

**Critical Ecosystem Partnership Fund
40th Meeting of the CEPF Donor Council
In-Person, Hotel Place d'Armes, Montreal and Virtual Meeting
Monday 12 December 2022
8:30 a.m. – 11:00 a.m. Eastern Standard Time (EST)**

Diversification of CEPF's Funding Sources

Recommended Action Item

The Donor Council is asked to provide opinions on the following issues:

- How many GCF projects should CEPF undertake to maintain its main objective to conserve biodiversity?
- How can CEPF navigate future funding opportunities while retaining its focus on biodiversity conservation?
- Can CEPF invest in overseas countries and territories if dedicated funding becomes available?
- Can CEPF count on direct financial contributions from the Global Donors outside funds coming from the GCF?
- What is the likelihood of a reinvestment of the World Bank, the GEF and the Government of Japan into CEPF?

Background

Since inception (2001), CEPF has catalyzed US\$327 million for CSOs to implement projects dedicated to conserve biodiversity in the world's hotspots. The US\$327 million has come roughly 1/3 from multilateral organizations, 1/3 from bilateral organizations and 1/3 from philanthropic foundations.

For the first 15 years, CEPF was funded mostly by the contributions of its Global Donors. Starting about seven years ago, CEPF began engaging with additional donors that have specific thematic or geographic interests. As a result, several donors have contributed financially to a specific hotspot or a specific theme. These donors are characterized as regional donors and do not participate in the governance of CEPF. Their financial contributions vary from US\$1 million to US\$11 million and cumulatively reach US\$30 million. The most important regional donors in terms of volume of funding provided have been KfW, Margaret A. Cargill Philanthropies, and the MAVA Foundation.

In recent years, the operational structures of some of the CEPF Global Donors have evolved and responsibilities have been transferred from headquarters to field offices. Funding availability for a re-engagement in CEPF proved to be difficult for some Global

Donors because of this structural evolution.

As a result, to bring in the needed resources to continue its mission, CEPF has been diversifying its funding sources, including the pursuit of competitive funding opportunities and engagement of new donors.

Funding opportunities with the GCF

The most promising new source of funding for CEPF has been the Green Climate Fund (GCF) considering its growing interest in ecosystem-based adaptation. CEPF, through AFD as an Accredited Entity of the GCF, has been successful in accessing US\$38 million from the GCF for Madagascar and the Indian Ocean Islands for a program promoting ecosystem-based adaptation. Projects focusing on conservation and restoration will be supported to address climate change. However, ecosystem-based adaptation projects do not necessarily address the needs for conservation of biodiversity, which is the core mission of CEPF. CEPF has three other GCF initiatives at various stages of development—two through AFD and one through CI as the Accredited Entities. Considering the different, albeit overlapping, missions of CEPF and the GCF, there is a risk of mission drift that needs to be discussed.

Funding opportunities in overseas countries and territories

CEPF was created to protect biodiversity of the world's biodiversity hotspots, focusing on IBRD borrowing member countries that have ratified the Convention on Biological Diversity. CEPF has maintained this focus since inception. However, there are five biodiversity hotspots where a portion of the hotspot is currently ineligible for CEPF funding because it is located in overseas countries/territories and/or outermost regions of the EU, New Zealand, UK or USA: the Caribbean Islands; Madagascar and the Indian Ocean Islands; the Mediterranean Basin; New Caledonia; and Polynesia-Micronesia.

CEPF's approach would also be relevant in some of these countries and territories, where civil society organizations tend to have similar levels of capacity and access to funding, and biodiversity tends to be under similar levels of threat, as in World Bank client countries. In addition, funding from public and private sources is available for biodiversity conservation in overseas countries and territories, such as the *Biodiversity and Ecosystem Services in Territories of European Overseas* (BEST) Initiative of the EU.

At its 39th meeting, on 15 December 2021, the Donor Council authorized the CEPF Secretariat to propose text for changes in its statutes to allow such investment. Accordingly, the Secretariat proposes the following changes to the [Operational Manual](#).

In Section OM1.1, replace:

“CEPF focuses on supporting civil society in developing and transitional countries within the biodiversity hotspots. As a result, not all biodiversity hotspots are eligible for CEPF funding.”

With:

“CEPF focuses on supporting civil society in developing and transitional countries within the biodiversity hotspots. On an exceptional basis, where dedicated funding is available and where there is an identified need for a dedicated funding

mechanism for civil society, CEPF may operate in overseas countries and territories in the biodiversity hotspots.”

In the same section, replace:

“Not all countries in this hotspot would be eligible for funding under the CEPF investment criteria. However, the CEPF Donor Council may choose to establish funding windows outside the eligibility criteria to accommodate the strategic interests of specific donors. The Donor Council may also choose to include marine ecosystems within targeted hotspots.”

With:

“Not all countries in this hotspot would be eligible for funding under the CEPF investment criteria. However, the CEPF Donor Council may choose to establish funding windows outside the eligibility criteria to accommodate the strategic interests of specific donors. The Donor Council may also choose to include marine ecosystems or overseas countries and territories within targeted hotspots.”

In Section OM5.1, add the following to the list of powers and duties of the Donor Council:

“Reviewing and approving on an exceptional basis CEPF operations in overseas countries and territories within biodiversity hotspots”.

Need for additional contributions from the Global Donors

Accessing funding from regional donors and from the GCF has diversified CEPF’s funding sources, making the fund more resilient, and leveraging additional funding for civil society organizations working on the conservation and restoration of critical ecosystems in the biodiversity hotspots (albeit with enhanced complexity and transaction costs for the Secretariat). Accessing funding at scale from sources such as the GCF typically requires cofinancing. CEPF has been able to use contributions from its Global Donors for this purpose.

Going forward, being able to rely on flexible funding from its Global Donors will be essential to CEPF’s ability to leverage funding at sufficient scale to enable civil society in the biodiversity hotspots to respond to both the biodiversity and climate crises. It will also be essential to support work in biodiversity hotspots where other sources of funding are not available at scale to sustain and amplify the conservation and human well-being impacts achieved by CEPF grantees under previous investments. Hotspots where this need is felt most acutely include the East Melanesian Islands and Eastern Afromontane hotspots.

To this end, the Secretariat looks to the Donor Council members for guidance on whether it can count on them for direct financial contributions beyond the funds coming from the GCF.

The Critical Ecosystem Partnership Fund's (CEPF) Donor Contributions from 2001 to 2022

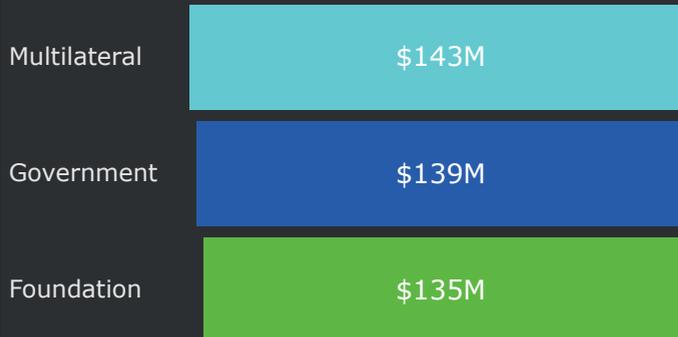
\$417,815,137
Total Portfolio

\$357,633,914
Funds Received

Investment Status



Donor Type



Total Funding by Donor

Donor type ● Foundation ● Government ● Multilateral

