

**Critical Ecosystem Partnership Fund
32nd Meeting of the CEPF Donor Council
2011 Crystal Drive, Suite 500
Arlington, USA
6 February 2018
8:00 a.m. – 11:00 a.m.**

Approved Minutes

1. Welcome by the Chair and Introduction of Participants – See document (CEPF/DC32/1) revised to reflect the physical and remote attendance of participants.

2. Adoption of Agenda – See document (CEPF/DC32/2) for information.

No comments or objections. The Agenda of the CEPF 32nd meeting of the Donor Council was adopted.

3. Adoption of Minutes of the 31st Meeting of the Donor Council – See document (CEPF/DC32/3) revised for information.

The Donor Council requested that in Item 8: Reports on World Bank “In-Depth Fiduciary Assessment,” “CEPF Management Response to In-Depth Fiduciary Assessment” and “Value-for-Money Assessment”, the sentence “the World Bank senior management approved to go ahead with additional financing” be changed to “the World Bank Senior Management has suggested an in-principle agreement for the processing of the additional financing while in parallel, working on finalizing the Action Plan. Certain actions need to be implemented before the World Bank can approve the additional financing.”

The revised minutes of the 31st Meeting of the Donor Council were approved.

4. Presentation of the Report of the Executive Director

a) **Action Points Review** – See document (CEPF/DC32/4/a) and presentation for information.

- Action Points from the Secretariat:
 - i. The Secretariat has completed an infographic for the Impacts of CEPF that will be posted on the website.
 - ii. New Governance text was suggested and was reviewed later in the meeting.
- Action Points from the World Bank:
 - i. The World Bank has reached out to the Government of Japan and to the GEF to inform them about the possible retro-active extension of the grant agreements channeling their funds. The final decision is with senior management of the World Bank.
 - ii. The World Bank has extended the Grant Agreement TF015491 between the World Bank and Conservation International to December 31, 2018.

- iii. The World Bank provided the Donors with clarification on CEPF expenses declared ineligible for World Bank funding.
- iv. Conservation International/CEPF Secretariat and the World Bank are still working on finalizing an Action Plan.
- v. The wording in the Action Plan was changed from “Recover costs due to fraud” to “Recover costs for ineligible expense”.
- vi. The World Bank has removed from the Power Point Presentation made at the 31st Donor Council meeting the reference to “Some conflict of interest on CI’s part when selecting CI as a grantee.”
- vii. The clarification on whether the new safeguards rating can be changed from A to B can only be provided once the appraisal of the additional financing is completed.

b) **Partnership Highlights** – Status update: See document (CEPF/DC32/4/b) and presentation for information.

- The World Bank:
 - i. Expenditures declared ineligible for World Bank funding (indirect costs; Green Card fees; fundraising and special projects; sub-grantee ineligible expenditures):
 - 1. The World Bank mentioned that the Donor Council decisions cannot supersede the rules of the World Bank.
 - ii. DGF Evaluation: This evaluation cannot be substituted or streamlined; it must be a new independent evaluation.
 - iii. Negotiation of Government of Japan \$15 million additional financing:
 - 1. The Government of Japan indicated that the completion of the Action Plan and testing of the measures put in place are a prerequisite to moving forward with the additional financing.
 - 2. Timing remains uncertain.
 - 3. The Project Operations Manual (POM) was received but the activity list has not yet been submitted. The Secretariat is working on it and will send as soon as possible. The World Bank will then be able to review and comment on the draft POM.
- The European Union: The possible additional funding by the European Union remains hypothetical as it must go through formal approval by the EU as is the possibility to channel the funding through AFD.
- Agence Française de Développement: CEPF is in the process of signing an agreement for the €5 million pledged by AFD for the Madagascar and Indian Ocean Islands Hotspot and Guinean Forests of West Africa Hotspot by the end of the fiscal year.
- The Government of Japan: The Secretariat, Olivier Langrand, Executive Director, and Kevin McNulty, Senior Director Finance, visited the Ministry of Finance to introduce CEPF to Mr. Nomura. They also visited the Ministry of Environment to discuss the future of CEPF in relation to the Government of Japan.
- Conservation International – No comments.
- Regional Donors – No comments.
- Prospects for Additional Funding – No comments.

c) **Financial Narrative** – See document (CEPF/DC32/4/c) for information.

d) **Financial Report** – See document (CEPF/DC32/4/d) and presentation for information.

- The World Bank asked how CEPF handles foreign exchange rate issues. CEPF Secretariat responded that in the case of awards made to the Secretariat, the Secretariat values the contribution as of the date of the counter-signature on the award and then re-projects the expected US dollar value of the award on a quarterly basis based upon the unpaid balance of the award. Regarding exchange rate issues for CEPF sub-grantees, all payments issued by CEPF to sub-grantees are made in US dollars and all reporting back to CEPF is done in US dollars. Grantees must account for gains or losses in a similar way that the CEPF Secretariat does it. Therefore, there is no impact of foreign exchange rate to be considered in CEPF's financial reporting.
- The World Bank asked for clarification on the financial narrative "Revenue" section as of November 30, 2017, which mentions that a projected foreign exchange rate loss on the contribution from the EU administered by the World Bank may be mitigated by the pledged contribution from the Government of Japan through the World Bank as a trustee. The CEPF Secretariat clarified that in no instance would a CEPF donor be asked to pay for exchange rate losses of another grant; instead, planned activities would be reduced in proportion to the exchange rate loss. The intention in the narrative was to explain that the total amount available for investment to CEPF fluctuates along with the movement in foreign exchange rates related to the grant provided by the World Bank channeling EU resources, but that the balance available for investment was still sufficient to support planned CEPF activities so long as the pledged funds from the Government of Japan were made available in form of a World Bank grant.

e) **Q1 Approved Grants** – See document (CEPF/DC32/4/e) for information.

f) **Impact Report** – Update on the impact of CEPF according to the new indicators approved at the 31st Donor Council Meeting and based on the four pillars of CEPF – See document (CEPF/DC32/4/f) and presentation for information.

- Donor Council members welcomed the clear presentation of complex impacts in an appealing manner, based on key facts and figures. They emphasized how useful it was to present socio-economic results, and several members said that, while they had not yet been able to review the report in depth since it was only sent the previous day, the report presented had very useful information as well as stories that would be valuable particularly in institutions where biodiversity is not the central objective.
- Several members voiced interest in understanding how CEPF set targets, and how progress is being measured against these. The Secretariat described the process for target-setting and reporting for each hotspot, via the ecosystem profile log frame, and annual reporting on progress. There was also significant interest in understanding how the data in the report would be available to other stakeholders, and how it would be used by Regional Implementation Teams (RIT) and donors. The CEPF Senior Director elaborated on the new electronic grant management system that will receive and aggregate impact data electronically and explained that each RIT will have dashboards of impact data available for their communication and other needs. The Civil Society Tracking Tool was mentioned as a good example of how RITs can use the data gathered via this tool to understanding baseline capacity scores for grantees, and then tailor interventions such as training workshops, to address the capacity building needs in their regions. The objective of this tool in particular is not simply to measure level of capacity, but also to help determine where interventions are needed.

- One member expressed that among the 4 pillars of CEPF, one, Biodiversity, should be highlighted as the most important one; and, the graphic used should describe more explicitly the relative values of these 4 pillars.
- Several donors were pleased to see gender-disaggregated data in the report, but pointed out that the presentation was unclear, with apparently low numbers of female beneficiaries which suggested poor emphasis on women. The Secretariat clarified that collection of gender-disaggregated data only commenced in 2017, hence the basis to assess the share of female beneficiaries (in reality around half the beneficiaries) was not the total of beneficiaries but only those since 2017 since this was the first year that such data is available. It was agreed that the explanatory paragraphs in the report would be revised to more accurately reflect the situation.
- One Donor Council member was pleased to see results displayed by hotspots, noting that this helps them communicate about their work in various geographies. Highlighting that the donors frequently attend key meetings such as the CBD COP, it was pointed out that it would be good to have CEPF participation as well, to provide specific examples of grantee achievements. Biodiversity mainstreaming in the area of mining was noted as being an upcoming topic at the next CBD COP.
- Finally, it was noted that donors are keen to understand, or measure, value for impact. It was suggested that thought be given to this issue, so that there can be a better understanding of the impact of our conservation money.

Action points:

- Revise the report to include a new graphic for Figure 1 (pertaining to pillars) and improve text to better explain the gender-disaggregated data.
- Ensure that future efforts to share impact data include presentation of progress towards meeting hotspot/portfolio level targets.
- Consider attendance at several high-level meetings focusing on demonstrating CEPF's contribution to the UN Sustainable Development Goals and CBD Aichi targets.
- Consider the question of measuring impacts in terms of money spent.

g) **New Website** – See document (CEPF/DC32/4/g) and presentation for information.

The Donor Council appreciated the design of the new website and found it an easy and valuable tool to use.

Action Point:

- Julie Shaw, Communications Director, will send information on the new website encouraging Donor Council members to share this on their social networks.

5. CEPF Governance – See document (CEPF/DC32/5) and presentation for information.

Decision points:

The Donor Council agreed that the suggested text on Governance should be re-worked and include the following:

- Grace period of 5-years is too long, financing renewal is to happen within 1-2 years following the closing date of the previous financing agreement. Thus, the duration should be shortened for the grace period. Another option suggested by the World Bank was to have the membership of the Donor Council end at the end of the Grant Agreement unless otherwise agreed by the Donor Council;
- Smaller donors/Regional donors should not be included unless otherwise agreed by the Donor Council;

- The start date of Donor Council membership should coincide with the term of the respective grant agreement as defined in such agreement;
- Donors should make a \$5 million contribution (a “qualifying contribution”) during the term of the respective grant agreement in order to become eligible for Donor Council membership.
- It should be clarified the respective qualifying contribution is not the initial contribution, but rather the most recent contribution.

Action Point:

- The Secretariat will revise the Governance text with the new suggestions and send it to Donor Council members by no later than February 13, 2018 for review and comments before seeking electronic no-objection for final approval.

6. Ecosystem-based adaptation for Climate Change: A new niche for CEPF? See document (CEPF/DC32/6) and presentation for information.

The Donor Council broadly supported the Green Climate Fund (GCF) proposal as an important project to promote ecosystem-based approach to adapt to and mitigate climate change underlining that promoting the role of critical ecosystems for climate change was at the heart of CEPF’s mission.

Members recommended and commented the following:

- Ensure that the disbursement of the GCF funds is done through small grants, in line with the CEPF’s “niche” and main added value;
- Emphasize why CEPF is best placed and the most efficient tool;
- Underline the role of biodiversity conservation in itself is an important tool for addressing climate change (importance of strengthening ecosystem-based approach to lowering carbon emission and helping adaptation). Having GCF at the table increase the understanding of the direct links between climate change and biodiversity conservation;
- Seek possible synergy and learning from other related policies and programs, such as the BEST Initiative and from GLISPA (There is an existing MoU between CEPF and IUCN for cooperation between BEST (Biodiversity and Ecosystem Services in Territories of European Overseas) and CEPF on small islands in the Madagascar and Indian Ocean hotspot);
- Highlight better the value for money of the proposal;
- Recommend some sort of policy on the co-financing between the partnership of GCF and CEPF;
- Consider the best way to capture risk reduction at local and national levels;

The possible addition of a new donor to the Donor Council was discussed, noting that if GCF funds flow to CEPF through AFD as an implementing agency of the GCF, AFD could represent GCF on the Donor Council.

The Secretariat clarified that it would start the process of seeking formal governmental support from the SIDS/LDC countries once the revised Concept Note has received formal support from the GCF. It clarified that the “co-financing” from CEPF refers to what has already been invested or what is currently being invested in the regions. No funds additional to those already approved by the Donor Council in Hotspot spending authority would be added.

7. Balance of Risk and Accessibility of Funding when Working with High Risk Grantees – See document (CEPF/DC32/7) and presentation for information.

How should CEPF manage risk without losing the ability to grant to high-risk local and national civil society organizations? Three possibilities:

- (i) Strive for a low risk profile by awarding more and larger grants to larger, longer-established organizations.

- (ii) Strive for a low risk profile by focusing on hotspots where a higher proportion of local organizations have robust financial management systems.
 - (iii) Allow for a higher risk profile, by increasing the proportion of the CEPF budget that is spent on financial capacity building and oversight by the Secretariat and RITs.
- There was consensus among the Donor Council members that CEPF must preserve its niche and *raison d'être* by continuing to target small grants to local actors in developing countries, because, in the biodiversity field, there is often no alternative partner. Members cautioned that options (i) and (ii) would reinforce existing imbalances and inequalities and were, therefore, not adequate. They also noted that it is not possible to invest in local actors without some failures. One member advised further consideration of how to manage programmatic risk through selecting a mix of hotspots.
 - Several Donor Council members advised not to focus solely on financial risk but to consider also outcome, technical and social capital risks. Among these, outcome risks were considered as the most important. The Secretariat was advised to understand these different dimensions and use them to make informed decisions about who to work with and how. Specifically, one member suggested that the Secretariat should come back to the Donor Council with a proposal for how risk could feed into the selection of grants and the definition of actions to be taken. Other donors underlined that this should not interfere with CEPF's core mandate and *raison d'être* to support low capacity civil society actors.
 - Several Donor Council members expressed a readiness to consider additional spending on financial oversight, if this was limited and did not affect the overall ratio of operational costs to grant awards. The Secretariat was asked to put forward what these additional costs might look like. The Secretariat was further advised not just to focus on mitigating risk but on helping grantees move from high risk to low risk. One donor recalled that there was nothing in the audits and recommendations suggesting that the risk profile of CEPF was particularly high or in any way inappropriate despite its niche focus on difficult areas and small grants.
 - With regard to strengthening the financial management capacity of grantees, one Donor Council member recalled that the RITs had been created to take over Secretariat duties regarding capacity building and recommended building their capacity to do this. The Chair recommended approaching potential new donors that might be interested in just supporting the capacity building element of CEPF's mission.
 - Several Donor Council members recommended looking at the practice of other organizations working with civil society organizations, such as the GEF-Small Grants Program and the Save Our Species Program, to learn from their experience and get a better idea of how well CEPF was performing.
 - The Donor Council's Chairperson cautioned against using the term "high risk" to describe grantees.

Action Points:

1. Formulate a proposal for possible targeting (limited) of additional funds to mitigate financial risk, especially through financial capacity building for grantees.
2. Develop a risk assessment framework based on multiple dimensions of risk (outcome, technical, financial and social capital) that would inform the selection of grants and the definition of mitigation actions.

8. Any other business

CEPF 33rd Donor Council meeting proposed to take place in June in Paris at the invitation of the Agence Française de Développement.

Action Point:

- CEPF Secretariat to send as early as possible a Doodle Poll to find the optimal date for the meeting.