

Critical Ecosystem Partnership Fund

Approved Minutes

Seventh Meeting of the Donor Council
World Bank Headquarters, Washington, DC
1 November 2004

1. The Chair opened the meeting and welcomed all participants, with a special recognition of Ms. Ann-Eve Hazen, a guest of the CI Council representative and supporter of the CEPF partnership, as a CI Donor. He invited introductions of the participants. Each participant then introduced himself or herself.
2. The Chair requested adoption of the agenda. The motion was seconded and approved.
3. The Chair requested adoption of the minutes from the Sixth Donor Council meeting, which took place on 31 March 2004. This was seconded and approved.
4. The Chair asked the CEPF Executive Director to elaborate on the document, "Follow up to decisions from the Sixth Donor Council Meeting (Doc. CEPF/DC7/4)"

The CEPF Executive Director reported on the proposed Donor Council retreat, linkage between CEPF and poverty reduction and fundraising. He began by acknowledging that a retreat among the Donor Council members had not been arranged since the last Donor Council meeting. He then requested input and advice on how to plan for and implement a Donor Council retreat.

He also reported that, on advice from the Japanese Government, CEPF began a process to define the linkage between CEPF and poverty reduction. This effort resulted in the creation of a suite of documents including:

- A Statement about CEPF and Poverty Reduction (CEPF/DC7/6A (Rev1))
- CEPF and Poverty Reduction: An Overview (CEPF/DC7/6B (Rev 1))
- CEPF and Poverty Reduction: Tracking and Measurement Indicators (CEPF/DC7/6C (Rev 1))

The first two of the three documents related to poverty were circulated to the Working Group on 12 October 2004, discussed during the 14 October 2004 11th working group meeting and then circulated for additional comment prior to the 1 November 2004 Donor Council meeting. Major elements of the third document were presented and discussed during the 14 October working group meeting. The Executive Director recognized that the issue is complex and that consensus among the Working Group members had not yet been reached. Considering that this subject would be discussed later in the agenda, he continued with a brief report on fundraising.

He reported that progress has been made on CEPF's fundraising agenda with a number of potential partners, including the Asian Development Bank, Inter-American Development Bank (IDB), the Government of Australia and also with the Government of France. He reported that the IDB has indicated an interest in becoming a \$10 million regional partner for Latin America and that Australia has signaled the possibility of providing \$1 million toward the Polynesia/Micronesia Ecosystem Profile. The Government of France, through

Mr. Jean Michel Severino of the Agence Francais de Developpment, had requested an official invitation from Mr. Wolfensohn, as Chair of the Donor Council, to consider becoming a partner in the CEPF initiative.

The Chair expressed his confidence in France's interest. He then offered to visit with Mr. Severino in France in the next few weeks and to represent CEPF in those discussions.

The World Bank Council Member encouraged CEPF to pursue a full \$25 million partnership with France.

The Chair then reiterated his interest in having the Council get together to discuss the future of the partnership. He emphasized that he wants the Bank to stay involved in the CEPF initiative.

The GEF Council Member also stated that GEF wants to explore staying involved in CEPF, but that the ultimate decision would rest with the GEF Council.

The Executive Director requested that each donor institution clarify what kind of preparation is required to transition to a next phase of CEPF. He questioned whether a different type of evaluation was required or a certain kind of documentation. He acknowledged that each organization would require a different timeline and amount of preparation.

The MacArthur Foundation Council Member suggested that the Executive Director invite a one- to two-page recommendation from each institution about what each respective organization needs to know about CEPF in order to make a decision. He also suggested that the brief document should include advice from each institution on how to structure a retreat discussion. He then recommended that based on this feedback, the CEPF Working Group could pull together and agree on a plan.

The GEF Council Member reiterated that the GEF Council needs documentation.

The CI Council Member recommended a meeting in March or April 2005 and endorsed the idea of the Executive Director inviting respective institutional feedback.

The Executive Director committed to inviting institutional feedback from each institution within a few weeks of the 1 November 2004 meeting of the Donor Council.

5. The Chair then invited the CEPF Executive Director to give his "Report on Progress" (Doc.CEPF/DC7/3).

The Executive Director reported that CEPF is well beyond the 50 percent mark, with a current portfolio of 5 donor partners, \$125 million in pledges, more than 370 projects, \$49.5 million in resources committed and at least \$80 million leveraged. He then shared a brief report on each of the three portfolio reviews completed to date: Vilcabamba-Amboro Conservation Corridor (Tropical Andes hotspot), Madagascar (Madagascar and Indian Ocean Islands Hotspot) and the Cape Floristic Region hotspot. He noted that the portfolio review for the Vilcabamba-Amboro Corridor concluded that the big success is the proliferation of new protected areas throughout the corridor, and the increased sense of ownership and responsibility expressed by the Peruvian and Bolivian governments for

the corridor. He noted that CEPF's involvement in Madagascar has capacitated Malagasy civil society groups.

At this point, the Chair acknowledged that he had spent three days with the new president of Madagascar, who is extremely aware of CEPF's contribution to biodiversity conservation in his country. He said CEPF's legacy in Madagascar should be the creation of young conservation leaders. He noted that one of the biggest obstacles to development in Madagascar is the lack of telecommunications among the various regions, creating isolated people with no means of communication.

The MacArthur Foundation Council Member asked the MacArthur Foundation Working Group member to give an update on the Foundation's commitments directed to Madagascar. The Working Group Member reported that the Foundation has just finalized a slate of grants, including support to the Trust Fund in Madagascar and a second round of grants for capacity building, including support of university-level work.

The Chair noted that the World Bank is considering \$100 million in support to increase telecommunication infrastructure from coast to coast in Madagascar. He said that he views technology as a critical backbone toward reducing poverty in the country.

The World Bank Council Member stated that the three portfolio reviews were excellent. He recognized the role that external evaluators had played in conducting the reviews and acknowledged that this contributed to the credibility of the reviews. He suggested that the results of the reviews could be used to elevate CEPF's profile and serve as part of the documentation required to seek replenishment, particularly in Madagascar. He wondered if CEPF should convene a roundtable of donors in Madagascar. The MacArthur Foundation Working Group member stated that there is already extraordinarily good donor coordination in Madagascar.

The MacArthur Foundation Council Member requested more and bigger maps in the portfolio reviews.

The GEF Council Member noted that all three portfolio reviews are positive but focus heavily on an implementation angle. He asked if future reviews could focus more heavily on a strategic impact rather than activities, as one means to build the argument for a second phase of CEPF.

The CEPF Executive Director asked if the reviews were the right medium to look at the CEPF concept or if the Council Members had another suggestion.

The Chair asked what CEPF intended to do with the documents and whether they would be made public. The Executive Director responded that they would be made public on CEPF's Web site.

The MacArthur Foundation Council Member said that he felt that the next reviews should be more focused on a how far along we are in addressing the goals in the profiles. They should not unduly focus on causality of the results but more heavily on the drivers and outcomes.

At this point, both Council representatives from the World Bank suggested that Madagascar could be a good location and context for discussions among the CEPF donors.

6. The Chair then moved to agenda item 6, CEPF's link with Poverty and invited the Executive Director to provide background on this subject.

The Executive Director began by saying that the Ministry of Finance in Japan asked CEPF to clarify the relationship between CEPF and Poverty Reduction and noted that there is some urgency in the issue because the ministry is being asked to demonstrate its contribution to poverty reduction and assess its overseas development assistance. He also reiterated that CEPF has always focused on people and communities within the initiative's core mission. He went on to say that he did not view the analysis of CEPF's link to poverty as a movement toward mission drift but emphasized that CEPF was not designed from a poverty angle and thus it cannot be held solely accountable under this theme. He said that being four years into the CEPF initiative, CEPF is at a peak staff and grant-making levels and that one option would be for CEPF to begin scaling down in 2005 and 2006. He acknowledged that the war in Iraq and subsequent Iraq reconstruction has had a major impact by politizing the global funding agenda.

Some of Council members reflected on the negative impact that funding diverted to Iraq, Afghanistan and Pakistan is having on the environmental agenda, with the \$900 billion going to military purposes. The Council members agreed that positioning CEPF and other environmental initiatives within the poverty-reduction agenda is necessary to help unlock additional resources in the current geopolitical climate.

The Council Member from Japan expressed his agreement with the need to unlock additional resources and stated that linkages between CEPF activities on the one hand and poverty reduction and achievement of Millennium Development Goals, (MDGs) on the other need to be shown because Japan's financial contribution to the CEPF is made through a Japanese trust fund at the World Bank focused on poverty reduction. He said CEPF's reports are important and helpful to make this linkage. He encouraged more focus on local NGOs and capacity building in the reports.

The World Bank Council Member said that environmental issues are not positioned as they used to be, with the exception of climate change. He said that Great Britain was bringing two subjects to the upcoming G8 meeting: Africa aid and global warming.

The CEPF Executive Director then called attention to the suite of documents pulled together by CEPF management team and the CEPF Working Group on the linkage between CEPF and poverty. He said that the documents were meant to be helpful, and to strike a balance that does not go too far in either direction. He indicated that the statement was meant for CEPF purposes and was not a statement for the individual donors. He said that the methodology to measure CEPF's contribution to poverty reduction is to quantify the contribution to the series of assets used by the poor and shy away from a less relevant and more traditional measurement focused on average income which could be misleading and misrepresentative of an actual reduction in poverty.

The MacArthur Foundation Council Member asked how expensive this would be and how complicated to operationalize. The CEPF Executive Director stated that CEPF

would work with a series of questions across a sample of the portfolio and then assess those results.

The CI Council Member said that the time required to fill out the questionnaire might derail good efforts being undertaken for biodiversity conservation on the ground. He suggested that a small sample should be tested and rather than investing unduly on retroactive analysis, future design that will measure poverty should be more fully considered.

The CEPF Executive Director emphasized that CEPF would factor stronger analysis of socioeconomic factors as well as results from each country's poverty reduction strategy into the development of future ecosystem profiles.

The Chair reminded the group of the genesis of this debate at the Stockholm Conference when it was recognized that if poverty is not addressed, you cannot focus on protecting the environment.

The MacArthur Foundation Council Member said that he understands that this exercise begins with an assumption that there is already positive impact on poverty and the responsibility is to document it. He says he does not see this as mission drift at all.

The CI Council Member said that considering that CEPF works in the places with the greatest biodiversity and the greatest poverty, any environmental work requires buy in from local populations – and thus it is necessary to touch enough people and build enough support in order to ensure that benefit from securing ecosystems is well understood.

The GEF Council Member expressed concern about this exercise by stating that the GEF had been pressured to document its contribution to poverty reduction during their last replenishment discussions. He said that collecting all this data has been expensive and not necessarily meaningful enough to warrant the time and resources required. He stressed that the methodology for CEPF should be very selective to ensure meaningful results.

The CEPF Executive Director recommended distributing the questionnaire to a subset of larger projects, in each active region. Simultaneously, CEPF will begin developing a project concept with grant resources that can assess current contribution to poverty reduction.

The World Bank Council Member suggested a comprehensive analysis of the vast body of knowledge and literature on this subject, particularly as undertaken by the World Bank.

The MacArthur Council Member suggested that the underlying theory linking environmental work and poverty needs to be better understood.

The Chair of the Council then suggested closing this subject with a unanimous endorsement of the statement and supporting documents on the link between CEPF and poverty reduction. Endorsement was seconded and approved.

7. The Chair then suggested moving to agenda item 7. This agenda item requested re-affirmation of the decision that funding allocation continues to be phased incrementally

according to the number of donors (i.e. a maximum of 15 ecosystem profiles can receive funding under existing donor commitments, and the last four ecosystem profiles that would make up a total of 19 eligible hotspots/regions depend on additional donor support to the Fund). He requested that the Executive Director provide more background on this recommendation for re-affirmation.

The Executive Director summarized that at the second meeting of the Donor Council (11 December 2001), the Council members reviewed and approved a financial model for the CEPF initiative through June 2009 that assumes six full partners. This model assumed that 15 hotspots (or major sub- regions) could be funded with a capitalization of \$125 million. Moreover, the model assumed that \$150 million would be needed to fund the original target of 19 eligible hotspots/regions.

This means that CEPF has enough resources to begin making grants in one of the pipeline ecosystem regions, which would leave approximately 2 – 3 without grant resources. Naturally, there are currently expectations that grant resources will soon flow to each of the pipeline ecosystem profile regions. In anticipation of this, CEPF requested a “Expansion of CEPF’s membership structure” (Doc. CEPF/DC6/9) during the 31 March 2004 Council meeting which allows for regional or associate donor partners to cover the full cost of a profile or a minimum of \$10 million. Following Donor Council approval for this modification to the membership structure, CEPF has been and is pursuing partnerships with several possible new donor partners. These discussions have not been conclusive as yet. The CEPF Executive Director wanted to formally seek guidance on whether an alternative should be forged or a re-affirmation of the earlier decision.

The World Bank Council Member said that the original hypothesis was understood to mean resources would be required throughout the profiling and planning stage, but that having the profiles available would help stimulate donor interest and support.

The MacArthur Foundation Council Member stressed that he strongly re-affirmed the decision and that he has always advocated for focusing on fewer regions.

The Japanese Council Member expressed concerns that many of the ecosystem profiles yet to be financed are in the Asian region. He also asked for clarification on the revised “Expansion of CEPF’s membership structure” (Doc. CEPF/DC6/9) that allows regional or associate members to restrict their funding to certain regions. He said Japan did not intend to do this, but would be interested in hearing an explanation of the policy.

The CEPF Executive Director said that it would be major obstacle if the Government of Japan decided to retroactively select specific regions – it would require a complete redesign of the entire CEPF financial model. He stressed that this ability to specify certain regions was only for new members who couldn’t commit the full \$25 million – such as Australia – or only had a mandate for a certain geographic region, such as the IDB’s authority to fund in Latin America only.

The CI Council Member said that he/they agreed with the recommendation to re-affirm the earlier Donor Council decision to wait to fund new regions until additional donors are secured.

The Donor Council re-affirmed its decision that funding allocation continues to be phased incrementally according to the number of donors, i.e., a maximum of 15 ecosystem profiles can receive funding under existing donor commitments, and the last four ecosystem profiles that would make up a total of 19 eligible hotspots/regions depend on additional donor support to the Fund. This means that CEPF management will put forward one profile of the current pipeline profiles for electronic approval in the next few weeks. The remaining profiles will be on hold until such time when additional donors have committed to CEPF.

8. The Chair acknowledged that the fundraising agenda had already largely been covered in the meeting. He then suggested that Britain should be considered as a possible partner. A discussion ensued about the link between global climate change, biodiversity conservation and poverty reduction. It was suggested that CEPF should engage the Department for International Development (DFID) to see if it endorses or agrees with the CEPF poverty statement and also use the G8 agenda to put biodiversity back on the agenda. The CI Council Member contributed that CI has just undertaken groundbreaking research on the link between global warming and biodiversity conservation. The World Bank suggested that CEPF donor partners should undertake a mission to meet with several British representatives to advocate for resource management and conservation to be put back on their agenda.

On this point, the Chairman of the Council said he would like to host a meeting of the donor partners at his home in Jackson Hole, Wyoming, to discuss the next phase of CEPF. He also agreed that CEPF should pursue both France and Britain as possible partners.

The World Bank Council Member suggested building a replenishment argument around the Madagascar story.

The CI Council Member asked if the Council members had any objection to bringing an individual or a family foundation into the CEPF Donor Council.

The MacArthur Foundation Council Member said that the individual should not provide any reputational risk to the initiative.

The Chair of the Council said that beyond having any objections, he said that it would be an absolute plus and that he does not have any concerns. He then thanked Ms. Ann-Eve Hazen for her very generous contribution to CI, which has enabled CI to be a partner in the CEPF initiative. The CI Council Member also took the opportunity to thank Ms. Ann-Eve Hazen for her support and catalytic impact on the CEPF partnership.

Ms. Hazen thanked the group and recognized her belief and support of the initiative and of CI's CEO and Chairman of the Board, Peter Seligmann. She said she found CEPF to be a wonderful way to leverage and enhance her financial contribution.

The MacArthur Foundation Council Member questioned whether CEPF complies with the Patriot Act. He also then added that it was wonderful to have Mr. Dan Martin as the new CEPF senior managing director. In response to his query, the CEPF Executive Director confirmed that CI and CEPF comply with the Patriot Act.

List of Follow up Actions:

1. The CEPF Executive Director will invite each Council member to submit an indication of what their respective institution will require to move replenishment discussions forward.
2. The Working Group will develop an agenda for a Donor Council retreat, utilizing advice provided by each Council member.
3. A Donor Council retreat at the Chair's home in Wyoming will be organized for the spring.
4. The Chair of the Donor Council will invite France to consider partnering with the CEPF and will follow up personally with Mr. Severino in the next few months.
5. CEPF will consult with DFID and others on the CEPF poverty document and will continue to report progress on this subject to both the Working Group and the Donor Council.
6. CEPF will help make the linkage between biodiversity and poverty possibly in advance of, during, or following the upcoming G8 Meeting, particularly as a way to potentially re-engage Britain in biodiversity conservation or even as a CEPF partner.
7. CEPF will organize a mission to Britain to discuss the initiative and other biodiversity-related items.
8. To measure current contribution to poverty reduction more fully, CEPF will work with a series of questions to produce a questionnaire that will be distributed to a subset of the CEPF portfolio. Results from this questionnaire will be assessed and then utilized to assess a larger subset of the CEPF portfolio to document contribution to poverty reduction.
9. CEPF will evaluate the feasibility of undertaking a few projects to look at the relationship between CEPF and poverty in a finer resolution.
10. CEPF will factor assessment of the Poverty Reduction Strategies and stronger socioeconomic information into methodology for future ecosystem profiles.
11. CEPF management will put forward one profile of the current pipeline profiles for electronic approval by the Donor Council in the next few weeks. The remaining profiles will be on hold until such time when additional donors have committed to CEPF.
12. Individuals will be stewarded for engagement with CEPF over the next few months.
13. CEPF will document compliance with the Patriot Act.
14. A strategy for approaching Canada as a possible CEPF partner will be developed.

** These Minutes were approved at the Eighth Meeting of the Donor Council in March 2005.*