that inhabit the hotspot.

Investment Priority 1.1 – Identify and disseminate sustainable technologies and production practices in the agriculture sector to ensure protection of biodiversity, maintenance of ecosystem services and food security

The adoption of best practices depends both on innovations based on the integration of science with traditional knowledge and dissemination of these innovations for the largest possible number of actors.

The CEPF investment strategy should prioritize initiatives involving associations, cooperatives and producer groups. This kind of investment could involve, for instance, the capacity building of farmer organizations through peer-to-peer exchanges and field visits or the preparation and distribution of technical manuals and folders in order to disseminate best practices. Best practices could focus on soil and water conservation, such as cultivation along contour lines, zero-tillage and ground cover, drip irrigation, fire reduction and control, crop rotation, crop-livestock integration, agroforestry systems and *in-situ* conservation of crop genetic resources. Locally adapted solutions could improve water infiltration, enhance groundwater recharge, reduce runoff and control erosion, among other benefits.

Investment Priority 1.2 – Promote the development and adoption of public policies and economic incentives for improved agricultural and livestock production practices, promoting sustainable agriculture landscapes

Public policies and economic incentives are key elements to induce changes in the production systems. Funds that value sustainable practices and recognize the social and economic importance of so-called “socio-biodiversity products” can increase the positive impact of these activities on biodiversity conservation and ecosystem services.

CEPF should support initiatives of civil society organizations to influence policies and their implementation and to propose incentives for best practices. Cooperation, social dialogue and coordination are initiatives that could contribute to the integration of farming with biodiversity and ecosystem services conservation. This could involve working with groups such as the Brazilian Coalition for Climate, Agriculture and Forestry, among others, in order to bring agribusiness into the conservation agenda.

Another relevant support would be for outreach and training workshops on financial incentives for agricultural practices compatible with sustainable production, such as Low Carbon Agriculture (ABC), Green Livestock, Forest Certification, Sustainable Landscape Partnership, Minimum Price Guarantee Policy for Biodiversity Products (PGPMBio), additional 30% in the price for organic products produced by family farmers within the National School Lunch Program (PNAE) etc.

Strategic Direction 2. Support the creation/expansion and effective management of protected areas in the priority corridors

According to the Convention on Biological Diversity, protected areas are the central pillar of the strategies to protect biodiversity *in situ*. Although an average of 24% of the four priority corridors for CEPF investment are already under some degree of legal protection, some important sites for biodiversity and ecosystem services are still unprotected. In addition, some of the existing protected

areas have insufficient effectiveness of management to meet the primary objectives for which these areas were created.

CEPF investments would contribute to raising the status of legal protection in the priority areas. To enhance processes to establish new public and private areas as well as to increase the effectiveness of existing ones, CEPF could support advisory councils, conservation initiatives in buffer zones, and training opportunities for managers and civil society advisors.

Investment Priority 2.1 – Support studies and analyses necessary to justify the creation and expansion of public protected areas, while promoting conservation and sustainable use of biodiversity and valuing local and traditional culture

In the priority corridors, there are many KBAs that remain unprotected. In most cases, the process to design, designate and establish a protected area is very complicated and slow, and most of the time governments need scientific support for their proposals. CEPF could support technical and territorial studies conducted by civil society organizations, including studies on the importance of protected areas as drivers for development and as suppliers of crucial ecosystem services for human welfare. These studies could provide evidence to back up proposals for the creation or expansion of protected areas in the priority corridors. The research could be linked to joint policy initiatives and social dialogue to raise support for the creation of new protected areas.

In addition, multi-stakeholders processes seeking participation and support for the preparation and implementation of management plans, financing, recruitment and other initiatives are required to enhance the effectiveness of protected areas. They could all be good investment opportunities for CEPF.

Investment Priority 2.2 – Promote the inclusion of existing indigenous, quilombola and traditional populations, respecting and integrating their traditional knowledge, into conservation/restoration planning by government and civil society

Complementary to the national system of “conservation units” in Brazil, Indigenous Lands and *quilombola* Territories contribute to nature conservation. Those lands and territories protect not only natural resources but also traditional livelihoods based on those resources for local communities. It would be strategic to integrate all these areas into conservation efforts.

To this end, it would be important to identify and disseminate good and innovative examples of appropriate conservation and environmental management approaches, including the sustainable use of natural resources in and around protected areas, in synergy with the National Policy for Environmental Management in Indigenous Lands (PNGATI). CEPF could also support the establishment of community agreements for resource use and help communities to declare their territories as ICCAs (Indigenous and Community Conserved Areas).

Investment Priority 2.3 – Encourage the creation and implementation of private protected areas (RPPNs) to extend legal protection in priority KBAs

As was successfully supported by CEPF in the Atlantic Forest, the creation and implementation of Private Natural Heritage Reserves (RPPNs) should be stimulated since they do not require expropriation of property but provide a legal framework for the protection of land. There is scope for these private properties to play a key role in complementing the existing system of public protected areas, providing increased connectivity as well as increasing the representation of priority areas included in the protected areas network. CEPF should focus its available funding on the 62 priority KBAs within the four priority corridors while seeking opportunities to leverage additional funding to support conservation actions for the other 47 priority KBAs outside of the priority corridors. The simplification of regulations and procedures is needed as well as incentives to create more RPPNs in the Cerrado.

Strategic Direction 3. Promote and strengthen supply chains associated with the sustainable use of natural resources and ecological restoration in the hotspot

The sustainable use of biodiversity is an important complementary conservation strategy because it encourages communities to maintain native areas in order to generate income. CEPF might contribute to overcoming some of the regulatory bottlenecks that keep sustainable use from becoming a more efficient strategy for social development and biodiversity conservation.

On the other hand, the conversion of natural ecosystems into farmland – an intense process in recent years in the Cerrado – is the main threat to the hotspot. Where critical areas for water springs protection and soil erosion prevention have lost their natural plant cover, serious socio-biodiversity impacts are and will be expected in the near future if these attributes are not restored. Due to soil characteristics, climate and the structure of vegetation, ecosystem restoration in the Cerrado still poses scientific and technological challenges that need to be addressed.

Investment Priority 3.1 – Support the development of markets and supply chains for sustainably harvested non-timber forest products, in particular for women and youth

Building on the successful experiences of the GEF-UNDP Small Grants Program CEPF should help local communities, in particular women and youth, to improve sustainable extraction and production practices for non-timber products. More specifically, CEPF could provide them with grants to exchange experiences and practices in the conservation and sustainable use of biodiversity and to transfer appropriate social technologies for the use of natural resources, with less environmental impact and more income generation for them. A special focus may be given to species identified as icons of conservation and sustainable use of the Cerrado (e.g., *pequi*, *baru*, golden grass, *buriti*, *babaçu* and others).

In addition, networking, coordination, knowledge management and capacity building actions are required to influence public policies to remove barriers to sustainable use.

Investment Priority 3.2 – Promote capacity-building initiatives in particular among seed collectors, seedlings producers and those who carry out restoration activities, to enhance technical and management skills and low-cost, ecologically appropriate technologies in the supply chain of ecological restoration

There is now great demand for Cerrado restoration on private land, especially in Permanent Preservation Areas (APPs) and Legal Reserves (LRs) after the Forest Code (now the Forest Law) came into force. In Brazil, most of the knowledge regarding restoration of natural vegetation comes from the Atlantic and Amazon forests. With the Cerrado being such a diverse savanna, with many specificities regarding soils, drainage and seasonal dryness, knowledge of how to restore it with lower costs and lower risks still needs to be acquired.

The Ministry of Environment launched in 2015 the National Plan for the Recovery of Native Vegetation (PLANAVEG), which will need support to be implemented in the Cerrado. CEPF may support the implementation of supportive actions, including the training and compliance of different segments in the restoration production chain (seed collection, seedling nurseries and restoration of critical areas), as well as research to tailor techniques that will enable restoration in the Cerrado. In addition, CEPF could support networking in order to influence the legal framework regarding native seed collection and seedling production for upscaling.

Further, CEPF may promote pilot demonstrations of innovations that offer greater efficiency and lower cost for ecological restoration activities in critical areas, such as direct seeding or ‘muvuca’ (use of seeds of native species instead of seedlings in the restoration process) and assisted natural regeneration.

Investment Priority 3.3 – Promote the adoption of public policies and economic incentives to expand the scale and effectiveness of conservation and restoration of Permanent Preservation Areas (APPs) and Legal Reserves (LRs), through improved productive systems that enhance ecosystem services

There is a need to protect the existing remnants of the Cerrado and to scale up restoration processes in order to comply with the Rural Environmental Registry (CAR). It would be important to provide socio-environmental benefits and synergies as incentives for compliance.

CEPF could also support Permanent Preservation Areas and Legal Reserves in the Cerrado, via the establishment of strategic partnerships among civil society organizations, academic institutions, businesses, governments and individuals as inspired by a similar initiative in the Atlantic Forest (Atlantic Forest Restoration Pact).

Promoting the productive chain of restoration as both employment and income generation opportunities for local communities and as a means to re-establish the integrity of biodiversity is another strategic investment approach for the hotspot. CEPF investments could also support regional strategic plans within priority corridors to address connectivity gaps and scale up environmental recovery initiatives in line with the National Plan for Native Vegetation Recovery.

Strategic Direction 4. Support the protection of threatened species in the hotspot

The Ministry of Environment of Brazil adopts a protocol for the protection of endangered species found in the country. Based on this protocol, National Action Plans (PANs) are prepared for a species in particular, for a group of endangered species, or for regions classified as extremely important for biodiversity. In the latter, these plans include a set of actions to protect habitats for a large number of endangered species.

Investment Priority 4.1 – Support the implementation of National Action Plans (PANs) for priority species, focusing on habitat management and protection

For the Cerrado, seven species that are highly threatened globally and have a National Action Plan or are part of a regional one have been prioritized for CEPF investments. Through coordination with the National Action Plans Support Groups (Grupos de Apoio aos Planos de Ação Nacional – GAPAN), priority actions set out in the PANs related to these seven priority species could be identified. CEPF funding should also then focus on supporting the implementation of those actions, especially those related to management and habitat protection.

Strategic Direction 5. Support the implementation of tools to integrate and to share data on monitoring to better inform decision-making processes in the hotspot

In a hotspot where crops and pastures have been replacing natural ecosystems in recent years, it is essential to have an agile, efficient, reliable and transparent system to monitor native vegetation coverage. The role of the hotspot to provide water for human welfare and economic development also highlights the importance of monitoring changes in the hydrological cycle resulting from climate change and loss of native vegetation.

Despite government monitoring initiatives, stakeholders have pointed out the need for accessibility of data to enable civil society organizations and academic institutions to monitor the changes in shorter intervals and with greater accuracy. Rather than funding new monitoring activities, CEPF could support the creation of an online platform to store and disseminate data being produced by monitoring programs carried out by government, universities, civil society and the private sector, as well as encouraging the production of integrated analysis to better inform decision-makers.

Investment Priority 5.1 – Support the dissemination of data on native vegetation cover and dynamics of land uses, seeking reliability and shorter time intervals between analyses and informed evidence-based decision making

The CEPF investments can help promote partnerships and leverage resources to implement a joint long-term program to analyze existing monitoring data and to generate annual information on deforestation and changes in vegetation cover. These investments could also strengthen and expand civil society skills for monitoring and analyzing public policies affecting the Cerrado, such as the Forest Code Observatory, CAR Observatory, Climate Change Observatory, Inovacar, etc.

Investment Priority 5.2 – Support the collection and dissemination of monitoring data on the quantity and quality of water resources, to integrate and to share data about the main river basins in the hotspot

The CEPF investments could support workshops with members of the watershed management committees of the main rivers in the hotspot, local stakeholders and researchers to discuss results of monitoring, to exchange experiences on conservation initiatives and to plan actions aimed at improving watershed management. A diagnosis of the status of Cerrado rivers could be useful to increase awareness among the general public as well as the agriculture sector in particular to make a more efficient use of water resources.

Strategic Direction 6. Strengthen the capacity of civil society organizations to promote better management of territories and natural resources and to support other investment priorities in the hotspot

Strengthening the capacity of civil society organizations is key to the long-term sustainability of the actions to be supported by CEPF. This was an integral part of CEPF's investments in the Atlantic Forest, where institutions involved in the hotspot were strengthened and became most prominent and influential. Such a strategy should also be adopted in the Cerrado.

Investment Priority 6.1 – Strengthen capacities of civil society organizations to participate in collective bodies and processes related to the management of territories and natural resources

Supporting the management and consolidation of institutional networks and coalitions for territorial governance, such as the Cerrado Network, Mobilization of Indigenous Peoples of the Cerrado (MOPIIC), Interstate Movement of Babassu Crackers (MIQCB), Pacari Network, Cerrado Central, mosaics of protected areas and the Cerrado Seeds Network, is a possible investment.

Strengthening, expanding and qualifying civil society representation in forums and councils related to the conservation and sustainable use of the Cerrado is crucial in any long-term strategy. CEPF investments could be key in enhancing civil society's influence in several forums, such as management boards of protected areas and mosaics, municipal and state environmental councils, territories boards or watershed management committees, among others.

Investment Priority 6.2 – Develop and strengthen technical and management skills of civil society organizations, on environment, conservation strategy and planning, policy advocacy, fund raising, compliance with regulations and other topics relevant to investment priorities

Inspired by the Atlantic Forest experience, the implementation of an institutional strengthening program, covering the most relevant content to be identified and proposed by local organizations, will be strategic.

The content and format of this program could be designed and detailed according to a specific assessment to identify demands and gaps for training. It could include modular classroom courses, training of trainers and/or tutoring.

Investment Priority 6.3 – Facilitate processes of dialogue and cooperation among public, private and civil society actors to identify synergies and to catalyze integrated actions and policies for the conservation and sustainable development of the Cerrado

To engage the private sector in the agenda of sustainable development and to promote its interaction with government programs, CEPF investments could help establish or enhance multi-stakeholder initiatives (MSI), such as forums for dialogue and cooperation, to leverage institutional, political and financial support to conserve the Cerrado.

This approach could also support exchanges and integration among conservation and sustainable use institutions, programs and initiatives, such as PPCerrado, FIP Cerrado, GEF Cerrado, and best practices of territorial governance among public and private institutions of Brazil, Paraguay and Bolivia.

Investment Priority 6.4 – Disseminate information about the biological, ecological, social and cultural functions of the Cerrado to different stakeholders, including civil society leaders, decision makers, and national and international audiences

CEPF could support the development of promotional publications, broadcasting spots, public campaigns and other communication tools and media to contribute to the dissemination of information on the Cerrado, its ecosystems, its species, its importance for ecosystem services and climate resilience, and also on the traditional knowledge and culture of the Cerrado.

Investments should also sponsor the implementation of an integrated database, based on a broad, collaborative protocol, prioritizing information on biodiversity, ecosystem services, food and raw materials production and culture. This kind of geographic information system tool is strategic for planning and monitoring initiatives, including for monitoring the impact of CEPF investments in the medium and long term.

Strategic Direction 7. Coordinate the implementation of the CEPF investment strategy in the hotspot through a Regional Implementation Team

CEPF will support a Regional Implementation Team to convert its strategy into a cohesive portfolio of grants that exceeds in impact the sum of its parts. The Regional Implementation Team will consist of one or more civil society organizations active in the Cerrado. It will be selected by CEPF according to approved terms of reference, following a competitive process and selection criteria available at www.cepf.net. The team will operate in a transparent and open manner, consistent with CEPF's mission and all provisions of the CEPF operational manual. Organizations that are members of the Regional Implementation Team will not be eligible to apply for other CEPF grants within the Cerrado Hotspot.

The Regional Implementation Team will provide strategic leadership and local knowledge to build a broad constituency of civil society groups working across institutional and political boundaries toward achieving the conservation goals described in the ecosystem profile.

Investment Priority 7.1 – Coordinate and implement the CEPF strategy of investments in the Cerrado through procedures to ensure the effective use of resources and achievement of expected results

This investment priority covers the three administrative functions of the Regional Implementation Team: (i) establish and coordinate a process for proposal solicitation and review, (ii) manage a program of small grants, and (iii) provide reporting and monitoring.

For large grants, the Regional Implementation Team assists applicants and the CEPF Secretariat by reviewing and processing grant applications, ensuring compliance with CEPF policies, and facilitating on-time and accurate grantee and portfolio reporting and monitoring. In particular, the Regional Implementation Team has a very important role to play in soliciting and reviewing proposals. This role encompasses a wide range of activities, from issuing calls for proposals to establishing review committees to making final recommendations for approval or rejection. Though much of this work is labeled as administrative, it does have a sound programmatic foundation, as grants need to be strategic and of high quality. These tasks require technical expertise, knowledge of strategy, and the ability to understand that all selected projects will make a unique contribution to the achievement of CEPF's objectives.

The Regional Implementation Team also assumes significant administrative responsibilities as manager of CEPF's small granting mechanism, including budgeting, processing proposals, and drafting and monitoring contracts. Small grants play an extremely important role in the CEPF portfolio, so they should be coherent with the overall grant portfolio. These grants can address themes or geographic areas of importance, serve as planning grants, or provide opportunities to engage local and grassroots groups that may not have the capacity to implement large grants.

This investment priority also covers reporting and monitoring. The process entails collecting data on portfolio performance, ensuring compliance with reporting requirements, ensuring that grantees understand and comply with social and environmental safeguard policies, and reviewing reports. It also includes site visits to grantees, which may identify needs for follow-up capacity building. This will ensure effective project implementation and monitoring, and requires technical expertise to be performed effectively and to inform adaptive management.

Investment Priority 7.2 – Support and strategically guide the network of institutions responsible for the implementation of actions and projects funded by CEPF, promoting their coordination, integration, cooperation and exchange of experiences and lessons learned

This investment priority covers the two programmatic functions of the Regional Implementation Team: (i) coordinate and communicate CEPF investment, build partnerships and promote information exchange in the hotspot; and (ii) build the capacity of grantees.

These functions include facilitating learning exchanges among grantees and other stakeholders, identifying leveraging opportunities for CEPF, and aligning CEPF investment with investments by other donors. Programmatic functions require the Regional Implementation Team to maintain in-house conservation expertise to ensure that CEPF funds are strategically channeled to optimize the achievement of its conservation objectives.

A critical programmatic function, especially in the context of the Cerrado hotspot, is to coordinate different CEPF investments and facilitate partnership building among different actors. The Regional Implementation Team will be responsible for identifying local civil society organizations active within

the four priority corridors, facilitating partnerships between them and the national civil society organizations best placed to provide technical and financial support.

This investment priority also covers capacity building, a function that is regarded as being at the core of the Regional Implementation Team's responsibilities. This function focuses on building the capacity of domestic civil society organizations to access and make effective use of CEPF funding. A cornerstone of the Regional Implementation Team's work is to ensure that partners have the institutional and individual ability to design and implement projects that contribute to the targets of the investment strategy. It is specifically targeted at appropriate strategic stakeholders to ensure delivery of CEPF's objectives through improved projects and higher quality implementation. Experience has shown that these capacity development efforts are essential to ensuring good projects that are integrated into a wider hotspot strategy and a common conservation vision.