

**Critical Ecosystem Partnership Fund
38th Meeting of the CEPF Donor Council
Virtual Meeting
26 May 2021
8:00 a.m. – 11:00 a.m. Eastern Standard Time (EST)**

Wavestone Report Follow-up

In May 2020, CEPF signed a contract with Wavestone, a French-based consulting firm, to look at the administrative and financial procedures of CEPF in order to identify processes that could be improved or simplified while still complying with donors' requirements. This task had been suggested by AFD, and the contract with Wavestone was funded by AFD as part of the convention CZZ2600.

From May to June 2020, Wavestone organized virtual consultations with 20 individuals from the CEPF Working Group, Conservation International, CEPF Secretariat and CEPF regional implementation teams. In parallel, Wavestone looked at requirements in the different conventions CEPF signed with various donors and consulted various documents related to CEPF, including the CEPF Operational Manual.

Three interactive sessions took place with CEPF Secretariat staff to discuss the initial findings and refine the results.

A presentation of the results was made by Wavestone in the context of the 64th Working Group Meeting on 15 October 2020. Wavestone identified two sets of procedures that could be simplified. A first set of procedures pertains to CEPF and CI and will be addressed internally. A second set of procedures involving donor requirements included five topics: 1. Audits; 2. Flow-down terms; 3. Indicators and reports; 4. Procurement; and 5. Social and environmental safeguards.

Following the presentation of those results, the CEPF Secretariat introduced to the 37th Donor Council the findings and the solutions envisioned by Wavestone to improve the procedures related to these five topics.

This follow-up document is to highlight the actions undertaken by the CEPF Secretariat regarding the suggestions for improvement made by Wavestone.

1. Audits:

DIAGNOSTIC	<p style="text-align: center;">SUGGESTIONS FOR IMPROVEMENT – ACTIONS ENVISIONED</p> <p style="text-align: center;">And the</p> <p style="text-align: center;">ACTIONS UNDERTAKEN BY THE CEPF SECRETARIAT</p>
<p>➤ Operating on segregated accounts, CEPF needs to produce project-specific audits that are time-consuming and costly.</p>	<p>➤ Propose the adoption of one set of Terms of Reference for project audits: The CEPF Secretariat proposed Conservation International audit Terms of References to the World Bank, and it was rejected. The World Bank requires CEPF to adopt the World Bank’s audit Term of References. CEPF Secretariat will see if the Conservation International audit Terms of References will be acceptable to the Green Climate Fund / AFD.</p> <p>➤ Have CI General Audit recognized as acceptable in lieu of projects specific audits: Since the previous Donor Council meeting, CEPF has negotiated agreements with foundations such as Bloomberg Philanthropie’s Vibrant Oceans Initiative (via Rockefeller Philanthropies), MAVA Foundation, Nimick Forbesway Foundation, Packard Foundation and Walton Family Foundation. CEPF has also negotiated with public funding sources such as the Green Climate Fund (via AFD) and the World Bank (for funds from the Government of Japan). The same outcome regarding audits has continued as before the Wavestone engagement: Agreements with public funds donors require an annual project-specific audit, and CEPF has not been successful in negotiating an alternative or waiver of this requirement. Foundations and other donors accept alternatives, such as the CI institutional audit, or waive the audit requirement altogether.</p> <p>The CEPF Secretariat will continue to explore options and alternatives as it engages with public funders with whom it has existing and prior relationships from which a reputation could be relied upon to reduce administrative burdens, as well as with new public donors such as the KfW prospect to offer suitable alternatives to annual project-specific audits.</p> <p>➤ Discuss the feasibility to have only one audit for all contracts with a single donor: The only active donor with which CEPF has multiple contracts at the moment is AFD. The CEPF Secretariat has not yet had a discussion to see if AFD would amend prior agreements signed in order to eliminate the audit requirements in all but one contract.</p>

2. Flow-down Terms:

DIAGNOSTIC	SUGGESTIONS FOR IMPROVEMENT – ACTIONS ENVISIONED And the ACTIONS UNDERTAKEN BY THE CEPF SECRETARIAT
<ul style="list-style-type: none"> ➤ Flow-down terms make subcontracting complex as the service providers must meet the same requirements as grantees. ➤ This issue may worsen as KfW and GCF may expect to flow down new requirements. 	<ul style="list-style-type: none"> ➤ Simplify the language and the terms used in these flow-down terms for an easier understanding, and translate the new flow-down terms into more local languages: In October 2020, the CEPF Secretariat conducted a review of the flow-down terms in the external grant agreement template to identify opportunities to simplify language and/or remove terms for ease of understanding. This review identified a total of 22 flow-down terms and analyzed the implications of each for the CEPF Secretariat and/or grantee. This analysis was shared with CI's External Grants and Contracts Unit with a recommendation to remove or simplify the language of these terms. Six changes were approved internally by CI; a further five changes are awaiting approval by AFD because they relate to AFD-managed funds.

3. Indicators & Reports:

DIAGNOSTIC	SUGGESTIONS FOR IMPROVEMENT – ACTIONS ENVISIONED And the ACTIONS UNDERTAKEN BY THE CEPF SECRETARIAT
<ul style="list-style-type: none"> ➤ Most of the donors requesting specific indicators are regional donors. ➤ Global donors have been reviewing and approving the set of indicators used by CEPF. This framework will evolve considering GCF future requests. 	<ul style="list-style-type: none"> ➤ Ask regional donors to: <ul style="list-style-type: none"> ○ Use the existing 16 global indicators and/or the hotspot-specific indicators: <p>In general, donors were amenable to inclusion of some of CEPF's global and portfolio indicators in their monitoring plans, however, no donor adopted CEPF's indicators as the only indicators that they would require. It is apparent that regional donors have their own priorities and funding objectives, and they want to include corresponding indicators in their monitoring requirements.</p> <p>In Indo-Burma, CEPF was able to align seven global indicators into the Margaret A. Cargill Philanthropies monitoring plan. For CEPF's investment in Ecuador, KfW included many of the 16 global indicators but not all, and required adoption of additional indicators, particularly for private sector engagement and helping to integrate environmental safeguards into mining and infrastructure. In Wallacea, where several regional donors are contributing to the investment, most but not all were aligned with the portfolio indicators. In the Caribbean Islands, the World Bank required indicators specific to the project and did not use CEPF's global or portfolio indicators. Finally, the GCF proposal for Madagascar and the Indian Ocean Islands was developed prior to the Wavestone analysis. The monitoring plan for that investment does include a number of global indicators.</p>

	<p>It is clear that CEPF’s efforts to promote the global and portfolio indicators as an exclusive monitoring plan are not favored by regional donors. Nevertheless, global and portfolio indicators have been adopted by some, and this is positive as it reduces the overall workload.</p> <ul style="list-style-type: none"> ○ Use the existing 16 global indicators and/or the hotspot-specific indicators: CEPF requires three types of reports that have been suggested to take the place of regional donor reporting requirements: the annual report of global impact, the annual portfolio overview prepared for each hotspot investment, and the twice-yearly supervision mission report prepared by the grant director. <p>While aligning reporting format and content to CEPF’s existing reports has been suggested to some donors, there has been limited interest in using CEPF’s reports instead of the donor-specific reports. Each regional donor has their own reporting system (some online), designed to meet their priorities. At the same time, it should be acknowledged that some regional donors have less stringent reporting requirements and that, while they may require their own format, much of the material CEPF prepares for its current reporting can be easily transferred. The key takeaway is that donors are keen to maintain their own reporting requirements in terms of content and format. The workload that this represents is based entirely on the requirements of each donor.</p> <ul style="list-style-type: none"> ○ Prepare a marketing package for future donors: There has been no progress on this as of yet, however, with the information gained from recent efforts, CEPF is now in a better position to prepare a more effective marketing package. ➤ Prepare evolution of the framework considering GCF requests: The new investment in the Madagascar and Indian Ocean Islands has only recently been approved and, therefore, there have not been any GCF requests to alter the framework.
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4. Procurement:

DIAGNOSTIC	SUGGESTIONS FOR IMPROVEMENT – ACTIONS ENVISIONED And the ACTIONS UNDERTAKEN BY THE CEPF SECRETARIAT
<ul style="list-style-type: none"> ➤ Communication of procurement procedures could be improved. ➤ Modalities of keeping records could be optimized. 	<ul style="list-style-type: none"> ➤ Provide a checklist for grantees that defines what a complete procurement package includes for purchases of different amounts: The CEPF Secretariat has created a checklist that defines what a complete procurement package includes for purchases of different amounts, and it has shared it with grantees. ➤ Keep records for 5 years and make it consistent between financial, technical and procurement records: The CEPF Secretariat has submitted a request to AFD to keep records for 5 years and make it consistent between financial, technical and procurement records. CEPF is still awaiting AFD’s approval.

5. Social & Environmental Safeguards:

DIAGNOSTIC	SUGGESTIONS FOR IMPROVEMENT – ACTIONS ENVISIONED And the ACTIONS UNDERTAKEN BY THE CEPF SECRETARIAT
<p>➤ The current CEPF framework was driven by the World Bank, which may be much more than CEPF's current and prospective donors would require.</p>	<p>➤ Define a new approach which aligns policies across donors such an overall set of policies or standards that should be adopted for CEPF grants: The CEPF Secretariat is developing a new approach to social and environmental safeguards. Four options were presented to the Working Group at its 64th meeting on 15 October 2020. The Working Group voiced broad support for the following principles: (i) to the extent possible, the framework should be applicable to all contexts in which CEPF operates; (ii) the framework should be consistent with the minimum requirements of CEPF's global donors, including the GEF and (via AFD) the GCF; and (iii) the framework should minimize the burden on grantees to ensure that CEPF funding remains accessible to a wide range of civil society organizations, especially local and grassroots groups.</p> <p>With these principles in mind, the CEPF Secretariat developed a proposed future direction for managing environmental and social risk, which was presented to the Working Group at its 65th meeting on 4 March 2021. This follows the recommendations of the Wavestone report to lower the safeguard policy requirements for some projects, and to use a simpler tool to assess risk. Specifically, a screening process will be adopted to categorize projects according to their environmental and social risks. Low-risk projects (i.e., the majority) will follow simplified processes integrated into existing proposal and reporting templates, while only those projects that present more substantial risks will be required to prepare additional documentation.</p> <p>A gap analysis of CEPF's current environmental and social safeguards against the minimum requirements of the GEF and GCF was carried out, which identified the need to develop new policies on (i) Community Health, Safety and Security; and (ii) Labor and Working Conditions. CEPF is currently developing these policies in close consultation with CI's GEF/GCF Project Agency and Project Delivery and Monitoring, Social Policy and Practice teams. A draft update environmental and social framework (ESMF) for CEPF will be shared with the Working Group for review during the second half of 2021. This ESMF will not extend to the World Bank-managed financing for the Caribbean Islands Hotspot, for which a separate ESMF has been developed.</p>