

Critical Ecosystem Partnership Fund

No Objection Approval Pursuant to Section 2.03(c) of the Financing Agreement

28 April 2017

CEPF Financial Summary, Eighteenth Spending Plan

Recommended Action Item:

The Donor Council is asked to **review and approve** the Eighteenth Spending Plan on a **no-objection basis**. The plan sets out the budget for grants and operations totaling \$21,811,906 for the period 1 July 2017 to 30 June 2018.

The deadline for no-objection approval is **12 May 2017**.

Background:

In accordance with the CEPF Operational Manual (Section OM 2.1 Rev), CEPF shall prepare an annual spending plan no later than 30 April of each year for review and approval by the Donor Council. The plan describes the proposed funding levels of the spending categories for CEPF during the next fiscal year.

The Eighteenth Spending Plan provides for CEPF's operational budget for fiscal year 2018 (1 July 2017 to 30 June 2018). The Plan does not increase the authority to grant and commit funding, which remains at \$245,634,227.

The Secretariat has included in the Ecosystem Grants spending category (page 1) the projected disbursement and new grant award amounts for nine active regions and two new regions following completion of the profiling process. The new regions are reinvestments in the Mediterranean and Indian Ocean Islands Biodiversity Hotspot and the Caribbean Islands Biodiversity Hotspot. The granting budget increases from \$16,491,000 in FY17 to \$17,650,000 in FY18.

The Operations / Secretariat budget (page 2) reflects a decrease of 8% from \$3,499,191 in FY17 to \$3,249,906 in FY18. The decrease is primarily the result of headcount reduction in the Communications team from three members to two members, and efficiencies in operations gained from centralization of the grants management unit at Conservation International, host of the CEPF Secretariat.

In FY18, Conservation International will centralize the grants management function across its programs at the headquarters office. This restructuring was presented to the Donor Council at the 30th meeting in Washington, DC held on January 12, 2017. The centralized unit will serve to reduce risks and realize increased efficiency in CI's grant-making and contracting practices. The new unit's goals are to strengthen risk assessment and risk management practices across the organization's portfolio of grants and contracts,

standardize monitoring protocols and tools for monitoring of grants and contracts, and strengthen and support grantees through targeted training. CEPF will be a main beneficiary of this centralization, immediately realizing these efficiencies and improvements through cost reduction to CEPF for costs associated with this team's functions compared to prior years.

In addition to the standard activities associated with the Secretariat Operations, including the functions for executive management, program management, grant management, communications, finance & operations, and monitoring & learning (introduced in FY17, formerly part of program management), the FY18 budget includes donor-earmarked activities from the CI-GEF Project Agency grant to CEPF for work related to re-design of the CEPF website to facilitate dissemination of models, tools, and best practices.

For Ecosystem Profile Preparation, the Secretariat has a budget of \$650,000, targeting the development of profile preparation documents for two hotspots, to be agreed to with the Donor Council and contingent upon Phase III contributions.

The Special Projects category is funded through interest income, and the activities financed in this category are consistent with the objective of CEPF; the types of activities financed within Special Projects have been discussed and approved during CEPF Donor Council meetings. The Special Projects budget makes allocations for the annual audit, and for ongoing work related to the development of the new grants management system – specifically, to ensure appropriate integration between the new grants management system and other platforms that must interact with this system, such as the CEPF website. A provision from Special Projects is made for support of the Executive Director's fundraising efforts. The Executive Director will focus fundraising efforts on the governments of France, Germany, Norway, Switzerland, and the European Union.

In FY17, CEPF began discontinuing re-investment in the investment portfolio managed by UBS (the investment portfolio approved following presentation of document CEPF/DC25/8 at the 25th meeting of the Donor Council). This will result in declining interest income generation in FY18 and for the foreseeable future as CEPF returns to a cash-focused position to finance project implementation in the final years of Phase 2.