

Critical Ecosystem Partnership Fund

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

Options for Funding the Pipeline Ecosystem Profiles

Recommended Action Item:

The Donor Council is asked to **reaffirm** 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.

Background:

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.

In addition, at the third Donor Council meeting (12 June 2002), the Council members evaluated four scenarios for hotspot prioritization and ultimately endorsed the scenario below for CEPF investments, prioritization and sequencing.

“CEPF will provide grant resources to the 19 hotspots/regions that are eligible in their entirety and CEPF will make additional grant resources available to additional sub-regions within the three large hotspots of Mesoamerica, Tropical Andes and Sundaland. Funding amounts will vary according to the recommendations resulting from the preparation and profiling phases. The ability to provide resources beyond the July 2002 – June 2003 cycle is contingent on securing additional donor(s) to the Fund. The result of this scenario is that there is no adverse political impact from dropping any hotspots, while significant additional resources are made available in the large hotspots as well as in the remaining five hotspots. Funding allocation would still be phased incrementally according to the number of donors, i.e., the last four ecosystem profiles would depend on securing a sixth donor to the Fund.”

Current Status:

To date, CEPF has funded 14 regions (in 13 eligible hotspots) and has four regions (in three hotspots) in the pipeline as follows:

- Western Ghats/Sri Lanka,
- Indochina,
- Eastern Himalayas, and
- Polynesia/Micronesia

These pipeline profiles were approved for preparation and profiling in July 2002. CEPF followed the scenario approved on 12 June 2002, by maximizing the amount of resources available for some regions, while keeping others relatively modest. However, according to the Donor Council approved spending model, CEPF requires a sixth donor to fully fund all of the profiles in the pipeline.

At the same time, CEPF has been stewarding additional, potential donors to the partnership. Despite ongoing efforts and expectations, a sixth full donor has not yet been secured. In anticipation of this circumstance, the CEPF Management Team requested a modification of the fundraising strategy during the sixth meeting of the Donor Council (31 March 2004), to allow for “Regional or Associate” donors that could allow for a lesser commitment on a regional basis. The minimum for participation in this model is the full cost of a regional profile or \$10 million.

The preparation processes in the four regions (three hotspots) that comprise the pipeline profiles are now completed. These processes have included the strongest scientific analysis to date, coupled with the most comprehensive stakeholder consultation and analysis of threats and opportunities. Despite being informed that a sixth donor is required to fully fund all the pipeline regions, there are naturally expectations in each of these regions and certainly hopes that CEPF will be able to provide access to grant resources to ensure the implementation of the strategy.

The CEPF Management Team has prioritized the pipeline profiles on the basis of the following criteria, as recommended by the CEPF Working Group.

1. Investment amount required to fund the profile effectively.
2. Determination of amount CEPF would have available to invest under the current \$125 million financing model.
3. Assessment of degree of expectation/momentum.
4. Determination of possible regional partnerships that could help fund the remaining profiles.
5. Prioritization of the hotspot/region to receive funding as the 15th hotspot/region under \$125 million financing model.

Profile	Investment required	Degree of expectations/momentum/need	Possible Partnerships
Eastern Himalayas	\$5 million	Moderate – CEPF investment is incremental to ongoing investments	At the moment no partnerships are being discussed that would provide financial support for the objectives of the ecosystem profile for the Eastern Himalayas
Western Ghats (5 million) and Sri Lanka (\$2.5)	\$7.5 million	Moderate to high – Indian stakeholders/civil society is robust and well developed. CEPF is seen as a unique approach.	At the moment no partnerships are being discussed that would provide financial support for the objectives of the ecosystem profile for the Western Ghats and Sri Lanka
Polynesia/Micronesia	\$6 million	High expectations due to broad geographic expanse, lack of current donors focusing on terrestrial conservation	CEPF is discussing a possible partnership with the Government of Australia
Indochina	Still being finalized	The CEPF working group has not reached consensus on this document and thus CEPF is working with the ecosystem profile team leader to finalize a revised draft.	CEPF is discussing a possible partnership with the Asian Development Bank

Recommendation:

Of the various scenarios for funding the pipeline profiles, the CEPF Management Team recommends the one that carries the least risk and is in accordance with the spirit of previous decisions of the Donor

Council. Specifically, it is recommended that the pipeline profiles be considered individually rather than *en block*, and that approval and authorization for spending be given for one pipeline profile to reach the 15 hotspots/regions contemplated in the financial model. Based on the above criteria, it is recommended that the Eastern Himalayas be selected for a spending authority of \$5 million. The remaining pipeline profiles will await commitment from additional donors.

The advantage to this scenario is that it fulfills the original expectations of the CEPF financial model and provides appropriate grant resources in one critical region rather than spreading remaining resources thinly over several hotspots or regions. The disadvantage, however, is a potential loss of momentum in the remaining regions as grants would not be available until an additional donor is secured and the potential loss of relevance of the profile depending on how long attracting an additional donor takes.