

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

Presentation by the World Bank on the results of the Mid-Term Review

For Information Only:

The Donor Council requested at the 20th Meeting held on 6 February 2012, for the World Bank to present the results of the Mid Term Review completed in August 2011. The Aide Memoire is attached for the Donor Council reference.

August 3, 2011

Ms. Patricia Zurita
Executive Director
Conservation International
2011 Crystal Drive, Suite 500
Arlington, VA 22202, USA

Dear Ms. Zurita,

*Subject: Global – Critical Ecosystem Partnership Fund 2
Mid-Term Review, June 3-29, 2011*

A World Bank mission led by Ms. Claudia Sobrevila carried out the mid-term review of CEPF2, which included field visits to the Polynesia-Micronesia and Indo-Burma hotspots. The team is very grateful for the time provided by all involved, and would particularly like to thank Birdlife International for its help with field trips. I have attached the mission's Aide Memoire for your perusal which I hereby approve.

The World Bank remains committed to the CEPF agenda, and it is in this context that I would like to highlight three key items from the mission's findings for your attention:

- **Slow Disbursement Rate:** While I understand the reasons, I note with concern the slow disbursement rate of the project. I would like to ask that you prepare a six-month action plan that addresses this. I understand that the mission agreed with you that a first step would be to increase the disbursement rate for the small grants, and also to extend the project closing date. I support this and suggest that you proceed with next steps.
- **Bank's Operational Policy 4.09 on Pest Management:** I note the mission's finding that pest management activities are taking place within project areas. As a consequence, the Bank's OP 4.09 on Pest Management is triggered, requiring you to develop and implement a Pest Management Plan according to the Bank's policy. We would like to see a draft as soon as possible and are happy to support you in this activity.
- **Scope of Project:** I note that the mission has come to the conclusion that the project's original scope was overly ambitious, requiring a reduction in the target for new protected areas which constitutes one of the project's outcome indicators. I support this and suggest you proceed to restructure the project accordingly.

I look forward to working with you further on this challenging, but highly consequential agenda.

Sincerely,



Mary Barton-Dock
Director
Environment Department

Attachment
Aide Memoire

cc: Deborah Rainey, Conservation International
Nina Marshall, CEPF Secretariat
Mark O'Brien, Birdlife International Pacific Programme

**SECOND CRITICAL ECOSYSTEM PARTNERSHIP FUND (CEPF2)
(GEF TF 91421[P100198], DGF 102410 [P104598])**

MID-TERM REVIEW MISSION: JUNE 3-29, 2011

Name of Project	Critical Ecosystem Partnership Fund (Phase 2)
Board Approval of GEF operation	18 December 2007
Effectiveness of GEF operation	6 June 2008
Closing Date of GEF operation	31 December 2012
GEF Budget managed by WB	\$20,000,000 <i>The Bank has committed a further \$25m from the DGF, of which \$9 has been approved (and \$6m disbursed) This money is approved annually and covers 18 months from July 1 to the following December 31.</i>
Disbursement to date of GEF operation	\$9.2m
Disbursement lag of GEF operation	43% (17 months)
Previous mission (HQ only)	January 2011
Previous field mission	September/October 2009

SUMMARY

1. A Bank team including Claudia Sobrevila (Task Team Leader, ENV), Valerie Hickey (Environmental Specialist, ENV), Karen Azeez (Junior Professional Associate, SDN) and Douglas Graham (Senior Environmental Specialist, EAS) carried out the mid-term review for CEPF2. As part of the review, the team conducted a supervision mission in Fiji and Vietnam from June 2-18, 2011, to visit the Polynesia-Micronesia and Indo-Burma hotspots of the CEPF. The mid-term review was also based on the CEPF independent assessment carried out by David Olson in 2010 and on the financial assessment of the CEPF carried out in February 2011. The Bank team held a day-long meeting with the CEPF Secretariat at Conservation International (CI) headquarters in Crystal City, Virginia on June 29 to finalize this aide-memoire which is subject to World Bank management review and clearance.
2. It was agreed that given the deliberative nature of the discussions held during the MTR, that the Aide Memoire would not be made public.
3. *Main findings.* The mission found that disbursements remain behind schedule by 17 months as a result of the limited ratio (26%) of each grant that the GEF funds finance and the smaller than expected annual DGF allocations. The mission was also informed that despite not triggering OP 4.09 Pest Management for the project, the purchase and application of pesticides are in fact being supported under CEPF. Following a review of the targets articulated under the Project Development Objective (PDO) and the type of hotspots thus far identified by the Donor Council for investments, the mission found that the scale of expected area to be newly gazetted as protected areas was overly ambitious and cannot be achieved. As a result, it was agreed that the Financing Agreement would be restructured to (i) extend the closing date of the project and change the ratio of each grant GEF funds can finance; (ii) elevate the project environmental assessment category from C to B and trigger OP 4.09; and (iii) revise downward the target for the PDO indicator referenced above.

4. *Agreed actions.* The list of agreed actions is presented in the table below.

More details in annex/paragraph	Action	Responsible Party	Due Date	Comments
5/5	Collate all grants using pest management	CEPF	August 15, 2011	Each line item should indicate the bait used and its legal status in-country
5/5	Collate list of IPs in Pacific	WB	August 15, 2011	
4/2 , 4/9 and 6/8	Prepare a request for modification of 26% grant ratio, closing date and GEO target	CEPF	September 1, 2011	
5/5	Develop a Pest Management Guidelines	CEPF	September 15, 2011	These Guidelines should include annexes that identify the projects using pests and what pest management techniques and baits are already in-use
5/5	Update the ISDS	WB	September 15, 2011	Based on the Pest Management Guidelines
4/10	Undertake procurement assessment	WB	October 31, 2011	
4/7	Undertake FM assessment of program audit requirements	WB	October 31, 2011	
6/15	Prepare and submit SP1 tracking tool for all public protected areas	CEPF	October 31, 2011	
4/4	Prepare agenda item for exception to seeking GEF focal point endorsement for donor council mtg	CEPF	October 31, 2011	
6/37	Develop TORs for a global exchange of experience between grantees and RITs to share lessons learned across hotspots	CEPF	November 15, 2011	
6/29	Develop the TORs for a socio-economic benefits study	CEPF	December 1, 2011	
4/12	Develop the TORs for a cost-effectiveness study	CEPF	December 1, 2011	
6/18 and 6/23	Submit report on Global Results Framework	CEPF	September 30, 2012	Including the use of certification as one MRV
6/11	Prepare Ecosystem Profile Overviews including the maps in an easy-to-use format for each of the hotspots and disseminated as communication and fundraising tool on an ongoing basis.	CEPF	Ongoing	
6/32	Apply the civil society tracking tool to all hotspots	CEPF	Ongoing	
6/11	Standardize logframes to reflect number of hectares in KBAs not number of KBAs	CEPF	Ongoing	
5/5	Provide each new RIT, upon its selection, training in how to identify and supervise safeguard actions in each grant.	WB	Ongoing	

TECHNICAL SUMMARY

1. Progress towards PDO (*to strengthen the involvement and effectiveness of civil society in contributing to the conservation and management of globally important biodiversity*). The project is progressing well against its PDO, having provided funds to date to nearly 300 civil society organizations out of a planned 600.
2. Progress towards GEO (*conservation outcomes consolidated in existing CEPF regions and funding expanded to new ecosystems in order to achieve strategic and sustainable conservation and integrated ecosystem management in areas of globally important biodiversity*). Progress against the GEO has been uneven. To date, the project has invested in 9 and 5 consolidation and new hotspots respectively, out of a desired 14 total (with 9 of those to be new hotspots). The project has also invested in conserving globally important biodiversity in a total of 8,203,014 hectares out of the proposed 29 m hectares.
3. *Implementation progress*. The mission found that overall the project has been very effective at supporting conservation efforts in multiple regions with pronounced concentrations of threatened species and that harbor globally significant biodiversity and ecosystems.
4. *Financial Management*. The most recent financial quarterly reports were received and cleared by the Bank for the January to March 2011 quarter. An in-depth FM assessment was performed in February 2011 and found no issues.
5. *Procurement*. An in-depth procurement assessment is planned to take place before October 31, 2011.
6. *Safeguards*. The project is complying with the measures outlined in the Environmental and Social Management Framework (ESMF) referred to in the project's Operational Manual. In addition, though OP 4.09 had not been triggered and the ESMF contains no guidelines on pest management, the mission found that the project team was nonetheless using international best practice to identify, minimize, mitigate and manage adverse impacts arising from its support to pest management activities.
7. *Legal Covenants*. All legal covenants are being met in a timely fashion.
8. The task team is extremely grateful for the cooperation and assistance provided by staff of the CEPF, especially Patricia Zurita, Nina Marshall, Jack Tordoff and John Watkin. The task team also appreciates the coordination of supervision and field visits by the Regional Implementation Teams (RITs) in Polynesia-Micronesia and Indo-Burma, particularly the support provided by Birdlife International both in Fiji and Vietnam.
9. The following annexes summarize the mission's itinerary, the status of actions agreed to during the previous mission (January 2011), and discussions that took place and agreements reached during this mission.

Annex 1. Itinerary and Persons Met

The mission itinerary progressed as follows:

Time	Location	Activity
June 5- June 9	Suva, Fiji	<ul style="list-style-type: none"> • Mid-term Review for Polynesia-Micronesia hotspot
June 7	Mabualau Island, Fiji	<ul style="list-style-type: none"> • Field Visit- Rat Eradication Project, <i>BirdLife International</i> and <i>Pacific Seabird Group</i>
June 9-11	Kadavu Island, Fiji	<ul style="list-style-type: none"> • Field Visit- Sustainable Livelihoods and PA/IBA Management in Lomati and Nabukelevu villages, <i>BirdLife International</i> and <i>Fijians for Fijian Forests</i>
June 13- 15	Hanoi, Vietnam	<ul style="list-style-type: none"> • Presentation about the CEPF portfolio in the Indo-Burma Hotspot, <i>BirdLife International</i> • Briefing about Fauna & Flora International's CEPF project, <i>Flora and Fauna International</i> • Briefing about PRCF's CEPF project, <i>People Resources and Conservation Foundation</i> • Briefing about PanNature's CEPF projects ahead of field trip, <i>People and Nature Reconciliation</i> • Courtesy visit to GEF Focal Point at Ministry of Natural Resources and Environment, <i>Vietnam MoNRE</i>
June 16	Bắc Kạn Province, Vietnam	<ul style="list-style-type: none"> • Travel from Hanoi to Ba Be National Park with PanNature staff and journalist to see some of the issues PanNature have been raising in the media
June 17-18	Tuyên Quang Province, Vietnam	<ul style="list-style-type: none"> • Field visit to project site on community fisheries along the Gam River, <i>Center for Water Resources Conservation and Development (WARECOD)</i> • Visit with Ministry officials of Na Hang town, <i>Na Hang Municipal Government</i>
June 29	Crystal City, VA	<ul style="list-style-type: none"> • Detailed discussions with CEPF Secretariat

Persons met in Fiji

NAME	ORGANIZATION
Francois Giovalucchi	Agence Francaise de Developpement
Jean-Yves Clavel	Agence Francaise de Developpement
Mark O'Brien	Birdlife International
Nick Askew	Birdlife International
Tuverea Tuamoto	BirdLife International
Miliana Ravuso	BirdLife International Fiji Programme
Mark O'Brien	BirdLife International Pacific Programme
Jack Tordoff	CEPF
John Watkin	CEPF
Nina Marshall	CEPF
Irma Motua	Conservation et Restauration des Iles de Polynesie
James Atherton	Conservation International
Leilani Duffy	Conservation International
Mike Donoghue	Conservation International
Naamal Da Silva	Conservation International
Roger James	Conservation International
Siniva Tuuau-Enosa	Conservation International
Patterson Shed	Conservation Society Pohnpei
Sharon Patris	Coral Reef Research Foundation

David Butler	David Butler Associates Ltd
Dick Watling	Fiji Nature Conservation Trust (NatureFiji-MareqetiViti)
Nunia Thomas	Fiji Nature Conservation Trust (NatureFiji-MareqetiViti)
Tamara Osbourne Naikatini	Fiji Nature Conservation Trust (NatureFiji-MareqetiViti)
Jean-Yves Meyer	Government of French Polynesia
Bernie O'Callaghan	IUCN Oceania
Shyama Pagad	IUCN/SSN Invasive Species Specialist Group
Jeff Zebedy	Marshall Islands Conservation Society
Moeumu Uili	Ministry of Natural Resources and the Environment
Jovesa Drau	Nabukelevu Conservation Group
Elizabeth Erasito	National Trust for Fiji
Brian Patrick	New Zealand butterfly enterprises Ltd
Graham Wragg	Pacific Expeditions Limited
Souad Boudjelas	Pacific Invasives Initiative
Joel Miles	Palau Animal Welfare Society
Anu Gupta	Palau Conservation Society
Anne Gouni	SOP Manu
Alan Tye	South Pacific Regional Environmental Program
Lui Bell	South Pacific Regional Environmental Program
Posa Skelton	South Pacific Regional Environmental Program
Jacqui Evans	Te Ipukarea Society Inc
Lorraine Ndiiall	The Nature Conservancy - Micronesia Program
Sione Faka'osi	Tonga Community Development Trust
Floyd Robinson	UNDP
Greg Sherley	UNEP
Ms Katarina Atalifo	UNEP GEF Small Grants Prog.,
Craig Costion	University of Adelaide
Prof. Chalapan Kaluwin	University of Papua New Guinea
Prof. Frank Griffin	University of Papua New Guinea
Gilliane Brodie	University of the South Pacific

Persons met in Vietnam

<i>NAME</i>	<i>ORGANIZATION</i>
Bien Tap Vien	People and Nature Reconciliation (PanNature)
Do Thi Hai Linh	People and Nature Reconciliation
Hoàng Bô Yên	Environmental Journalist

Jack Tordoff	CEPF
John Parr	Fauna and Flora International- Vietnam Office
Jonathan Eames	BirdLife International
Michael Dine	People Resources and Conservation Foundation
Nguy Thi Khanh	WARECOD (Center for Water Resources Conservation and Development)
Nguyen Hoang Long	BirdLife International
Trang Thanh Huong	BirdLife International
Trinh Le Nguyen	People and Nature Reconciliation (PanNature)
Kim Thi Thuy Ngoc	International Cooperation Division, Institute of Strategy and Policy on Natural Resources and Environment, Ministry of Natural Resources and Environment

Persons met in Crystal City, VA

<i>NAME</i>	<i>ORGANIZATION</i>
Patricia Zurita	CEPF Secretariat
Nina Marshall	CEPF Secretariat
Julie Shaw	CEPF Secretariat
Deborah Rainey	Conservation International

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Annex 2. Status of Actions from Previous (January 2011) Supervision Mission

<i>AGREED ACTION</i>	<i>BY WHOM</i>	<i>BY WHEN</i>	<i>STATUS</i>
<i>A. CEPF-2 implementation</i>			
1. Update Aide Memoire with sections on Fundraising, Ecosystem Profiles, Donor Council and Working Group Meetings	CEPF	February 11, 2011	Done
2. Produce a list of the grants that have triggered safeguards and which they have triggered	CEPF	Next WB Supervision Mission	List was provided for the two hotspots visited during MTR.
3. Follow up with China focal point endorsement for Consolidation program	WB	February 28, 2011	Issue was resolved without needing focal point endorsement
4. Provide with an update of the progress towards the Global Framework	CEPF	March 24, 2011	Done
<i>B. Financial Management</i>			
1. CEPF External Audit posted on website	CEPF	February 28, 2011	Done
2. Follow up with CI Finance on questions related to internal audit	CEPF	February 10, 2011	Done
3. Share TORs for mid-term review	WB	February 16, 2011	Done
4. Amend GEF Financing Agreement to change GEF disbursement from 26% to 50% proportionate	CEPF and WB	March 31, 2011	Postponed for discussion during MTR; discussed above
5. Perform follow-up procurement site visit	WB	March 31, 2011	This remains an action to be completed and is included in the table of actions.
6. Perform follow-up expanded financial management supervision	WB	February 10, 2011	Done on February 10, 2011.

Annex 3. Status of Legal Covenants

<i>Description of Covenants</i>	<i>Date Due</i>	<i>Frequency</i>	<i>Status</i>
Adoption of TOR for external audit acceptable to the Bank	06-Oct-2008		Complied with
Agreement on TOR for program audit to assess economy, efficiency and effectiveness in relation to achieving the CEPF objectives	05-Jun-2009		Complied with
Completion of a program audit of CEPF by the internal auditor	04-Jun-2010		Ongoing – discussions are ongoing and the team's FM specialist will undertake an assessment of what is necessary and what has already been completed and achieved
6.01 No later than April 30 of each year, CI shall prepare an annual budget for review and approval by the Donor Council		Yearly	Complied with
7.03 CI shall seek endorsement of each Ecosystem Profile by the relevant national GEF operational focal points, and submit proposals to the Donor Council.		Yearly	Complied with
12.02 CI shall furnish to the Donor Council annual progress reports on the operation of the Fund.		Yearly	Complied with
12.03 CI shall prepare and furnish to IBRD a closing final report of such scope and in such detail as the IBRD shall reasonably request.	06-Dec-2012		Not yet due
12.04 A midterm independent evaluation of the performance of CI shall be conducted, under terms and conditions acceptable to the Donor Council.	20-Apr-2010		Complied with
11.02 (a) CI shall have an external audit of its records, accounts and financial statements for each fiscal year, by independent auditors		Yearly	Complied with
11.02 (c) CI shall furnish to the IBRD no later than 5 months after end of fiscal year certified copies of its financial statements and the report of audit.		Yearly	Complied with

Annex 4. Financial Management, Disbursement and Procurement

1. CEPF's 1st phase ran from 2001 to 2008 and disbursed \$100 million in 15 regions. 600 grants were awarded in 33 countries, but counting sub-grants, the total number of groups supported was more than 1,000. CEPF Phase II runs from July 2007 to June 2012 and raised to date \$ 133 million.

Table 1. Summary of CEPF Funding

<i>CEPF Funding (in Millions) Through March, 2011</i>					
	Funding Phase I	Funding Phase II			
Donor Partner	Pledged, Committed and Paid	Pledged	Committed (In Formal Agreement)	Paid	Balance Due (from Commitment)
Conservation International Foundation	25,000	25,000	25,000	15,000	10,000
Global Environment Facility	25,000	20,000	20,000	8,729	11,271
World Bank	25,000	25,000	9,000	6,000	3,000
MacArthur Foundation	25,000	12,000	12,000	12,000	
Government of Japan	24,750	25,000			
L'Agence Française de Développement*		26,082	26,866	16,928	9,939
	124,750	133,082	92866	58,656	34,210

*Includes foreign exchange gain of \$1.2 mm

2. Agreed action: The mission discussed the slow disbursement of the GEF funds. This was mainly due to the fact that GEF only finances grants and at a 26% level. If the GEF continues to pay 26.32% of grants it will take CEPF until April 2016 to draw down all \$20m. If the GEF disburses cash equal to 50% of grants we will draw down the \$20m by December 2014. It was thus agreed to restructure the project and amend the Financing Agreement to increase the 26% to 50%.

3. During the first period of the grant, disbursement of GEF funds to CEPF has also been delayed because of the GEF requirement of getting focal point endorsement in every country where CEPF operates. It has been challenging to secure these endorsements particularly because focal points mistakenly see CEPF as a potential threat to their national allocations (CEPF funding does not come out of national STAR allocations). Delays in securing endorsement result in some countries (those that provided the endorsement right after the Ecosystem Profile being approved) receiving more funding than others (those that provide endorsement later in the portfolio development, or have not provided an endorsement at all). An example of this is China in the Indo-Burma Hotspot. During the three years of the development of the investment portfolio, the focal point of the GEF in the Chinese Government has not provided the endorsement. The funds of the portfolio have been almost totally allocated to Cambodia,

Thailand, Laos and Vietnam. Lack of endorsement from the Chinese Government has resulted in no funding available to grant projects in Yunnan.

4. Agreed action: It was agreed that all the data of GEF focal point endorsement for each country be presented in a table and submitted to the donor council with a proposal that the GEF supports an exception to the need for endorsement since CEPF funds do not come out of national STAR allocations.

FINANCIAL MANAGEMENT

5. A detailed financial assessment was carried out by the Bank in February 2011 and found that the financial management and accounting system currently in operation were generally determined adequate and could be relied upon to produce understandable, relevant, timely, reliable and therefore acceptable financial information. The audit and financial management arrangements and reports for the whole CEPF program, including CEPF2 activities were found satisfactory.

6. The certified audit report, quarterly financial statements and the unaudited interim financial statements were submitted by CI and found to be satisfactory as per the grant agreement. The most recent audit covered the period July 2009 to June 2010; the most recent quarterly financial statements covered the period January-March 2011. The overall financial management and related arrangements for handling CEPF financial activities were considered satisfactory. The mission reviewed the program audit which has already been partially completed.

7. Agreed action: The World Bank financial management staff will conduct a site visit to CEPF headquarters in order to fulfill the program audit requirement of the financial agreement. It was also agreed that the CEPF Secretariat would hire a consultant to carry out an in-depth analysis of the cost-effectiveness of the program.

CLOSING DATE

8. The mission discussed the need to extend the CEPF closing date for two years. The Bank's funding through DGF has not been disbursed at the original rate (\$5 million per year). Rather, it has been disbursed at \$3 million per year on average, resulting in potentially an 8 year disbursement period rather than 5. As a result, the mission expects the DGF/Bank to continue its involvement until 2014.

9. Agreed action: It was agreed that the CEPF Secretariat would send a letter to the WB, no later than September 1, 2011, requesting an amendment to the financing agreement to include a new closing date of June 2014.

PROCUREMENT

10. It was agreed that an in-depth procurement assessment would be carried out before the end of October, 2011.

Annex 5. Safeguards Compliance

1. The mission reviewed the implementation and supervision of safeguards in both hotspots, and found the experience mixed, as detailed below. The RITs in both hotspots have satisfactorily identified potential adverse environmental impacts (as included under OP 4.01, Environmental Assessment), worked with grantees to develop appropriate Environmental Management Plans, and supervised the implementation of these plans, which are documented in the CEPF Secretariat's Grants Enterprise Management System (GEM). The RITs have similarly satisfactorily worked on managing adverse impacts because of restricted access to resources in protected areas under OP 4.36, Involuntary Resettlement, and similarly captured the resulting instruments (Action Plans) in GEM. Safeguards were particularly well implemented, supervised and documented in the Indo- Burma hotspot, with best practice use of forms to document broad community support for activities that implicated Indigenous Peoples.
2. There is some confusion in the Polynesia-Micronesia hotspot regarding Indigenous Peoples as defined under OP 4.10. The mission agreed to provide the RIT a list of recognized IPs in the hotspot by August 15, 2011. In turn, the RIT together with the CEPF Secretariat agreed to review all past grants for impacts on IPs, and work with grantees to document broad community support and the elements of the IPP – taken from the Indigenous People Planning Framework in the existing Environmental and Social Management Framework – that were in the grant, and document both in the GEM.
3. In Polynesia-Micronesia, the mission was informed that pest management activities have been supported as part of their invasives work. In order to eliminate pest species on small islands that support critical populations of endangered and threatened species, CEPF has supported the use of accepted pest management techniques, including the application of rat bait (particularly *brodifacoum*, a class 1a toxin under WHO classifications) on uninhabited islands. These baits have been used in accordance with all local laws and international best practice, and have been supervised under the auspices of the hotspot's Technical Advisory Group (TAG). The TAG is led by an invasive species expert from UNEP and includes members of the Pacific Invasives Partnership.
4. However, because there are no described approaches to minimize, mitigate and manage potential adverse impacts from the application of pesticides, as described under OP 4.09, Pest Management, The team agreed to work with the Secretariat to document the practice that is already under implementation, develop guidelines for use of best practice in the management of alien and invasive species, and update the project ISDS to reflect the new proposed approach.
5. Agreed actions:
 - The mission agreed to work with the CEPF Secretariat to better prepare future RITs for identifying and supervising safeguard activities in individual grants, including by adding this to the TORs for each RIT, and providing each RIT, upon its selection, a training in how to identify and supervise safeguard actions in each grant. This training would benefit from using RIT approaches and grantee experiences from the Indo-Burma hotspot.
 - CEPF also agreed to provide the task team, by August 15, 2011, (i) a list of all grants that have supported pest management in Poly-Micro, including the types of baits used and location; and (ii) confirmation that all baits used were lawful in the respective country where they were used. In addition, the CEPF Secretariat will (i) provide similar information on any other grantees in other hotspots that have used pest management as an

integral component of a grant; and (ii) compile best practice approaches to the use of baits and herbicides in a Pest Management Guidelines that will be sent to the Bank for a No Objection by September 15, 2011.

Annex 6. Technical Discussions

OVERALL PROJECT IMPLEMENTATION PROGRESS

1. The mission confirmed the findings of the recent independent evaluation of CEPF that the second phase of CEPF that started in 2008 has been very effective at supporting conservation efforts in multiple regions with pronounced concentrations of threatened species and harboring globally significant biodiversity and ecosystems. CEPF is unique among funding mechanisms in that it focuses on building civil society capacity to protect *global, high-priority biological areas* and examines conservation threats on a landscape scale. CEPF has been successful at identifying and supporting a regional, rather than a national, approach to achieving conservation outcomes and engages a wide range of private, non-governmental and community institutions to support nations in addressing conservation needs through coordinated regional efforts. Furthermore, the CEPF is a truly global program, with projects spanning 53 countries that together strengthen the capacity of local civil society organizations worldwide.

2. To date, CEPF had invested in 20 biodiversity hotspots (Table 2), with investment planning nearly completed in an additional region, the Mediterranean Basin. Under this current phase, CEPF has provided funds to five new grant regions and nine consolidation regions (regions that had received funding during CEPF Phase I).

Table 2. Summary of Hotspots under CEPF Phase 2

ONGOING PROGRAMS	FUTURE ACTIVITIES
Consolidation Hotspots (receiving funding under CEPF 1 and CEPF 2)	Consolidation Hotspots (receiving funding under CEPF 1 and CEPF 2)
<i>Strategy completed and grants under disbursement</i>	<i>Strategy approved and grants to be provided</i>
Atlantic Forest Cape Floristic Region Caucasus Guinean Forests of West Africa Madagascar Southern Mesoamerica Succulent Karoo Tumbes-Chocó-Magdalená Tropical Andes	Eastern Arc Mountains and Coastal Forests of Tanzania and Kenya (EACF) Mountains of Southwest China
New Implementation Hotspots (receiving funding under CEPF 2)	Implementation Hotspots (receiving funding under CEPF 2)
<i>Ecosystem profile completed and grants disbursement ongoing</i>	<i>Ecosystem profile to be completed and grants to be provided</i>
Indo-Burma Western Ghats of India Polynesia-Micronesia (Fiji, Samoa, Palau, Kiribati, etc) Caribbean Islands Maputaland-Pondoland-Albany (MPAH)	Eastern Afromontane East Melanesian islands (Solomon Islands, Papua, Vanuatu)
Completed Ecosystem Profiles (receiving funding under CEPF2)	New Implementation Hotspots not selected yet by Donor Council (receiving funding under CEPF 2)
<i>Ecosystem profile completed and selection of RIT ongoing</i>	<i>At least one more Hotspot to be selected, ecosystem profile to be completed and grants to be provided</i>
Mediterranean Basin	Valdivian Forest Cerrado Madrean Pine-Oak Woodlands Mountains of Central Asia Wallacea

PROJECT DEVELOPMENT AND GLOBAL ENVIRONMENTAL OBJECTIVES

3. The Project Development Objective (PDO) is *to strengthen the involvement and effectiveness of civil society in contributing to the conservation and management of globally important biodiversity*. The Global Environmental Objective is to achieve sustainable conservation and integrated ecosystem management in areas of globally important biodiversity, through consolidating conservation outcomes in existing CEPF regions and expanding funding to new critical ecosystems. The mission confirmed that the PDO and GEO continue to be valid and do not require any adjustment or change.

4. The PDO and GEO have been tracked through a Global Results Framework that provides the conceptual underpinning for the CEPF monitoring approach, with specific conservation targets agreed in the Project Appraisal Report. Progress made against these targets is presented in Table 2. As the financing agreement for this phase was not signed until January 2008, and initial grant-making for the first three new regions to be implemented did not start until mid-2008 with contracts signed for the Regional Implementation Teams, actual project grant-making only started in earnest in late 2008. Therefore progress at this project mid-point is evaluated against YR2 targets.

5. The mission examined progress towards the objective and outcomes to date, presenting key findings and issues related to each (see Table 3).

Table 3. CEPF Targets

<i>Project Outcome Indicators</i>	<i>YR 2 Target Value</i>	<i>Progress to Date</i>
At least 14 critical ecosystems/hotspots with active investment programs involving civil society in conservation, including at least 9 new regions.	Dependent on Donor Council Decision	<p><i>New investment hotspots:</i> Active investments in 5 new hotspots/regions: Indo-Burma, Western Ghats, Polynesia-Micronesia, Caribbean Islands, Maputaland-Pondoland-Albany.</p> <p>Ecosystem Profile completed or under development in 3 new hotspots/regions: Mediterranean Basin, Eastern Afromontane, East Melanesia Islands</p> <p>9th new investment hotspot/region to be selected by the Donor Council in the Fall of 2011</p> <p><i>Consolidation hotspots:</i> Active investments in 9 consolidation programs: Cape Floristic Region, Succulent Karoo, Guinean Forests, Atlantic Forest, Madagascar, Tropical Andes, Southern Mesoamerica, Tumbes-Chocó-Magdalena, and the Caucasus</p> <p>2 new consolidation regions under planning: Mountains of Southwest China, and Eastern Arc Mountains and Coastal Forests of Tanzania and Kenya</p>

At least 600 civil society actors, including NGOs and the private sector, actively participate in conservation programs guided by the CEPF ecosystem profiles.	250	Nearly 300 new civil society groups have received grants.
At least 20 million hectares of key biodiversity areas with strengthened protection and management.	8 million	To date 5,927,536 hectares of key biodiversity areas have strengthened protection and management.
At least 8 million hectares of new protected areas established.	3 million	To date 45,821 hectares of protected area have been created or expanded with CEPF support.
At least 1 million hectares in production landscapes managed for biodiversity conservation or sustainable use.	n/a	To date 2,229,657 hectares of production landscape is being managed for biodiversity conservation or sustainable use with support from CEPF.

6. During the period under review, CEPF has been actively investing in 14 regions, including five that are new to CEPF investment: Indo-Burma, Western Ghats, Polynesia-Micronesia, Caribbean Islands, and Maputaland-Pondoland-Albany. In these five new regions, CEPF engaged local and regional stakeholders in crafting a comprehensive conservation strategy for each region, as well as the specific investment strategy that guides CEPF's activity. A sixth region, Mediterranean Basin, was approved for investment in September 2010, and selection of the regional implementation team is currently underway. Ecosystem profiling is well underway for a seventh hotspot, Eastern Afrotropical, with BirdLife International leading the profiling effort. By June 2011 a draft of the Ecosystem Profile had been received and will be shared with the Working Group in July 2011. Initial planning for East Melanesia Islands has been undertaken with an expected start date of August 2011. At least one more hotspot will be presented to the Donor Council for selection before December 2011.

7. CEPF is working in more areas than originally proposed. The program was slated to conduct work in 14 areas total, with 9 new hotspots. In reality, the CEPF is actively engaged in 11 consolidation regions, in addition to 8 new hotspots, totaling 19 regions. There is at least one more new hotspot investment planned, pending the approval of the Donor Council, which would increase the number of regions to 20.

8. The mission has observed that CEPF has outperformed its goals in 4 of the 5 indicators. However, the mission noted the lack of progress against the fourth indicator, "*At least 8 million hectares of new protected areas established.*" It was agreed that this indicator be revised downward for the following reasons:

- In the 11 consolidation hotspots, the focus of CEPF has been in consolidating gains under CEPF I. There was therefore never an intention of creating new protected areas in the consolidation portfolios.
- The Donor Council approved investment in new hotspots that did not contain significant opportunity for new protected areas to gazette. Area available for new protected areas was either extremely small, or national governments had already completed the bulk of their gazetting.
- Additionally, new conservation trends are allowing for more landscape-based conservation systems to ensure the protection of biodiversity through areas that are conserved outside the boundaries of formal protected areas. CEPF's outperformance in protection of biodiversity in productive landscapes is a reflection of this global trend.

- Out of the total 29 million hectares of improved protection included in the 5 indicators (20 million hectares of strengthened protection in indicator 3, 8 million hectares of new protected areas in indicator 4, and 1 million hectares of production landscapes in indicator 5), it was agreed to shift the targets of improved protection to 24 million hectares, 1.5 million hectares, and 3.5 million hectares respectively. While maintaining the total improved protection target, this shift would more accurately reflect the changing nature of conservation practice to give increased emphasis on improving conservation in non-protected areas.

9. More broadly, the target for new protected areas was overly ambitious, considering the insufficient areas available for new protected areas. As a result, the mission will restructure the project to change the target for this indicator from 8 m hectares to 1.5 m. Given that overall the 29 m hectare target will remain consistent, and the other targets are being increased, it was agreed that only the new protected areas target be officially changed.

DESIGN/SCOPE – ECOSYSTEM PROFILE

10. What makes CEPF different from other grant mechanisms for conservation is that CEPF is guided by an ecosystem profile created for every hotspot. The mission was able to appreciate, particularly in the Indo-Burma hotspot, how the ecosystem profile has been instrumental for other donors and for government planning. The maps included in the ecosystem profile have had a positive impact in influencing decision making by governments and donors (including for the MacArthur Foundation's large grant commitment to biodiversity in Vietnam). In Indo-Burma, the ecosystem profile will be updated with additional funding from private foundations, demonstrating that the threats to biodiversity can be continuously highlighted in the profiles and the conservation strategies updated. The mission strongly recommends that the mapping of each of the hotspots that is done as part of the ecosystem profiles, and particularly the mapping of Key Biodiversity Areas (KBAs), should be a stand-alone product of CEPF. The mission also recommends that in regions where additional funding is available, the CEPF update all ecosystem profiles every five years as a best-practice.

11. Agreed actions:

- It was agreed that the CEPF Secretariat would prepare an ecosystem profile overview including the maps in an easy-to-use format for each hotspot. These would be used as a communication and fundraising tool, as has happened for the Mediterranean Basin Hotspot.
- The mission looked at several ecosystem profiles and found that some log frames listed targets in numbers of KBAs rather than hectares. It was agreed that the log frames will be standardized across future ecosystem profiles and focus on number of hectares rather than number of KBAs.

STRENGTHENED PROTECTION AND MANAGEMENT OF KBAS

12. The CEPF approach has been effective at achieving strengthened protection and management, insofar as the ecosystem profile for each region has identified a full list of KBAs and then narrowed down this list, through an extensive stakeholder consultation process, to a list of priorities for CEPF investment. With support from the Regional Implementation Team (RIT), CEPF has gone on to develop a portfolio of grants for each region that targets these prioritized KBAs. At a growing proportion of these sites, the results of CEPF investment are starting to be observed in terms of strengthened protection and management.

13. CEPF's achievements with regard to protection and management are growing as the investment period progresses. As of December 2010, CEPF grants have contributed to the establishment of 45,821 hectares of protected areas, and strengthened protection and management of biodiversity for 8,157,193 hectares within critical ecosystems, of which 5,927,536 are within key biodiversity areas, and 2,229,657 within production landscapes. The figure for new protected areas is below the target set for YR2 of the project. However, it should be noted that establishment of protected areas is a process that requires significant planning and negotiation, and the rewards of CEPF's work are likely to be more apparent in the second half of the project. Furthermore, as noted in the section above, the CEPF is on track to achieve the 29 mil ha of improved protection overall, and has shifted its focus to keep in time with the changing rhythms of conservation.

14. As of December 2010, a total of 268 KBAs have been targeted for CEPF investment. These comprise 235 KBAs identified as priority sites in the ecosystem profiles, plus 33 KBAs specifically targeted by the consolidation programs. Of the 268 targeted KBAs, 83 have been the focus of CEPF investment thus far, and demonstrated improvements in protection and management have been achieved for 26 of them. Progress to date has occurred mainly in the consolidation regions, where successes in CEPF Phase I set the stage for activities aimed at improving management, although there have also been early successes in the Western Ghats region. The YR2 target value for improved management of KBAs is 5%, and CEPF has been able to achieve 10% thus far, indicating that grants aiming to strengthen and protect KBAs have been well-conceived and results-oriented.

15. Agreed actions: It was agreed that that CEPF Secretariat would send the SP1 tracking tool, filled out only for government-owned protected areas, to the Bank by October 2011. For community or privately owned KBAs, it was agreed that the CEPF Secretariat will keep a record of their progress towards improved conservation through an excel spreadsheet that registers the evidence for improved management.

WORKING OUTSIDE PROTECTED AREAS

16. CEPF has provided at least 58 grants to communities, landowners, and the private sector that complement government activities to integrate biodiversity conservation into development activities. CEPF has tracked progress by collecting evidence that such integration has taken place via, for example, improved policies or adoption of sustainable development plans. This outcome tracks what is often called "mainstreaming" of conservation into development practices. For example, in the Cape Floristic Region, two grantees – Conservation South Africa (CSA) and the World Wildlife Fund-South Africa (WWF) – have created the Green Choice Alliance. Through this Alliance, CSA works with agricultural producers (primarily those who produce flowers, rooibos tea, potatoes, wine, and livestock) and producer associations on adopting biodiversity-friendly growing practices, while WWF works with buyers and markets on labeling, sale, and consumer-awareness around these products. The goal is that a financial driver – people buying "green" products at a premium – can create the incentive for "green" production. CSA and WWF have prepared and distributed several field guides to the different types of producers and through this and associated extension, have caused 298,000 hectares of production land to be put under better management.

17. CEPF has also made grants to foster partnerships that integrate biodiversity conservation into economic and other sectors. These partnerships include public-private partnerships (e.g.,

among protected area management agencies and agricultural or industrial producers), multi-sectoral partnerships (e.g., among different groups or types of land managers), and organizational partnerships. CEPF has supported 11 partnerships in Phase II, well beyond the intermediate target of 3 and even beyond the overall target of 10 partnerships. Fostering partnerships that both achieve their goals and are long-lasting is a difficult task, yet CEPF has nonetheless made significant progress on this target, indicating that with the right conditions, CEPF is an effective mechanism for fostering partnerships. Such conditions include grantees with high capacity, organizations with funding that goes beyond the CEPF grant, or in places where immediate threats do not force members of a partnership into short-term thinking. These conditions are characteristic of consolidation regions, although not exclusively. The fact that CEPF has supported 11 partnerships that have already had success in mainstreaming biodiversity into production sectors is largely reflective of results from the consolidation portfolios, where grantees and partners are mature enough, the enabling conditions are present, and the long-term goal of sustainability is paramount. However, because the SP2 tracking tool fails to measure change at the grantee level, the mission decided that its use was inappropriate for measuring results in CEPF's mainstreaming portfolio.

18. Agreed actions: In order to measure mainstreaming results in landscapes, it was agreed that CEPF will track third party certification or eco-labeling (for forestry or non-timber forest products) at a site, and/or an active and signed conservation agreement for a site, and/or the production of best practice guidelines and/or policy improvements directly impacting the project areas, as part of its Global Results Framework.

MONITORING AND EVALUATION - INDICATORS

19. CEPF's Global Results Framework is comprised of five targets, which function as indicators of the PDO, plus 21 intermediate targets grouped under four outcomes. Each outcome corresponds to a component of CEPF's global program. Progress towards the five PDO outcomes has been discussed above.

Baseline data and indicators.

20. The mission was pleased to observe that all CEPF regions possess baseline data and indicators and are regularly reporting against approved logical frameworks (described in the ecosystem profiles). All six new investment regions under Phase II (Indo-Burma, Polynesia-Micronesia, Western Ghats, Caribbean Islands, Maputaland-Pondoland-Albany, and Mediterranean Basin) have ecosystem profiles that have been approved by the Donor Council. Each ecosystem profile contains a logical framework to measure portfolio-level performance in achieving the profile's investment priorities and their conservation outcomes, which were selected in close consultation with local stakeholders. Eleven consolidation portfolios are based on ecosystem profiles prepared during the first phase of CEPF. They have new logical frameworks developed specifically to meet the objectives of consolidation that have been reviewed by the CEPF Working Group.

21. CEPF has not prepared a comprehensive report of its performance across all outcomes of the Global Results Framework to date due to the preliminary nature of the initial results. CEPF dedicated the first two years of the second phase to issuing calls for proposals, preparing and signing grant contracts, and commencing project implementation. 2010 is the first year that CEPF can assess and report on its performance for all indicators of the global framework.

Standardization of selected indicators.

22. The mission also observed that eleven indicators from the global framework have been integrated into the logical frameworks of all active regions. Standard methodologies have been defined to ensure that performance data is collected consistently for global aggregation. Furthermore, performance monitoring plans have been prepared to ensure that these eleven indicators are measured using the same methodology in accordance with an approved timeline to facilitate data analysis and aggregation. At the portfolio level, each region reports on their performance annually through the Annual Portfolio Overview. This includes indicators from the Global Results Framework.

23. Agreed action: CEPF will develop a comprehensive report of their Global Results Framework based on the Monitoring Program recently approved for development by the Donor council and submit it to the Bank no later than September 30, 2012.

MULTI-REGIONAL PROJECTS

24. To date, there has been no progress against this indicator towards this target, *at least 5 multi-regional projects contribute to the conservation of globally significant biodiversity*, because no multi-regional projects have yet taken place. It is, however, expected that, in FY12, CEPF will begin implementation of a new monitoring protocol, which may be funded as a multi-regional project. Additional multi-regional projects – such as a socio-economic benefits and cost-effectiveness analysis – may be supported under Phase II if there is a strategic and focused need because CEPF has made a decision to focus its efforts on single-region projects in order to strengthen local ownership and relevance of its grant portfolios. This decision is based on the Independent Evaluation of CEPF published in January 2006, which concluded that the cost-effectiveness of multi-regional grants is not always evident, and there is a lack of integration with the rest of the hotspot portfolio.

STEWARDSHIP BY INDIGENOUS AND LOCAL COMMUNITIES

25. Another indicator, *at least 30% of projects globally enable effective stewardship of biodiversity and ecosystem services by indigenous and local communities in focal areas*, is also a crucial one, and CEPF is delivering on it effectively. The need to engage local communities in biodiversity conservation efforts is enshrined in the investment strategies for all Phase II regions, and the RITs are well placed to channel support to community-based organizations directly or forge links between them and other civil society actors. Consequently, the current portfolio of grants has a strong focus on engaging communities in conservation.

SOCIOECONOMIC BENEFITS TO COMMUNITIES

26. Many grants are to organizations that work with communities to promote projects that provide economic alternatives or incentives that fundamentally rely upon conservation of the resource base. While such grants are hopefully always well-intentioned and well-designed, the outcome CEPF seeks is evidence of actual benefits accruing to the target communities. This indicator, *At least 70% of targeted communities involved in sustainable use projects show socio-economic benefits*, is designed to measure CEPF's performance on this objective.

27. On an annual basis, CEPF grantees report on the individual communities that have received some type of assistance. Overall, 32 ongoing grants are targeting communities with sustainable use projects, and of these 31 are reporting success per their own milestones. Therefore, CEPF has exceeded the YR2 target of 20% by achieving a 95% rate of success. CEPF qualifies this by noting that this success is based on interim milestones as opposed to a *post facto* analysis of income change.

28. In addition, 83 of the 211 grants awarded to date in Phase II are aimed at supporting stewardship by indigenous and local communities, of which 78 (or 37% of the total) are already showing results in this regard, including improved local capacity, granting of land title, strengthened governance structures for decision making, financial incentives for conservation, and adoption of improved resource management practices. The YR2 target value of 5% has, therefore, been greatly exceeded.

29. Agreed action: It was agreed that the CEPF Secretariat would carry out a study to measure the socioeconomic impacts of the project. The TOR will include the development of a methodology which would then be applied in a sample of projects. The TOR will be developed and submitted to the Bank no later than December 1, 2011. Both the Polynesia-Micronesia and Indo-Burma RITs agreed to participate in this study. The mission recommends that other hotspots' RITs also join this activity.

STRENGTHENING CIVIL SOCIETY

Funding to Local Civil Society

30. CEPF defines local civil society groups as those that have legal registration in a country within the hotspot and have an independent board of directors or a similar type of independent governing structure. CEPF has secured \$92.86 million to the current phase. As of March 31, 2011 CEPF has obligated a total of \$32.7 million¹ in grants. Of that, local groups have received \$15.9 million and international groups have received \$16.3.² In other words, approximately half the money committed to date has gone to local groups and half has gone to international groups. CEPF has exceeded the YR target of 25% by allocating 48% of funds to local groups.

31. During CEPF 2, a total of nearly 300 civil society groups had received grant awards. This is a significant number, representing 50% of the target set for the five-year investment period. CEPF has made major efforts to reach out to local and national actors, chiefly through the small grants programs (all grants under \$20,000) that are active in each region. Small grants are solicited, reviewed and contracted by the regional implementation teams, allowing agility and flexibility, as well as the ability to reach out to small groups that would not normally be within the scope of CEPF. The mission was pleased to see that CEPF has followed the recommendation of the independent evaluation that CEPF improve assessment of the impact achieved by the increased capacity of civil society supported by CEPF grants. The Civil Society Organizational Capacity Tracking Tool is designed to assess the organizational capacity of all types of civil society organization, including environmental NGOs, community-based organizations, and

¹ The remaining amount of obligated funds, \$799,770, is in small grant funds managed by RITs. This money has not yet been awarded to local or international small grantees.

academic institutions. The tracking tool allows CEPF and its grantees to measure the capacity of individual civil society organizations to effectively plan, implement and evaluate actions for biodiversity conservation. As of June 2011, baselines have been established for 42 local grantees using the tracking tool, which was piloted during the early years of Phase II. The mission reviewed the civil society tracking tool and found it adequate for the purpose of monitoring civil society's capacity.

32. Agreed action: It was agreed that the CEPF Secretariat would apply the Civil Society Organizational Capacity Tracking Tool in all hotspots.

Sustainable Financing Mechanisms

33. Despite the time commitment required to achieve success against this target, *at least 10 sustainable financing mechanisms established or strengthened with initial capital secured*, interim results have been achieved in several regions. Because the scale of the conservation challenge in each of the regions, where work load exceeds the time and resources that CEPF is able to invest, establishing and strengthening sustainable financing mechanisms is an essential component of efforts to secure and sustain results beyond the initial investment period. Consequently, such mechanisms are featured in all but one of the consolidation programs, as well as in the investment strategies for several full investment regions. The only consolidation program that does not contain any investment priorities related to sustainable financing mechanisms is Madagascar, because it was felt that they were not a priority for consolidation funding, given the existence of the Madagascar Trust Fund.

34. As of December 2010, one sustainable financing mechanism is operational, with initial capital secured, and three additional mechanisms have been established with fundraising efforts ongoing. The established, capitalized mechanism is a land-acquisition fund, called the Leslie Hill Succulent Karoo Trust, for which WWF-South Africa is the trustee. CEPF support has enabled design and execution of a better strategy for land acquisition, development of contracts that speed the purchase negotiation process, and investigation of tax laws that allow more advantageous sale terms for landowners.

LEARNING EXCHANGES

35. The mission was informed that CEPF has completed one participatory assessment and 32 other learning exchanges. These learning exchanges were dedicated to expanding and formalizing information sharing and learning opportunities. They took on several forms and achieved multiple objectives, including (i) participatory monitoring meetings during the mid-term and end-term of a CEPF portfolio to facilitate adaptive management; (ii) analysis of specific management practices to derive lessons learned; (iii) cross-site exchanges between grantees for learning and dissemination of best practices; and (iv) outreach activities targeting communities, local government, and NGOs to increase the adoption of good practices into other conservation initiatives within hotspots. The mission was impressed with these exchanges and found them very useful to strengthen the civil society groups in each hotspot.

36. The mission observed that every hotspot has unique successes and challenges and that CEPF will make a stronger effort to promote the exchange of experiences and tools between hotspots. For example some projects in the Indo-Burma Hotspot that the mission visited have worked very effectively with training journalists to write stories about biodiversity and

environmental issues in the main newspapers. This has resulted in stopping some mining concessions in fragile areas. Another example is the tool to document broad community support in projects in the Indo-Burma Hotspot

37. Agree action: It was agreed that the CEPF Secretariat strengthen the exchanges between hotspots by creating a multi-regional grant to facilitate annual RIT and grantee interactions.

GRANTS MANAGEMENT

38. CEPF is governed by a council of donors. The Donor Council provides strategic guidance on the operations of the Fund, and approves spending plans, operational procedures, and priority areas for investment. The Donor Council is supported by a technical working group comprised of one representative from each CEPF donor organization. The Working Group serves as a resource to CEPF for consultations on technical and operational matters. The Donor Council meets several times per year; the Working Group meets three times per year or as necessary.

39. CI administers the project on behalf of the CEPF donors which includes hosting the CEPF Secretariat, including the CEPF Grants Management Unit (GMU) and Regional Grant Directors to ensure that all funds are managed with due diligence and efficiency. The CEPF Secretariat is responsible for strategic and financial oversight of the global program, overall information management, and global outreach and communications. The Secretariat supervises the profiling process, the Regional Implementation Teams (RITs) and the performance of the overall program.

40. The CEPF Secretariat is headed by the Executive Director of CEPF who is also a Vice President of CI. Under the Executive Director are the Managing Director who leads the five regional Grant Directors, and the Communications Director and her two-person team. CEPF is directly supported by the four-member Grants Management Unit (GMU) and a three-person Finance and Information Unit. The regional Grant Directors supervise development of ecosystem profiles, supervise the RIT overall performance and jointly lead decisions on all proposals over \$20,000 with the RIT. Grant Directors are responsible for monitoring the RIT performance against the RIT Terms of Reference and the overall portfolio development.

41. The RITs lead implementation within each hotspot. The RITs are responsible for the strategic implementation of the ecosystem profiles and building a broad constituency of civil society groups to work across institutional and geographic boundaries toward shared conservation goals. A revision to the TOR clarifying the RIT's responsibilities was approved by the Donor Council on March 18, 2011 to break the administrative and programmatic functions of the RITs into two separate contracts in order to more accurately capture and track the true administrative costs of the RIT versus those RIT activities that are programmatic in nature.

42. In Phase II as of December 31, 2010, CEPF had entered into agreements with five RITs, as follows:

Table 4. Regional Implementation Teams

<i>Region</i>	<i>Regional Implementation Team</i>
Western Ghats	Ashoka Trust for Research in Ecology and the Environment
Indo-Burma	BirdLife International
Polynesia-Micronesia	Conservation International

Maputaland-Pondoland-Albany	Wildlands Conservation Trust
Caribbean Islands	Caribbean Natural Resources Institute

43. The GMU supports the day-to-day grantmaking and compliance monitoring for grants and contracts awarded within CEPF. The GMU's four-person staff evaluates proposed grants against CEPF's eligibility requirements established by CI and an individual Fund's Donor requirements, balancing the program's mission with its risk tolerance. The GMU monitors and supports grantees' financial compliance throughout the life of their grant by reviewing all financial reports and processing disbursements, ensuring that grantees fulfill the terms of their Agreement. The GMU ensures that all funds disbursed adhere to CEPF's compliance policies. This unit coordinates with support staff in the field, along with technical, legal and finance staff within CEPF Headquarters to provide adequate and timely information to grantees throughout the lifecycle of their projects – from proposal development to the grant's implementation. As a whole, the GMU's support equips CEPF's partners to succeed in their grants by maintaining contractual compliance, ensuring grantees report accurately, ensuring donor compliance, and supporting the development of clear lines of communication with CEPF's headquarters and RIT teams.

44. The GMU uses CI's Grants Enterprise Management System (GEM), a customized Web-based SQL database and file management system. The system is used by CI staff to manage portfolios of grants and contracts. The system enables CEPF to track the full lifecycle of a grant including all letters of inquiry, rejections, plus the proposal through project implementation to the eventual closeout. In addition to storing data and documents, the system has built-in validations to ensure the appropriate review thresholds are applied and then sends alerts and reminders to users to prompt them when action needs to be taken.

45. The process by which grants are made to prospective applicants consists of the completion of a "Letter of Inquiry" by an applicant. The letter of inquiry requires the applicant to select specific ecosystem profiles in which it may qualify for funding. The applicant is also required to "select a strategic direction from the profile for which they wish to apply" and include a description of the project being proposed. The Grant Decision-making process begins upon the receipt of the Letter of Inquiry. Grants of less than US\$20,000 are approved, by the Regional Implementation Team (RIT) in the field, if the Letter of Inquiry is satisfactory. Grants of more than US\$20,000 are subjected to more rigorous procedures by requiring the applicant to complete the CEPF Project Proposal and a Financial Questionnaire. CEPF Secretariat is able to perform a risk assessment on the applicant based on the applicant's responses to the Financial Questionnaire. Upon approval of the application, a Grant Agreement is executed between CEPF and the applicant. The mission believes that the Grant-level financial management system appears adequate and the controls are operating as intended.