

Critical Ecosystem Partnership Fund
Twentieth Meeting of the Donor Council
The World Bank, Washington, DC

6 February 2012

8 a.m. – 11:00 a.m. EST

Adoption of the Minutes of the Nineteenth Meeting of the Donor Council

Recommended Action Item

The Donor Council is asked to adopt the Minutes of the Nineteenth Meeting of the Donor Council, which took place on 18 March 2011.

Draft Minutes

1. Welcome and introductions (Doc. CEPF/DC19/1)

The Donor Council approved a motion for Peter Seligmann of Conservation International to serve as chair for the meeting until the arrival of Chairperson James D. Wolfensohn, who was delayed by another meeting. Mr. Seligmann then welcomed Donor Council members and representatives participating, and noted the Council's particular appreciation for the participation of representatives for the Government of Japan as the country continued to recover from the devastating earthquake and tsunami that hit Japan on March 11.

Representatives from Japan, who participated by phone, noted that the impact of the earthquake and tsunami had been so immense that it was still unclear how many casualties resulted from the disaster. They asked to be excused after discussion on the monitoring framework due to expected blackouts in Tokyo.

The Executive Director noted that in consideration of the representatives from Japan, the briefing on the enhanced monitoring program had been moved on the agenda to the first item following the adoption of the minutes from the previous meeting.

2. Adoption of agenda (Doc. CEPF/DC19/2)

With the change of order on the agenda noted, the agenda was approved.

3. Adoption of minutes of the Eighteenth Meeting of the Donor Council (Doc. CEPF/DC19/3)

The Donor Council adopted the minutes of the Eighteenth Meeting of the Donor Council, which took place on 26 October 2010, with a correction in the list of participants from the Government of Japan.

4. Briefing on enhanced monitoring program* (Doc. CEPF/DC19/7)

The Executive Director reported that the Secretariat is in the process of developing an enhanced monitoring system in response to input from the Donor Council, the Michael Wells evaluation of CEPF, and the Conservation International Science & Knowledge Division's recent report on CEPF's contributions to the Convention on Biological Diversity targets. The Strategic Framework calls for a monitoring system with set of indicators, but it does not include much in terms of impact related to work on the ground, the Executive Director said. She explained that the purpose of the upgrade is to complement the indicators set forth in the Strategic Framework and show CEPF's impact on biodiversity, human well-being and development of civil society. The Secretariat is receiving input from the monitoring team of Conservation International's Science and Knowledge Division in the development of the enhanced monitoring program.

The new monitoring system and protocol will be presented for approval to the Donor Council after the Working Group has reviewed and provided its comments to the proposal. A summer meeting of the Working Group is planned for this purpose.

A representative from GEF noted that the development of the enhanced program presents an opportunity to link outcome and coverage indicators to the targets that came out of the Convention on Biological Diversity (CBD) meeting in Nagoya in October, and with GEF biodiversity indicators. He said it also is important for the Secretariat to coordinate with the monitoring function at the GEF Secretariat, which has interesting approaches to tracking policy and regulatory framework. A representative from the World Bank added that it is not the case that CEPF is not currently conducting monitoring, and she stated that teams in some hotspots are doing quite a good job of it. But she emphasized making monitoring more uniform.

A representative of the World Bank urged the CEPF Secretariat to make sure the information generated by the enhanced monitoring program is featured in effective communications pieces that get the information out in the public domain. A representative from the Government of Japan added that its interests in enhancing the monitoring program—particularly to provide improved tools for explaining to taxpayers the importance of Japan’s involvement in CEPF, especially in relation to biodiversity and livelihoods—have been addressed in the plan devised by the Secretariat.

5. Report from the Executive Director* (Doc. CEPF/DC19/4)

The Executive Director reviewed portions of her written report on activities since the last meeting of the Donor Council. She highlighted follow-up actions from the previous Donor Council meeting, including:

- A request from the Donor Council to consider changes to financial reporting to better reflect pledged funding, and produce a paper on the risks involved in making programming decisions based on pledged and secured funds, rather than just secured funds.

The Secretariat included in the quarterly report for the first quarter of fiscal year 2011 (which covers July-September 2010, and was distributed in November) new financial charts that show both pledged and secured funds. These charts, updated for the second quarter of the fiscal year, were also included in the packet for this meeting. The Executive Director welcomed discussion on whether the new charts clearly provide the information needed regarding pledged funds. Also included in the documents for the meeting is a paper that analyzes CEPF’s financial decision making process, and asks the Donor Council to endorse changing financial decision making on new regions to include both pledged and secured funding, as opposed to secured funding alone. This proposal appears later on the agenda.

- A request from the Donor Council for further analysis of proposed revisions to the terms of reference for regional implementation teams (RITs) as well as their administrative versus programmatic duties.

The Secretariat prepared a more detailed analysis of the terms of reference and grant making to the RITs, and included the analysis in the packet of documents for this meeting. The Secretariat is requesting approval for revised terms of reference for the RITs and for permission to award more than one grant to each RIT to allow the Secretariat to separate the budgets for administration and programmatic work. That proposal appears later in the meeting agenda.

Regarding the financial update, the Executive Director noted that the fund’s balance at the end of the second quarter of fiscal year 2011 was almost completely committed. She added that the chart depicting local vs. international grants awarded indicates a slight shift toward international, but that is chiefly due to the grant issued to BirdLife for the profiling of the Eastern Afromontane Hotspot. The Government of Japan’s commitment to provide an additional \$25 million to CEPF is reflected as pledged funding; disbursements toward that commitment will be approved annually. The Executive Director also noted that the Secretariat is now moving forward on ecosystem profiling for the East Melanesia Hotspot.

During the Executive Director’s report, Donor Council Chairperson James Wolfensohn arrived and took over as chair of the meeting.

The Executive Director continued her report, thanking the Donor Council for its support for CEPF's events at the Conference of the Parties to the CBD in October 2010 in Nagoya. The participation of the donors in these events—including the anniversary book launch reception and VIP dinner that followed, and the side event co-organized by the Japanese Ministry of Environment that featured a report on CEPF's contributions to the CBD targets—was crucial to CEPF's efforts in Nagoya. The Executive Director particularly expressed thanks to the Government of Japan, which put much effort into making sure these events were successful. Because of this success, the Executive Director said, other governments have expressed interest in the partnership.

Among the Secretariat's current activities, the Executive Director noted, is the profiling of the whole of the Eastern Afromontane Hotspot, which runs northeast from Zimbabwe through several African countries to Saudi Arabia and Yemen. The profiling is being led by BirdLife, which has set up several national consultation meetings, to be followed by regional meetings. One of the upcoming regional meetings was set for Ethiopia in April. The Executive Director said she was thinking about putting on hold a meeting tentatively planned for Saudi Arabia and Yemen because of the political situation in the region, and because CEPF has been having trouble getting traction in Saudi Arabia. The Chairperson noted that he could be of help with regard to the Saudis, and the representative from the World Bank added that the Bank could also be of help in reaching out to Saudi Arabia and Yemen. The Executive Director said she would follow up with the Chairperson and the World Bank, and would share the final consultation meeting schedule once received from BirdLife.

The Executive Director said the Secretariat hopes to have a first draft of the profile by July. BirdLife is working hard to make the profiling as inclusive as possible, she said. The representative from CI noted that Ethiopia has become a priority investment area for the Bill and Melinda Gates Foundation, which has been redefining its agriculture engagement there to focus on sustainable production by small farmers, and on ecosystem services as essential for long-term productivity. He suggested informing the Gates Foundation about CEPF's profiling and plans for the region. A World Bank representative also mentioned that the Bank has been working with Gates through its agriculture program. The Chairperson said he could be helpful in establishing collaboration with the Ethiopian government. The Executive Director said she would follow up with Donor Council members about their offers of assistance, and noted that the upcoming consultation meeting set to be held in Addis Ababa would be a good opportunity for representatives of the government and others to get acquainted with CEPF and the profiling process. The representative from Conservation International suggested that such meetings be used to raise the profile of CEPF and help develop relationships in each area of investment.

In other updates:

- The Executive Director reported that the World Bank held its supervision mission on 19 January 2011, resulting in an aide memoire with useful comments about safeguards issues. The Secretariat also needs to discuss with Donor Council members the Bank's need for a mid-term review of CEPF sometime later in the year.

- The Executive Director thanked representatives from the Government of Japan and AFD for participating in CEPF's final assessment workshop for the Eastern Himalayas in December. Such workshops provide an excellent opportunity for donor representatives to interact with grantees and learn first-hand about their achievements during the investment period, she said. Members of the Eastern Himalayas team also gave a brownbag presentation on the investment results at the World Bank headquarters in D.C. The Secretariat believes there are reasons to consider the region for consolidation funding even though it is not among the regions originally designated as eligible for consolidation, the Executive Director said. A World Bank representative noted that the Bank is looking at establishing a trust fund for Bhutan, and could perhaps work with CEPF on that.
- Progress was reported in the Caribbean Islands investment, but the Executive Director noted that the requirement for endorsements from GEF focal points in each country prior to investment, and the difficulty the Secretariat has encountered in obtaining endorsements, had delayed granting in some countries. She suggested that the Donor Council discuss the requirement. A GEF representative noted that sometimes focal points hold more than one full-time job and are stretched a little thin, and that they also might be concerned that CEPF investment would put their GEF funding at risk, though that is not the case. World Bank representatives suggested enlisting World Bank offices in those countries to help with the focal points. The GEF representative also said the GEF has an external relations team that works with the focal points, including weekly communication with them, and this team might be able to help. The Executive Director said she would follow up on these suggestions.
- A World Bank representative asked whether donor representatives would have the opportunity to review the Eastern Afromontane ecosystem profile—currently under development—at a mid-way point in order to provide input. He stressed the importance of getting Donor Council input before those decisions are made on investment priorities, particularly because there are a lot of new conservation activities in the hotspot and it is critical to capitalize on the synergies available. The Executive Director agreed to provide preliminary drafts of the profiles to the Working Group, and encouraged donors to participate if possible in regional consultation meetings being held in the hotspot in June. She said a calendar of the meetings would be circulated to donors. Representatives from Conservation International and the World Bank said it is particularly important to factor in what donors and partners are looking for and already doing in the region in regard to climate change adaptation. Representatives from the World Bank also said better awareness and use of the existing ecosystem profiles within the Bank and consultation with regional teams would be useful. The Executive Director offered to send CEPF representatives to those regional teams to make presentations.
- The Chairperson asked whether such outreach was also being made with regional banks. The Executive Director noted that efforts have been made with the African Development Bank and the Asian Development Bank, with the latter having been receptive to the possibility of working with CEPF. A World Bank representative said the Asian Development Bank may have concerns that it would have to offer \$25 million to join the partnership. The Executive Director said the possibility of the Asian Development Bank becoming a regional partner with an investment lower than \$25 million had been presented, and she noted that the Secretariat has also been discussing

regional partnerships with foundations. The Executive Director said she would provide a list of targets for new partnership to the Donor Council and coordinate with members to take advantage of council members' connections to these organizations/entities.

6. Review of CEPF's financial planning decision making (Doc. CEPF/DC19/5)

The Secretariat asked the Donor Council to endorse expanding financial decision making on new regions to include both pledged¹ and secured² funding versus solely secured funding.

CEPF shifted to the more conservative, secured-funding-only approach to planning after a couple of instances in the early years of CEPF when ecosystem profiles were completed without sufficient funding to act in a timely fashion on those profiles, the Executive Director said. That inability to invest in those regions was politically problematic, and some of the momentum built in the profiling process was lost. However, Donor Council members pointed out at their last meeting in Nagoya, Japan, that the secured-funding-only approach to investment planning may be too conservative in light of the strong relationship with donor partners who have made long-term fund pledges.

CEPF's second phase, originally scheduled to end in 2012, will now stretch out to 2017 because of the rate of securing funds, the Executive Director said. Specifically, she noted that the stretching of World Bank funding to 2017 could be considered bridge funding to a third phase of CEPF. The representative from Conservation International said a strategic discussion on the next phase of CEPF is needed so the partners can look at the model that has been tested and proven effective and factor in issues of environmental resilience and climate change adaptation, as well as increased focus on the relationship between biodiversity and humanity.

The Conservation International representative also asked for more information on the rate of funding from the World Bank. A representative from the World Bank explained that the Bank is committed to the full \$25 million investment, but an annual cap of \$3 million was introduced via changes to the Bank's Development Grant Facility (DGF). A representative of the Government of Japan added that while its financial agreement with CEPF for the new \$25 million pledge is not yet completed, their plan is also to decide annually how much of their \$25 million to disburse each year.

After discussing the need for more coordination of fundraising strategy with the Donor Council to enlist the members' assistance, and discussion about the programmatic direction of CEPF in Phase 3, Donor Council members approved the Secretariat's proposal to make investment planning decisions based on pledged funds.

Discussion on fundraising focused on the desire to broaden the donor partnership and requests that the Secretariat provide more regular information regarding which entities are thought to be the best targets for joining the partnership, and how the donor partners might help enlist these entities. Participants also suggested there might be opportunities related to the back-up of funding in Africa due to the lack of

¹ *Pledged Funding:* This is the full value of the intended contribution of a donor. This is typically pledged verbally or in informal communications, and is used by donors that have an annual approval allocation process that they must follow.

² *Secured Funding (Revenue):* This is the amount of funding that is memorialized in a formal signed grant agreement. This funding can be booked as revenue and a corresponding receivable in CI's financial system. This allows CEPF and CI to present complete financial statements and CEPF is presented as a fully funded endeavor.

capacity. The Executive Director said she would provide Donor Council members with a list of partner targets and include further discussion in an upcoming meeting or conference call. She noted that CEPF was already in initial discussions with Canada, Singapore and the European Union to explore potential partnership.

Regarding CEPF's third phase, Council members discussed the need to re-evaluate the structure and objectives of the fund in reaction to the growing funding for REDD+ and climate change adaptation activities while maintaining its focus on biodiversity and civil society.

7. Regional implementation teams terms of reference (Doc. CEPF/DC19/6)

The Donor Council was asked to:

- Review and approve the revised terms of reference for the Regional Implementation Teams (RITs), amending Section 4.2 of CEPF's Operations Manual; and
- Consider and approve granting more than one grant to RITs to ensure cost-effectiveness and optimal performance of these new terms of reference in the full range of geographies where CEPF works, amending Section 2.2 of CEPF's Operational Manual.

The Secretariat proposed the revised terms of reference for the RITs and the potential for awarding more than one grant to the RITs to address issues related to performance and recruiting, the Executive Director explained to members of the Donor Council via a PowerPoint presentation. Proposed changes to the terms of reference were drawn up to clarify the role of the RIT versus the role of the Secretariat, and thereby strengthen RIT performance. The revised terms were presented to the Donor Council at its October 2010 meeting. A discussion ensued at the October meeting about the low number of RIT applicants and the budget constraints that may be deterring applicants, including the Secretariat-imposed cap on the RIT budget set at 10 percent to ensure that administrative costs stayed below that mark. The Executive Director noted during the October meeting that RITs play important programmatic roles as well as providing critical administrative services from inside the investment regions. The Donor Council tabled the revised terms of reference at the October meeting and asked the Secretariat to further analyze the issue, particularly the administrative vs. programmatic duties of the RITs, and provide the results of the analysis to the Donor Council.

In the presentation on the Secretariat's analysis, and in Donor Council document CEPF/DC19/6, the Secretariat designated which key RIT activities were chiefly administrative and which were programmatic, and proposed that the Secretariat be permitted to grant separately for administrative and programmatic activities of the RIT to ensure that administrative costs are held below the 10 percent cap without impairing the performance of programmatic activities. The Secretariat concluded that this approach would:

- a) Make the role of the RIT more attractive to capable NGOs by allowing funding and staffing to be tailored to the programmatic and administrative activities that the RIT has to implement.
- b) Make tracking of administrative costs more accurate and transparent.
- c) Give CEPF more flexibility to adapt the RIT model to the specific needs and complexities of each investment region.

A representative of the World Bank described the proposed change as essential, and said it would help clarify which activities are administrative and which are not. The representative of AFD also expressed support for the change for the clarity it would bring to budgeting and the tracking of spending, as well as the reinforcement it would provide for CEPF's efforts to strengthen the capacity of regional entities. He asked, however, how the proposed changes would be reflected in ecosystem profiles, where the RIT role is listed and described among the strategic directions of the investment in each region, as well as the corresponding budget.

The Executive Director said the Secretariat proposes to maintain the RIT role in the strategic directions of all ecosystem profiles, but the language would be adjusted to be more explicit about the administrative vs. the programmatic activities. There would then be two budget lines under that strategic direction.

A representative of the World Bank said he also supported the basic idea behind the proposal, but stressed that the separation of administrative and programmatic costs should not result in unlimited spending on the non-administrative functions. He asked how the Secretariat proposed to ensure limits on the programmatic costs.

The Executive Director said the Secretariat is striving for cost-effectiveness, but needs to have some flexibility to tailor budgets to the needs of the often vastly different circumstances of the regions where CEPF works. It is difficult to set a percentage for costs that applies well to every hotspot, she said. Programmatic flexibility would allow CEPF to ensure it meets its strategic goals. Another representative from the World Bank suggested that if the proposal is approved, the Secretariat should report back to the Donor Council regularly on how the new system is working so that all can pay close attention to how well the approach works, noting that the Donor Council approves the budgets.

The representative of AFD expressed agreement with the Secretariat's proposal, but also stressed the importance of guaranteeing that some funds are dedicated to regional capacity building and coordination in each investment region.

The Chairperson noted that the consensus appeared to be support for the proposal with the requirement that the Secretariat report back to the Donor Council each year in the budget period specifically on how much is being spent on the programmatic activities of the RITs to reassure the Council of the careful use of funds. Donor Council members agreed.

8. Other business

The Executive Director said she would be in touch with council members to set up the time and date for the next meeting.

Warren Evans of the World Bank noted changes made to the posts of some World Bank staff working with CEPF. He thanked Claudia Sobrevila, who had been serving as the World Bank's CEPF Task Team Leader, for her efforts, noting that she will soon move to the Africa region for the Bank. He said Valerie Hickey would be working with Claudia on CEPF matters through the transition, as well as Sari Soderstrom, Sector Manager for Environment. He also reported he is serving as an advisor to Inger

Andersen, Vice President of Sustainable Development for the Bank, and that Mary Barton Dock is now Sector Director for Environment.

The Chairperson congratulated Mr. Evans and the World Bank team, and thanked them for their efforts.

The representative from Conservation International requested an update on talks with the government of Canada regarding possible partnership. The Executive Director reported that within the previous 48 hours a representative of Conservation International had met with a parliamentarian from Canada and encouraged Canadian participation in the CEPF partnership. The parliamentarian asked for a proposal and budget, which the Executive Director provided. She added that she might travel the following week to Canada for further discussions, and there is a chance the proposal could go before the Canadian Parliament sometime in May. A \$25 million investment was proposed. The Executive Director suggested that donor partners with Canadian connections consider supporting the effort.

A representative from the World Bank asked that the Executive Director provide another status report on the matter in the next week so their team could provide it to World Bank President Robert Zoellick. The representative from AFD also noted that his organization has close ties with Canada and would be available to assist. The Executive Director said she would follow up with the Bank and AFD via email.

The Chairperson adjourned the meeting.

List of Attendees

Donor Council Members

James Wolfensohn, Donor Council Chairperson	The World Bank
Peter Seligmann, CEO and Chairman	Conservation International
Inger Andersen, Vice President, Sustainable Development	The World Bank

Staff

AFD

Gilles Kleitz, Project Manager, Environment-Biodiversity

CEPF

Patricia Zurita, Executive Director
Deborah Spayd Rainey, Director, Grants Management Unit
Julie Shaw, Director, Communications

Conservation International

Jennifer Morris, Executive Vice President, Ecosystem Finance

GEF

Mark Zimsky, Senior Biodiversity Specialist, Natural Resources

Government of Japan

Momoko Nitta, Deputy Chief, Development Policy Division, International Bureau, Ministry of Finance
Daiji Kawaguchi, Assistant Director, Global Biodiversity Strategy Office, Nature Conservation Bureau, Ministry of the Environment

World Bank

Warren Evans, Sector Director, Environment
Mary Barton-Dock, Sector Director, Environment
Sari Soderstrom, Sector Manager, Environment
Claudia Sobrevila, Senior Biodiversity Specialist and CEPF Task Team Leader
Valerie Hickey, Biodiversity Specialist, Environment