

Critical Ecosystem Partnership Fund
No Objection Approval Pursuant to Section 2.03(c) of the Financing Agreement
March 1, 2013

Amendments to the CEPF Operational Manual

Recommended Action Item:

The Donor Council is asked to review and approve on a no-objection basis the proposed amendments to the CEPF Operational Manual.

The deadline for the no-objection approval is **Friday March 15, 2013**.

Background:

The Secretariat proposes two amendments to strengthen and clarify a subset of CEPF operational policies related to Secretariat operations and sub-grantee management and monitoring.

A description of the scope of the amendments is provided below, followed by the proposed revised sub-sections from the Operational Manual.

Revisions to the Operational Manual

Chapter 4: Proposed new language regarding sub-grantee indirect costs

New language is suggested for inclusion in OM 4.4.2, Project Proposal Application, to clarify the purpose and allowable expenditures for a sub-grantee's organizational shared costs. The budget application form will be revised to replace "Indirect Costs" with "Management Support Costs" and include the following definition:

Management Support Costs are costs that fund necessary actions and activities that allow the organization to implement any given project and are linked to the tasks outlined in the project. Management support costs may include administrative costs and those programmatic costs that support the organization's ability to implement the proposed project. Examples are inter alia salaries of staff in departments such as Information Technology, Human Resources, Finance and Operations as well as office costs directly related to the implementation of the proposed project. Note that precisely what is covered may vary organization to organization. CEPF grantees that budget for management support costs are required to demonstrate how those costs are calculated and what specific functions of the organization are covered. They shall be clearly identifiable, described and substantiated in the Budget. Should allocation key be used, they should be explained, accepted beforehand by the CEPF Secretariat and compliant with CEPF audit requirements

The new proposed version of the budget template is included in this package.

Chapter 4: Modifications to CEPF Grant Agreement

CEPF has strengthened its external grant agreement template, OM 4.4.6 in response to recommendations made by the World Bank during its last two supervision missions. The revised sections include specific reference and instructions for the CEPF Grievance Mechanism, additional required approvals for vehicle purchases and sole sourced procurements, and inclusion of the World Bank's Guidelines on Fraud and Corruption. The proposed grant agreement template has been included in this package.