

Critical Ecosystem Partnership Fund
Twenty-first Meeting of the Donor Council
Conservation International, Arlington, VA

11 June 2012
8 a.m. – 11:00 a.m. EST

Draft Minutes

1. Welcome and introductions (Doc. CEPF/DC21/1)

Donor Council Chairperson James Wolfensohn welcomed Donor Council members and representatives participating in the meeting.

2. Adoption of agenda (Doc. CEPF/DC21/2)

The agenda was approved.

3. Adoption of Minutes of the Twentieth Meeting of the Donor Council (Doc. CEPF/DC21/3)

The Donor Council adopted the minutes of the Twentieth Meeting of the Donor Council, which took place on 6 February 2012.

4. Report from the Executive Director (Doc. CEPF/DC21/4)

-Includes follow-up to the decisions taken at Twentieth Meeting of the Donor Council

The Executive Director highlighted key developments since the Twentieth Meeting of the Donor Council on 6 February 2012. The report included:

- Financial Overview

The Executive Director provided the financial overview, with highlights including:

- As of March 31 donors had contributed \$223.4 million in revenue and \$177.5 million of expenses had been incurred, leaving a fund balance of \$45.7 million. The expenses include \$142.3 million in grants awarded to regions, \$129 million of which had been disbursed as of March 31, putting the fund at a 91 percent disbursement rate. It is important to note that disbursements happen over multiple years since most grants are longer than one year. Expenses also include ecosystem profiling and operations.
- Regions that had delays in granting are the Caribbean Islands and the Mediterranean. With the Caribbean Islands, there was a slow start in granting. With the Mediterranean, there was a delay on contracting the RIT, but once BirdLife is selected as the RIT, this will pick up.

The Executive Director provided an update on follow-up to decisions taken during the Twentieth Meeting of the Donor Council. The follow-up to decisions included:

- **Changes in focal point endorsement of ecosystem profiles:** The Executive Director reported that letters were distributed to all focal points informing them of the new, time-bound procedure to secure no-objection endorsement of ecosystem profiles. Copies of the letters sent to the Eastern Afromontane focal points were provided to the donors, and the Secretariat sent follow-up letters and made calls to the Eastern Afromontane focal points to ensure their understanding of the process.

The Donor Council members discussed the process for getting endorsements from the focal points, and engaging the Council in securing those endorsements for the Eastern Afromontane Hotspot and for future profiles, with some expressing concern that the Secretariat might be missing some opportunities. Council members emphasized the importance of doing everything possible to reach out to the focal points, especially under the new no-objection approval process. In the case of the Eastern Afromontane, the Executive Director explained that additional steps were taken by CEPF staff to encourage participation in development and endorsement of the ecosystem profile. This included phone calls and meetings with focal points, as well as invitations to profiling workshops. These activities were tracked in a log, which will be distributed to the Donor Council. **The Secretariat will report back to the Donor Council at the end of the 60-day no-objection period regarding successes and difficulties in engaging the focal points.**

- **Communications with donor partners about ecosystem profiling:** The Executive Director reported on the profiling process that took place in the East Melanesian Islands Hotspot, during which donor partners and GEF focal points were invited to local workshops and the regional workshop in Honiara. Representatives of the GEF focal points attended the local stakeholder consultations in Papua New Guinea, the Solomon Islands and Vanuatu. Neither focal points nor donor partner representatives were able to participate in the regional workshop, but the focal points did send representatives. Also attending the regional workshop were representatives of local stakeholder groups, the governments of the three countries of the hotspot, and international, national and grassroots NGOs and academia. The Executive Director encouraged input from donor partners on how best to engage them in future profiling processes.
- **Enhanced monitoring framework:** The Working Group met on 11 April to review the latest version of the Monitoring Framework. The Working Group discussed the budget and timeline. The Secretariat incorporated the Working Group's input into the monitoring framework documents included in the packet of documents for this meeting, and the topic is on the agenda. The Working Group agreed that it was not necessary to present the

documents electronically to the Donor Council, because it was felt that this was an unnecessary additional step.

- **Review of criteria for choosing investment regions:** The Secretariat reviewed the criteria with the Working Group at its 11 April 2012 meeting, incorporated the Working Group's input, and provided the resulting criteria and prioritization of hotspots in the document packet for this Donor Council meeting. Discussion on where CEPF will invest next is agenda item 6.

The Executive Director reviewed the partnership highlights, which included:

- Profiling of East Melanesia is near completion and the update of the profile for Indo-Burma is complete. The Indo-Burma update was funded by the MacArthur, Margaret A. Cargill and McKnight foundations, and a component on Myanmar was included thanks to a grant from MacArthur to the Wildlife Conservation Society.

The representative of the MacArthur Foundation emphasized the quality collaboration that took place among CEPF and the foundations that funded the profile update, noting the MacArthur is now using the updated profile for its own grantmaking in the region. He also said the profiles are excellent tools for building networks and parallel funding in investment regions. Donor Council members also emphasized the importance of focal point and other local government involvement in the profiling process. The Executive Director explained that focal points and other government officials are invited to profiling workshops, and in many cases become part of technical advisory committees for investment regions or are otherwise involved in the project review process once investment begins. **At the Donor Council's request, the Secretariat will report at the next meeting on plans for achieving wider use/adoption of the ecosystem profiles.**

- Global fundraising through a project with the European Union has been technically validated and approved, with €18 million set for the contribution to CEPF. If approved by the EU Council and Parliament, the funds will be transferred through the World Bank and the partnership will be launched in Hyderabad in October 2012.
- Regional fundraising is in progress for Indo-Burma, the Mediterranean and the Eastern Afromontane. CEPF was invited to present proposals for \$2.2 million to the MacArthur and Margaret A. Cargill Foundation for Indo-Burma. Progress is being made with the Mava Foundation to co-fund the project pipeline resulting from the first call for proposals for the Mediterranean. And in the Eastern Afromontane, the Saudi Wildlife Authority has agreed to host the launch of the EAM profile proposed for November 2012.
- CEPF is hosting or participating in side events taking place at the World Conservation Congress in South Korea in September. Rio +20 declined the proposal for a CEPF learning event. Also this fall, the Eastern Afromontane portfolio is expected to be launched in Addis Ababa and Riyadh.

In discussing the Executive Director's report, Donor Council members further addressed the importance of facilitating civil society collaboration with governments, as this will help create synergies and support. The Executive Director reviewed the informal process for engaging governments, which is included as part of the RIT required activities for ensuring connection to the government. A challenge is ensuring that the RIT for a multi-country hotspot has the capacity and resources to reach out to all local governments. In addition, before a region is approved for investment, the profile includes a section on government policies in the region that either present opportunities or threats to conservation goals. This identifies strategies for civil society to inform government decision-making. **It was agreed that the Secretariat will further report to donors at the next meeting on how CEPF is engaging local, regional, and national governments.**

The Donor Council requested that the Secretariat circulate within two weeks of each meeting a list of key questions/issues the Secretariat will follow up on, which will also be included at the end of the minutes for the meeting (and also, with status updates, in the Executive Director's Report for the next meeting).

5. The proposed FY13 spending plan (Doc. CEPF/DC21/8)

On 2 May 2012, the Secretariat circulated the proposed spending plan to the Donor Council for no-objection approval as required in the Operational Manual. The FY13 spending plan of \$17.7 million is \$2.2 million higher than the FY12 spending plan, including \$1.17 million more in grants, \$170,000 more in operations, \$856,000 in ecosystem profile preparation, and a \$7,000 decrease in special projects costs.

The Secretariat received questions from donor partners and responded to those questions via email, copying all Donor Council members. At the request of donor partners, the Donor Council members discussed the questions, listed below, and the Secretariat provided the following responses.

- **Question:** The spending plan for FY13, at just over \$17.7 million, is more than \$2 million larger than the budget for FY12 (=13 percent increase from FY12). If all the planned work can be carried out, the request for an increase may be justified. However, we need more assurances with regard to the realism of the FY13 plan: As of end of Q3 (March 31, 2012), disbursements and award of ecosystem grants (about 80 percent of the total program budget) were at 65 percent and 57 percent respectively, of FY12 budget estimates. Understanding what the larger budget will mean in terms of existing staff capacity to prepare, implement, manage and monitor a high-quality portfolio, will help us assess the proposed spending plan. In other words, does the Secretariat have sufficient head-room to absorb all the extra work required to deliver this much larger portfolio?

Response/Discussion: The Donor Council Chairperson asked the Executive Director to explain the spike in the spending plan. The Executive Director noted that the Secretariat is on track to spend in excess of 90 percent of the budget presented and approved for FY12. The typical granting cycle begins with profiling, approval and set up. Once the RIT is contracted, the initial granting begins in year 1, in years 2-3 the portfolio hits peak momentum, and the portfolio closes in year 6. For FY12, there were five approved active regions, three regions under preparation and nine regions in consolidation; for FY13, there should be eight active regions (with one to be approved), four regions under preparation (with three to be approved), and three regions in consolidation.

The Secretariat pointed out that the proposed FY13 spending plan is only slightly above average based on the CEPF's historical spending. The projections were done considering the number of active regions for next fiscal year, in particular keeping in mind that both the Mediterranean and the Eastern Afromontane regions will be active, and that by mid-year the Secretariat expects that investment in the East Melanesia Islands will be approved by the Donor Council. The Secretariat will also likely have at least two new hotspots to profile and approval for new grant making in no less than two hotspots where CEPF has previously invested.

The Chairperson said it is important for the Secretariat to make sure it is implementing programs at or near the spending requested. A Donor Council member pointed out that agreement had not been reached on whether CEPF should make it a practice to update ecosystem profiles. The member also asked whether the Secretariat could ramp up staff and effort to deliver quality implementation of the plan presented, and whether the figures presented in the spending plan factor in the time lag involved in disbursing grants.

The Secretariat is confident it can deliver the work in the larger portfolio, the Executive Director said, as the delays in the granting through March 2012 were not related to the Secretariat's capacity. The delays in grant awards were caused by new requirements resulting from triggering the Pest Management Safeguard of the World Bank for projects that propose the eradication of invasive species. Guidance and training on this will be provided to the RITs and grantees so that future portfolios can move forward much more quickly, the Executive Director said. She confirmed that the lag in grant disbursement was factored into the spending plan, noting that multiple-year grants are disbursed year-by-year and that the 90 percent disbursement figure for FY12 includes all grants approved and booked that will be disbursed by the end of the fiscal year.

- **Question:** CI's audited indirect cost rate has increased from 18.9 percent to 23.8 percent (to about \$500,000). The indirect cost rate represents an "extra" management fee on top of budgeted operating costs, which include the actual cost of managing the partnership. In addition, 10 percent of the ecosystem investment envelope is used to cover operating/management costs at the local levels. As such as we cannot support an increase in indirect costs.

Response/Discussion: The Secretariat receives 12 percent of the total budget, which is used for management, reporting, monitoring, strategy definition, fundraising and donor stewardship. The management fee is 2.85 percent of the total budget, and this IDC covers CI's financial, IT, human resources and other organizational support. These costs cannot be allocated to specific projects.

The financing agreement between CI and The World Bank stipulates that the IDC would be equal to CI's audited rate. CI's Chief Operating Officer explained to the Donor Council that this rate varies because CI's direct costs fluctuate from year to year. In years when a larger amount of grant funding is distributed by CI, the IDC decreases. He noted that CI tries to keep the IDC rate as low as possible. Donor Council members asked whether costs were being well controlled, whether there are any efficiency benchmarks for the organization, and if information could be provided on historical levels of Secretariat staffing. A Donor Council member noted that the IDC rate has been a topic of discussion from time to time at Donor Council meetings, and he noted that tying the rate to the audited cost was an attempt to avoid arbitrary cost setting. He noted that because of previous issues related to this, not all donor partners currently contribute to the IDC costs, and that is another matter to be discussed in an examination of efficiency. **The Chairperson suggested that the Chief Operating Officer of CI convene a meeting with the donor partners to describe the methodology for the IDC rate and adjust the format of the IDC breakdown as necessary to meet donor's needs. The Secretariat will define and measure internal efficiency benchmarks and document the evolution of staffing over the last four to six years. These will be distributed along with the IDC analysis prior to the next Donor Council Meeting.**

- **Question:** Currently there are 10 full-time staff and seven part-time staff charging against the program, in addition to the RIT staff who provide additional administrative, operational and financial support at the local level. As such, we would also like to discuss the request for a new staff member to join the Secretariat to take charge of monitoring and evaluation, as proposed in the spending plan. Could this be absorbed under the existing staff?

Response/Discussion: The Executive Director clarified the staffing status of the Secretariat, noting that in FY12 there were only seven full-time and 11 part-time staff. The move away from full-time staff is to allow shared cost of grant coordination and grant monitoring. In order to achieve the enhanced monitoring targets, the Secretariat requested \$50,000 for an additional half-time staffer. A question was also asked via email about the Secretariat's request for funding for the half-time staff member, but Donor Council members agreed not to pursue the question further.

The Donor Council approved the FY13 spending plan.

6. Approval of the Monitoring Framework (Doc. CEPF/DC21/5)

The Donor Council was asked to review and approve the final version of the CEPF Monitoring Framework, which supplements the current monitoring efforts of the Secretariat and the Global Strategic Framework.

The Executive Director noted that the CEPF Monitoring Framework has evolved and improved based on the recommendations and revisions of the Donor Council during its Nineteenth and Twentieth meetings. The four focal areas to monitor program impact are civil society capacity, biodiversity, human well-being and enabling conditions (i.e. policy, finance). The upgraded framework will allow collection of additional information including: change in habitat extent, amount of carbon stored at CEPF sites, amount of fresh water secured, improved data on financial performance of sustainable fishing mechanisms, and change in collective capacity of civil society.

The recurring costs for the proposed monitoring framework is \$60,000 per year (\$269,976 total for five years) to be covered from the Secretariat's budget. This will allow additional staff to support development of criteria, tools and systems for implementation, as well as consolidation, aggregation and analysis of the data collected.

A single investment of \$456,000 from the Special Projects line over two years will allow implementation of spatial analysis of CEPF's impact in reducing deforestation in four hotspots where deforestation was identified as a key threat, avoiding deforestation was included as a strategic direction, and where no other donor has invested in spatial analysis.

A spatial analysis from remote sensing in the Eastern Arc Mountains and Coastal Forests of Tanzania and Kenya demonstrated how the data allows the rate of forest loss in protected areas to be calculated and compared between sites where CEPF has invested, and those where it has not. This particular example showed that rates of forest loss were eight times higher in unprotected areas than in national parks, national reserves and forest reserves.

The Donor Council approved the final version of the CEPF Monitoring Framework, which may be implemented as early as June 2013.

7. Selection of new priority areas for investment (Doc. CEPF/DC21/6)

The Donor Council was asked to approve two new hotspots from the prioritized list for CEPF investment and approve investment in at least one additional hotspot where CEPF has previously invested.

The Executive Director reviewed the potential criteria and suggested indicators, stressing that enabling civil society is where CEPF is most needed but that it may require long-term engagement to make a difference.

The Donor Council discussed the options for new regions for investment, which included:

- Mountains of Central Asia

The World Bank expressed deep reservations about this hotspot because of the difficulties involved in working in the region. Other Donor Council members also expressed some concerns about working in Afghanistan, but the Government of Japan and the GEF indicated the hotspot as their top pick for investment, with Japan noting the potential for funding bilateral funding synergies. This hotspot was also ranked by the Secretariat as the top recommendation based on the criteria for investment. The AFD ranked this second for investment.

- Madrean Pine Oak Woodlands

The Secretariat ranked this as the second recommendation based on the criteria for investment. Discussion about this hotspot included that the GEF already invests highly in this area, but opportunity exists to deliver results on human well-being.

- Wallacea

This region is ranked third by the Secretariat and offers the opportunity to work in a terrestrial and marine hotspot. The World Bank, the MacArthur Foundation, and AFD selected this as their top recommendation for investment. The GEF picked this as their second ranked recommendation.

- Valdivian Forest

- Cerrado

The GEF representative noted that Cerrado has high biodiversity, the least amount of protected area in Brazil, and the least capacity for civil society in Brazil. The World Bank noted that the Forest Investment Program (FIP) just approved a large deforestation project in Cerrado. The Conservation International representative suggested CEPF could make an important contribution to civil society in this region.

A Donor Council member asked the Secretariat's recommendation, which was the Mountains of Central Asia and Wallacea. The Chairperson suggested that the Donor Council approve investment in Wallacea and that an additional region for investment be chosen at next Donor Council Meeting.

The Secretariat also recommended Indo-Burma as the region for reinvestment because an updated ecosystem profile has been prepared (with funding from the MacArthur, Margaret A.

Cargill and McKnight foundations). Reinvestment now would allow for seamless connection between funding phases, would leverage the funding of the three foundations that supported the profiling process and would keep momentum going.

The GEF representative recommended that the region for reinvestment go beyond consolidation and that a five year business plan be presented for reinvestment.

The Donor Council approved investment in Wallacea and reinvestment in Indo-Burma. **It was agreed that the Secretariat will work with the Donor Council to propose and select the second area for new investment at the next Donor Council Meeting.**

8. Approval of the selection of BirdLife International as the Regional Implementation Team for the Eastern Afromontane Biodiversity Hotspot (Doc. CEPF/DC21/7)

The Donor Council approved the selection of BirdLife International as the Regional Implementation Team (RIT) for the Eastern Afromontane Biodiversity Hotspot.

9. Presentation by the World Bank on the results of the Mid-Term Review* (Doc. CEPF/DC21/9)

The World Bank representative will circulate the results of the Mid-Term Review that was completed in August 2011. Questions regarding the Mid-Term Review will be discussed during the next Donor Council Meeting.

10. Other business

The Government of Japan representative thanked Donor Council members for their support in electing Naoko Nishi of Japan as the new CEO of GEF.

The Chairperson adjourned the meeting.

Summary of decisions and follow-up actions

1. Decisions Reached

The Donor Council reached the following decisions:

- The agenda of the Twenty-First Meeting of the Donor Council was approved.
- The minutes of the Twentieth Donor Council Meeting were adopted.
- The Spending Plan for FY13 was approved.
- The Monitoring Framework was approved.
- The Donor Council selected Wallacea as the new region for CEPF investment and approved reinvestment in Indo Burma. Additional new and reinvestment regions will be discussed further in the next three months with the Working Group.
- BirdLife International was selected as the Regional Implementation Team for the Eastern Afromontane Hotspot.

2. Follow-up actions

The Secretariat was asked to:

- Circulate to the Donor Council members within two weeks of each Donor Council meeting a list of key questions/issues the Secretariat will follow-up on, which will also be included at the end of the minutes for the meeting (and also, with status updates, in the Executive Director's Report for the next meeting).
- Share its record of communications with GEF focal points in the Eastern Afromontane Hotspot, and to report back to the Donor Council at the end of the 60-day no-objection period regarding successes and difficulties in engaging the focal points.
- Report to donors at the next meeting on how CEPF is engaging local, regional, and national governments.
- Report back to the donors at the next meeting regarding how to achieve wider use/adoption of the ecosystem profiles.
- Present efficiency metrics and a history of CEPF staffing at the next meeting;
- And set up a meeting including representatives of all donors and the Secretariat to explain to donors the split of functions and related budget implications between CI and the Secretariat and to agree upon the presentation and reporting of financial information to donors.
- Circulate the results of the Mid-Term review that was completed in August 2011. Questions about this will be discussed during the next Donor Council Meeting.

List of Attendees

Donor Council Members

James Wolfensohn, Chairman	CEPF Donor Council
Gilles Kleitz, Project Manager Biodiversity on behalf of Pierre Jacquet, Chief Economist	L'Agence Française de Développement
Peter Seligmann, CEO and Chairman	Conservation International
Gustavo Fonseca, Team Leader – Natural Resources on behalf of Monique Barbut, CEO and Chairperson	Global Environment Facility
Jørgen Thomsen, Director, Conservation and Sustainable Development, on behalf of Rober Gallucci, President	MacArthur Foundation
Rachel Kyte, Vice President, Sustainable Development	The World Bank

Staff

CEPF

Patricia Zurita, Executive Director
John De Wet, Vice President, Finance and Operations
Nina Marshall, Managing Director
Deborah Rainey, Director, Grant Management Unit
Julie Shaw, Director, Communications
Daniel Rothberg, Grant Director
Mandy DeVine, Executive Assistant

Conservation International

Niels Crone, Chief Operating Officer
Jennifer Morris, Executive Vice President, Ecosystem Finance and Markets

Global Environment Facility

Yoko Watanabe, Sr. Biodiversity Specialist

Government of Japan

Momoko Nitta, Deputy Chief, Development Policy Division, International Bureau, Ministry of
Finance
Ryusuke Nakayama, Director, Development Issues, International Bureau Ministry of
Finance, Japan

Yuji Tsujiki, Deputy Director and Special Officer for Development Finance,
Ministry of Finance Japan

Hiroki Katayama, Section Chief, Development Institutions Division, International Bureau,
Ministry of Finance, Japan.

Asako Kobayashi, International Bureau, Ministry of Finance Japan

Tomoya Endo, Development Policy Division, International Bureau, Ministry of Finance

Yasuharu Ina, Assistant Director, Global Biodiversity Strategy Office, Nature Conservation
Bureau, Ministry of the Environment

Mori Yuki, Global Biodiversity Strategy Office, Nature Conservation Bureau, Ministry of
Environment

World Bank

Mary Barton-Dock, Director Environment Department

Sari Söderström Feyzioğlu, Sector Manager, Environment Department, Sustainable
Development Network

Valerie Hickey, Team Task Leader