



Conservation Strategy Fund
Annual Report 2003





The *mission* of Conservation Strategy Fund is to teach environmental organizations around the world how to use economics and strategic analysis to conserve nature.

President's Notes

When Conservation Strategy Fund (CSF) was launched five years ago, I set a simple but ambitious task: change the way conservation work is done. Specifically, I wanted to give people in biodiversity-rich tropical countries economic tools to conserve nature. I was convinced nature could be protected more successfully if the real economic root of environmental problems could be analyzed and publicly discussed. The CSF formula included a hefty measure of training, plus regular doses of mentoring in the field.

During CSF's first four years, we stretched modest budgets to deliver one course, then two, then three courses per year, and to launch over a dozen Groundwork projects in the field with our course graduates. "Groundwork" is the name we gave to the field applications that grew directly from our courses. We helped people in Belize, Bolivia, Panama, Paraguay and Brazil protect millions of acres of wilderness. It was all done with a staff of two and a lot of generous friends.

But we were only scratching the surface of our potential. 2003 was a breakthrough year for CSF. Our course offerings doubled. We ventured into the savannas of East Africa and central Brazil, and into the temperate rainforests of British Columbia. We

opened our first office overseas, in Brazil, and our staff climbed to five. At the same time, we crafted a bold plan to confront big development projects that threaten wilderness in the Amazon Basin and Central America.

That plan is becoming reality as I write. Thanks to support from the Gordon and Betty Moore Foundation and Conservation International, CSF has launched a multi-year training and research program in the Amazon forests of Brazil, Peru and Bolivia. We will work closely with a network of our course graduates and with local environmental organizations to change the course of development in these frontier lands, helping locals navigate their way to a future in which their natural heritage is protected and economies grow. We plan to jump-start the same process in Central America's rainforests in a few months, while still continuing to offer training to conservationists from many other regions around the world.

Changing the way conservation is done—making it smarter and more effective—is a long-term job. I hope you'll join us.

John Reid



CSF Brasil

Yes, that's Brasil with an "s", the way the locals spell it. Our two favorite locals, Marcos Amend and Leonardo Hasenclever, established "CSF South" in Minas Gerais state in 2003 and have embarked on an ambitious agenda of training and economic analysis in the Amazon, Atlantic Coastal Forests and Cerrado woodlands. Both Marcos and Leo were standouts in CSF courses and went on to work with us in the field. They are venturing out of Brazil to Amazonian neighbors like Peru and Bolivia to forge working partnerships with their fellow South Americans and spread their CSF know-how.

Year in Review



Children in the Belo region of Madagascar

Kim Bonine

Training

What do we need to know to protect nature? The science of species and ecosystems is one essential part. But it's also critical to understand the relationship between people and their environment, and the economic forces driving consumption of resources and destruction of wilderness. We give environmentalists the tools to untangle the economic issues and policies affecting nature in their countries. Our courses combine theory, number crunching and practical case studies with market simulations, negotiation sessions and role playing, all geared to make our participants a stronger force on the side of nature. And it is working. Since 1998, we have trained over 270 professionals from 40 countries. Our graduates tell us that our courses have made them approach their work in an entirely new way—one that is more strategic and successful.



Madagascar

- 90% of species are found nowhere else.
- 146 species are threatened or endangered, and 46 species of unique animals have gone extinct.
- Almost all of the original forest has disappeared, and only 3% of the island is officially protected.



Participants celebrate completing a course in the Brazilian Cerrado



Brazilian Cerrado

- Most extensive woodland and savanna region in South America.
- Almost half of its 10,000 plant species are found nowhere else.
- 37% of the region is already converted to human use, and an additional 41% is used as native pasture.

In 2003, CSF delivered six courses—twice as many as in 2002. Most remarkable was the sheer variety of people and places involved. Our first course of 2003 took us halfway around the world to Madagascar, the isolated African island famed for its diversity of lemurs, chameleons, baobab trees and a kaleidoscope of other unique species. We taught a series of economic and spatial analysis techniques to help native conservation professionals protect some of the world's most threatened forests from the onslaught of migration pressures, agricultural development and extreme poverty.

In Brazil, our trainings ranged from the biggest savanna in South America, the Cerrado, to the planet's biggest rain forest, the Amazon. The Cerrado, originally 180 million hectares, lies directly to the south of the Amazon's broad rivers and moist forests. We taught

our basic conservation economics course in this flower draped, arid woodland, which is imperiled by soybean expansion, livestock grazing and water diversion. In the Amazon, we taught an advanced course that gave participants an opportunity to influence live policy debates on issues of road construction, hydroelectric power development and protected areas management.

From Brazil, we traveled to the slopes of Mt. Kilimanjaro, where we teamed with the World Conservation Union to teach professionals from Tanzania, Kenya, Uganda, Sudan and Ethiopia

John Reid



Isalo National Park in Madagascar

Kim Bonine



Josh Whitney

A forest economics session in British Columbia

the economics of water management. During the twelve-day session, we interviewed coffee and flower growers, electric utilities and nomadic Maasai leaders to estimate values of the water that flows from Kilimanjaro. This information can contribute to innovative financing approaches such as downstream hydroelectric users paying upstream communities to protect the forest cover.

North America was the stage for two more courses. Our fifth annual international training in California taught resource economics, policy analysis and negotiation skills to a group of participants from 15 countries around the world. They then returned

home to tackle a variety of challenges: planning sustainable rural energy development in China, evaluating aquaculture projects in Vietnam, and making economic arguments to prevent mining in Papua New Guinea's protected areas. Other participants returned home better equipped to protect the rainforests of Colombia, coral reefs of Micronesia and rare snow leopards of Nepal.

The temperate rainforests of British Columbia provided the setting for our second North American course of the year. CSF's new Program Associate, Kristin Schmelz, teamed up with intern Josh Whitney to develop exercises and case studies targeting coastal conservation issues in the province. During ten days in the remote Koeye estuary, accessible only by boat or float plane, the participants—drawn in equal numbers from environmental organizations and native First Nations—succeeded in breaking down stubborn barriers and opening dialogue on the contentious issues of salmon aquaculture and timber harvesting.



British Columbia

- Most biologically diverse province in Canada.
- Home to three-quarters of Canada's mammal species.
- Two-thirds of the province is forested, and 12.5% of total land area is in protected areas.





Fieldwork

Our training work is an investment in nature's future. But we also want results now. That's why we go to the field with our course graduates and others to apply economic analysis tools to real conservation opportunities. Here are a few highlights of our fieldwork in 2003.

Brazil, North to South

In Brazil, we wrapped up a suite of projects that support conservation efforts all over the country—the Amazon basin, Pantanal wetlands and Atlantic rainforest. At the 2003 World Parks Congress, the governor of Amazonas state announced an ambitious plan for establishing a



Marcos Amend

Seasonally flooded forest in the Amazon lowlands

“green zone” of protected areas around the city of Manaus. CSF's Brazilian Research Director, Marcos Amend, is supporting this movement by providing hard numbers that demonstrate how protected areas can create significant local economic benefits. Marcos studied ten protected areas in the central Amazon and found that they contribute at least \$1.8 million a year to the regional economy. These results give the state stronger justification for creating protected areas as part of their economic development strategy.

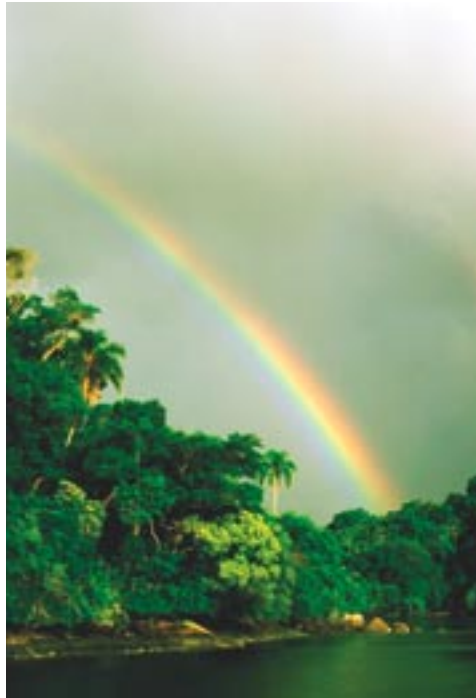
Moving to Brazil's southern coastal forests, CSF course graduate and Fellow Cristina Adams found that residents of São Paulo value forest protection in their state to the tune of \$3 million per year, far more than actually spent on protection. Cristina's research, carried out with partner Cristina Aznar, focused on the state's remaining forests, particularly the *Morro do Diabo* State Park, last refuge of the black lion-tamarin monkey. Cristina employed “contingent valuation,” a sophisticated technique that

Marcos Amend



Brazilian Amazon

- Accounts for 30% of remaining tropical rainforest on the planet.
 - 50,000 known species of plants and more than 1,800 butterfly species, almost a quarter of the world's total.
 - Home to 170 indigenous tribes.



Ilha do Pinheiro island in Brazil's Atlantic forest



translates people's concern for things that aren't typically bought and sold, like some plants and animals, into monetary terms. She showed that the park's true value is around 20 times greater than its budget, results welcomed by the state's park system as they fight for increased investment in protected areas.



John Reid

Sportfishing boats at sunset in the Brazilian Pantanal

Elsewhere in Brazil, CSF Fellow Carlos Eduardo Frickmann Young presented our work on Pantanal fishing at a meeting of the Brazilian Society of Ecological Economics at the *Universidade Caxias do Sul* in September. The study, by CSF Brazil Director Leonardo Hasenclever, Professor Young and participants from our 2002 Pantanal course, showed that fishing in the massive Pantanal wetlands generates over \$70 million a year in direct and indirect income. These benefits are a major incentive to prevent over-fishing and promote environmental stewardship in the Pantanal. Our work has already guided changes in the region's fishing policies.

Safari by Numbers

2003 saw the culmination of our work with the Tanzania National Parks service, called TANAPA. Park officials attended CSF courses and asked us to assist them in developing a strategy to increase visitation in less popular parks and reduce crowding in famous areas like Serengeti and Mt. Kilimanjaro. In 2002, CSF and TANAPA interviewed over 1000 tourists and gauged Tanzania's position in the East African safari market. Results showed that setting different fees for different parks, charging higher fees for international tourists, and upgrading visitor information could improve management and the parks' financial health. CSF Program Director Kim Bonine presented our findings to senior TANAPA management and park wardens, as well as officials from Tanzanian government ministries, environmental organizations and the tourism industry. Results have appeared in publications from Tanzania's Association of Tour Operators, and will be incorporated into TANAPA's official tourism strategy.



Tanzania

- Home of Africa's highest mountain, Kilimanjaro.
- 143 animal species and 236 plant species are threatened or endangered.
- 14% of the country is officially protected.



Kim Bonine



Crowds of tourists visit Tanzania's national parks



Kim Bonine

Roadless Volcano

Volcán Barú National Park in Panama is the only spot in the world from which you can see both the Atlantic and Pacific Oceans at the same time. It is home to a rare cloud forest, over 250 bird species and dozens of species of threatened mammals, amphibians and reptiles, many of which are found nowhere else. Panama's President, Mireya Moscoso, proposed punching a road through the park, a scheme that would require paving critical nesting habitat of the Resplendent Quetzal and would cut off Volcan Barú from the vast forests of

Money and Monkeys in Bioko

Another project that delivered results last year was our investigation of the bushmeat trade on the island of Bioko in Equatorial Guinea. John Reid, working with course graduate Juan Carlos Bonilla and researchers from Arcadia and Equatorial Guinea National Universities, discovered that monkey hunting makes only miniscule contributions to the economy, employment and people's protein intake, while putting the island's seven species of primates at risk of extinction. Their survival will depend on shutting down this luxury trade in monkey meat. We delivered to the Equatorial Guinea government a policy brief that lays out a plan for stopping monkey hunting on Bioko by expanding a community-based monitoring program, limiting availability of guns and working on alternative employment for the 100 or so monkey hunters.



Bioko's russet-eared guenon

Bioko Biodiversity Protection Project



Equatorial Guinea

- Bioko, the largest of the Gulf of Guinea islands, contains seven species of indigenous monkeys, five of which are considered endemic subspecies.
- Of these species, one, the drill, is Africa's most endangered primate.
- At the current rate of forest exploitation, resources will be exhausted by the year 2012.

adjacent La Amistad International Park. CSF President John Reid teamed up with The Nature Conservancy to evaluate the road proposal, and discovered that the road would create a net loss to the Panamanian economy of almost a million dollars, not to mention considerable environmental damage. Pro-park locals have used these results to successfully fight off the bulldozers, in spite of the president's curious insistence on the project.



Thank you to our 2003 financial supporters!

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Conservation International
International Institute
for Education in Brazil
World Conservation Union
Tanzania National Parks
The Nature Conservancy

People who donated time and skills

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Eric Bjorkstedt
Kathy Klotz
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Scott Jarrell
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Independent Auditor's Report

April 28, 2004
Oakland, California

We have audited the accompanying statement of financial position of Conservation Strategy Fund as of December 31, 2003, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

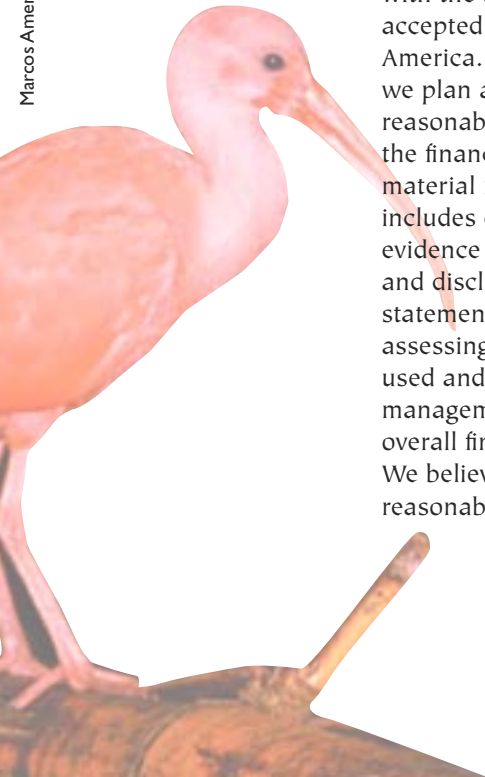
We conducted our audit in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Conservation Strategy Fund, Inc. as of December 31, 2003, and the changes in net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Ghaffari, Zaragoza & Setchko LLP



Fisherman on Superagui Island in Brazil





The Numbers

Statement of Financial Position

at December 21, 2003

	Unrestricted	Temporarily Restricted	Total
Support and Revenue			
Grants & contributions	\$70,925	\$188,938	\$259,863
Contract Income	81,975	–	81,975
Training Fees	40,500	–	40,500
Interest	286	–	286
Net Assets released from restrictions:			
Satisfaction of program restrictions	151,549	(151,549)	–
Total Support & Revenue	\$345,235	\$37,389	\$382,624
Expenses			
Program Services			
Training	231,001	–	231,001
Groundwork	32,190	–	32,190
Analysis Projects	52,888	–	52,888
Supporting Services			
Management & General	71,534	–	71,534
Fundraising	28,229	–	28,229
Total Expenses	\$415,842	–	\$415,842
Change in Net Assets	(70,607)	37,389	(33,218)
Net assets at beginning of year—restated	133,650	–	133,650
Net assets at end of year	\$63,043	\$37,389	\$100,432

Assets

Current Assets:	
Cash & cash equivalents	\$70,897
Investments	500
Grants receivable	14,500
Other receivables	202
Prepaid expenses	8,448
Total Current Assets	\$94,547
Deposits	1,152
Equipment net of accumulated depreciation of \$7,184	10,551
Total Assets	\$106,250
Liabilities	
Current Liabilities:	
Accounts payable	5,818
Total Liabilities	\$5,818
Net Assets	
Unrestricted	63,043
Temporarily restricted	37,389
Total Net Assets	\$100,432
Total Liabilities & Net Assets	\$106,250



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