

Critical Ecosystem Partnership Fund

Second Meeting of the Donor Council
World Bank Headquarters, Washington, DC
11 December 2001

Changes to CEPF Operational Practices

Recommended Action Item:

The Donor Council is requested to **authorize** the CEPF Working Group to examine any issues necessary to propose appropriate changes to the Operational Manual in order for the following issues to be resolved:

- Adjustment of the CEPF fiscal year to align with Conservation International's July-to-June fiscal year.
- Extension of the CEPF grant funding period from three to five years.
- Revise the procurement threshold below which grantees and contractors may use local commercial practices from \$2,000 to \$5,000.
- Allow flexibility for grantees to report semi-annually, rather than quarterly on programmatic process.
- Revise external and internal grant agreements to allow 15% flexibility between direct cost budget categories on grants.
- Transition to a letter of inquiry approach.
- Adjust the PMR reporting date for the end of the fiscal year to allow for timely completion of year-end accounting and auditing.

The Donor Council requests the Working Group to submit the resulting amended Operational Manual for approval by the Donor Council.

Background:

Adjustment of the CEPF fiscal year to align with Conservation International's July-to-June fiscal year.

Currently, CEPF's Spending Plans and accounting operate on a calendar year basis. This system was set up because CEPF became operational only after final negotiation of the Financing Agreement with the World Bank and GEF in December 2000. Conservation International operates on a July-to-June fiscal year. Altering the CEPF fiscal year to a similar time frame would streamline CEPF and CI accounting processes and eliminate inefficiencies in the flow of donor funds, particularly from the World Bank.

Extension of the CEPF grant funding period from three to five years.

Currently, individual ecosystems are eligible for CEPF grant funding for up to three years. CEPF has proposed that this be extended to five years to allow more time for projects to accomplish their objectives. In general, new and comprehensive projects take a year to become operational and their impact may just be starting to occur at the end of three years. While some projects may be able to secure alternative funding to CEPF, the option of continuing funding, if necessary, may prevent the untimely ending of good projects. Allowing the option of five-year funding for projects also will help ensure stability and sustainability. It will provide the time to teach fund raising techniques to inexperienced organizations, which will help them to find other financial resources.

Revise the procurement threshold below which grantees and contractors may use local commercial practices from \$2,000 to \$5,000.

The Operational Manual currently states that CI and its grantees and contractors may use local commercial practices on procurements of individual items costing less than \$2,000. After a year of operations, it appears that this minimal threshold has created some inefficiency in administration. An increase to a threshold level of \$5,000 is being proposed. This \$5,000 level is consistent with CI's policies for U.S. government donors and would still provide for enhanced competitive procurement practices for all material procurements. It would allow CEPF grant directors to provide a heightened level of effort on substantive monitoring and would serve the best interests of the CEPF project.

Allow flexibility for grantees to report semi-annually, rather than quarterly on programmatic progress.

CEPF has found that reporting quarterly, as required in the grant agreement contracts, is unnecessary in some cases from a programmatic risk perspective and imposes considerable administrative burden on the grantee. CEPF recommends that the Donor Council allow CEPF the flexibility to require semi-annual rather than quarterly reporting when appropriate. This is consistent with the mission of CEPF to emphasize focusing resources on conservation effectiveness and outcomes and to reduce any unnecessary administrative burden on project managers.

Revise external and internal grant agreements to allow 15% flexibility between direct cost budget categories on grants.

Currently, the grant agreement contract requires that grantees adhere strictly to line item amounts agreed to in the original budget. Grantees must receive written approval from the appropriate CEPF grant director prior to making any changes to the budget. In practical application, grantees need greater flexibility to allow for unforeseen expenses and changes in project scenarios. In addition, allowing 15% flexibility among approved budget items will reduce the grant administrative burden for CEPF and facilitate continued streamlined approaches to grant management, without incurring any significant financial risk.

Possible transition to a letter of inquiry approach.

CEPF has tried to make the grant application process as simple and user-friendly as possible, while ensuring that projects are carefully conceived, have measurable outputs and indicators and have the potential to have a positive impact on biodiversity conservation. The process of completing an application, however, still requires time and other resources, which can present a burden for prospective grantees, especially small organizations. Many funding sources use a "letter of inquiry" approach that allows applicants to explore the interest of CEPF in the overall concept of a project before completing an application. CEPF wishes to consider this option for 2002 grant making, which would require revision of the Operational Manual.

Adjust the Project Management Report due date for the end of the fiscal year to allow for timely completion of year-end accounting and auditing.

Project Management Reports are due 45 days after the end of each quarter. Conservation International normally meets this deadline without any difficulty. However, when CI's fiscal year ends each 30 June, extra time is needed to receive all accounting data from field offices around the world. This information is usually inputted into headquarters accounting systems on a one-month delay basis, except at the end of the fiscal year, when a final close is delayed until all field data is received. CEPF requests that the PMR due date at the end of the CI fiscal year be extended from 15 August to 15 September.