



## CEPF Phase III Governance Options Paper

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*This options paper lays out a series of best practices and trends in governance to help guide discussions of CEPF's Donor Council, Working Group, and Secretariat regarding governance models for Phase III. A synthesis of reflections shared by Working Group members on current governance structure and processes is also presented, and potential and necessary changes are highlighted. An initial presentation on these topics was shared during CEPF's Donor Council meeting held in Brussels in January 2015. Upon the Donor Council's request, options are provided for further exploration, with supporting examples of how governance measures are approached by different organizations, reflecting recognized best practices standards. Lastly, a set of guidance questions is provided to help CEPF define if and how these issues will be incorporated into CEPF's Phase III goals.*

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## Introduction

In order to enhance its positive impacts on biodiversity conservation, CEPF's Donor Council approved, in 2014, a new target to expand the program into a third phase, with a target of building a US\$750 million global fund. The new, scaled-up, and revamped CEPF is to focus on the following goals<sup>1</sup>:

- Create long-term visions for the hotspots, extending them to 10-15+ years instead of the current five year investment plans;
- Secure regional stewards to the long-term visions through Regional Implementation Teams (RITs), or similar organizations;
- Establish stronger communications, monitoring and operations.

CEPF's new financial target and programmatic adjustments represents a major shift in how the organization has carried out outreach and fundraising efforts. Securing new investments will require attracting new donor partners to the initiative, as well as efforts to position CEPF as a unique mechanism for strengthening civil society's engagement in biodiversity conservation. Enhancing CEPF's brand, governance structures and procedures will also be necessary in order to expand donor support to the initiative.

This Options Paper lays out considerations related to "Good Governance" practices that are meant to inspire and strengthen current discussions taking place within CEPF's leadership. An initial desk review of trends and best practices in governance was carried out during October-Dec 2014, in addition to interviews with Working Group members. The original results of those processes were presented to CEPF's Donor Council in January 2015, which resulted in a request that these issues be further explored and laid out, providing clear options and solutions for how CEPF might chose to approach: (i) board member selection, (ii) improving the definition of board mandate and terms of service, and (iii) better integration of regional representation into decision making. A series of case studies were explored and some were selected to help illustrate how different organizations approach these matters, providing pragmatic alternatives as to how CEPF may develop its future governance.

## Governance Trends and Best Practices

The literature on civil society refers to Civil Society Organizations (CSOs) and Non Governmental Organizations (NGOs) as playing an increasingly vital role in democratic and democratizing societies (Beloe et al., 2003; World Economic Forum, 2013). These groups are developing and growing stronger as part of a broader social context of *"economic and geopolitical power shifting away from Europe and North America; technology disrupting traditional funding models and shifting social engagement; and political pressures restricting the space for civil society activities in many countries"* (World Economic Forum, 2013). Although governments and business are sometimes resistant to the participation of civil

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<sup>1</sup> Taken from the minutes of the 25th Meeting of the Donor Council, held on 24 June 2014 ([http://www.cepf.net/SiteCollectionDocuments/donor\\_council/DC25\\_3\\_DraftMinutes.pdf](http://www.cepf.net/SiteCollectionDocuments/donor_council/DC25_3_DraftMinutes.pdf)).

society in their decision making processes, engagement of local actors in the development and deployment of solutions to global, regional, national and local challenges are increasingly required. Organizations are moving beyond providing single-issue responses, and as they do so, their governance and operational models are becoming more complex and inclusive, involving different public and private sector actors as a means to leverage their mission and impacts (Beloe et al., 2003).

As part of this broader context of change affecting civil society groups, traditional sources of funding are also decreasing, bringing about the need to review and evolve NGO's 'business models'. According to the study *"The 21st Century NGO: In the Market for Change"* (2003), new forms of competition are emerging in the "NGO market", as companies, business, NGO networks, and social entrepreneurs blur traditional boundaries. In response, national and international NGOs have had to progressively invest in enhancing their brands, and in making themselves more competitive. This shift has also included the development of new accountability standards for their programs, ultimately impacting existing governance structures and models. Table 1 summarizes the main changes taking place in NGOs as they transition from a 20th to a 21st Century model.

**TABLE 1: CHANGES AFFECTING NGOs FROM THE 20TH TO THE 21ST CENTURY.**

<b>Issue</b>	<b>20th Century</b>	<b>21st Century</b>	<b>Overview</b>
Status	Outsiders	Insiders	20th Century NGOs spent the second half of the century as outsiders, challenging the system. 21st Century NGOs are increasingly part of the system working through partnerships.
Focus	Problems	Solutions	20th Century NGOs spotlighted problems as symptoms of market failure. 21st Century NGOs focus on solutions, delivered through (and often disrupting) markets.
Structure	Institutions	Networks	Many 20th Century NGOs started small then grew into major institutions. Growth will continue, but 21st Century NGOs will invest heavily in building networks.
Funding	Guilt	Investment	Much 20th Century NGO funding was fuelled by public outrage or guilt. 21st Century NGOs aim to persuade supporters that they are a good investment.
Worldview	1-D	3-D	20th Century NGOs communicated in sound-bites, with single-issue programs. The 21st Century agenda is multi-dimensional, as the most successful NGOs.
Accountability	Ad-hoc	Strategic	Most 20th Century NGOs followed charity sector rules. 21st Century NGOs adopt best practices in transparency, accountability and governance.

SOURCE: THE 21ST CENTURY NGO: IN THE MARKET FOR CHANGE (2003)

Governance trends and best practices suggest that civil society, just as business and government, needs to look for new sources of inspiration and relevance in order to adapt to a shifting, and increasingly challenging, global environment. This includes employing new business models that combine resources and

expertise of multiple stakeholders, the development of partnerships that help to address common challenges, as well as the creation of platforms that enable leaders across sectors to participate more effectively in global decision-making (Beloe et al., 2003; World Economic Forum, 2013).

Although adapting to these trends may present new challenges for organizations, new opportunities also emerge from engaging with a wider range of actors, including governments, business, local communities, and other civil society organizations who share similar and complementary goals to mission driven organizations. Including a more diverse set of experience and expertise helps to guarantee organizations long-term success and relevance. In particular, the way that organizations choose to structure their governance ultimately dictates how well they are able to measure, promote, as well as meet their mission and goals. According Quesne and Lafontaine (2013), who focus on describing best practices for Environmental Funds (EFs), *“governance boards should be representative of the Fund’s diverse constituencies, that serve as an influential voice for biodiversity conservation, provide strong, sound direction and oversight for the Fund”*. The same researchers emphasizes that boards must be composed of complementary backgrounds and fields of expertise in order to provide the necessary strategic and oversight structures for decisions to be made by such organizations. Spergel and Mikitin (2013) also highlight that meeting an organization’s mission and purpose requires a governing body that is representative of its primary stakeholders — *“a diverse multi-stakeholder governing body can help to maintain the organization’s autonomy and avoid the governing body becoming dominated or controlled by any one stakeholder”*. Both authors underscore that organizations should clearly define the responsibilities and operating rules for their members, including transparent procedures for selection, termination or renewal. More specifically, limiting the number of terms that members can serve on a board is seen as essential to ensure that ideas are renewed, and that strong personalities or groups don’t dominate discussions or decision-making.

As organizations grow and develop, they are also likely to require additional expert knowledge, such as that required for meeting financial goals and fiduciary responsibilities, while remaining focused on their mission and relevant to their constituents. In these cases, the literature recommends that specific committees be set up to help tackle specific issues, including the development of financial policies and procedures, investment decisions, support general fundraising goals, deal with disputes and enhance accountability.

In all of its forms, civil society has an important role in holding all stakeholders, including itself, to the highest level of accountability. Boards also place increasing transparency and accountability demands on organizations to measure and communicate their impacts and results. According to Beloe et al. (2003), there are a number of mechanisms that can assist organizations in improving accountability measures. The Global Accountability Project (GAP), for example, identified four dimensions of both internal stakeholder accountability (member control, appointment of senior staff, compliance mechanisms, and evaluation processes) and external stakeholder accountability (external stakeholder consultation, complaint mechanisms, corporate social responsibility,

and access to information) that should be embedded in all governing bodies. The authors also indicate that as CSOs become more competitive, donors demand that such metrics be established to allow them to identify and support the most effective organizations. Table 2 defines these accountability principles and how organizations strategies should be structured.<sup>2</sup>

**TABLE 2: ACCOUNTABILITY PRINCIPLES FOR ORGANIZATIONS**

Issue	Guiding Principles	Strategy
<b>Accountability</b>	<ul style="list-style-type: none"> <li>• Transparent and representative</li> <li>• Outcome and evidence based policies, actions and management approaches</li> <li>• Performance</li> <li>• Specific short-term targets</li> <li>• Securing acceptance and support</li> <li>• Identifying future events, decisions or circumstances that may affect prospects</li> <li>• Accessible</li> <li>• Seek a wide range of information</li> <li>• Forward-looking</li> </ul>	<ul style="list-style-type: none"> <li>• Outcome-based</li> <li>• Forward-looking</li> <li>• Multi-stakeholder</li> <li>• Multi-dimensional</li> </ul>

SOURCE: GOVERNABILITIES STUDY, 2014.

A number of studies have attempted to lay out and determine a set of best practices for the governance of civil society organizations that can be used to strengthen governance practices. Some of the most common principles are detailed below, including Diversity, Representation, Terms of Service, Roles and Responsibilities, Commitment, Accountability, and Partnership. These principles are framed in reference to CEPF's current operations and governance.

## Reflections on CEPF's Governance

A Donor Council acts as CEPF's main governing body, which is made up of seven members: L'Agence Française de Développement, Conservation International, The European Union, The Global Environment Facility, The Government of Japan, The John D. and Catherine T. MacArthur Foundation and The World Bank<sup>3</sup>. Furthermore, a Working Group, composed of a representative from each donor organization and ad-hoc guests affiliated with these organizations, provides technical oversight and guidance to CEPF's operations<sup>4</sup>. This advisory body has a similar make up to the Donor Council, with one member representing each donor, with the exception of the European Commission that has four members representing different areas of technical expertise.

<sup>2</sup> Taken from the study: *GovernAbilities: The nexus of sustainability, accountability and adaptability - Essential tools for successful governance in the 21st century*, 2014.

<sup>3</sup> Available on CEPF's website ([http://www.cepf.net/about\\_cepf/governance/Pages/default.aspx](http://www.cepf.net/about_cepf/governance/Pages/default.aspx)).

<sup>4</sup> From CEPF's Operational Manual: ([http://www.cepf.net/SiteCollectionDocuments/CEPF\\_OperationalManual.pdf](http://www.cepf.net/SiteCollectionDocuments/CEPF_OperationalManual.pdf)).

CEPF's operations can be characterized as transparent, accountable, and pioneering in many aspects. Interviews carried out with Working Group members ratified and reinforced these perceptions, revealing a great deal of satisfaction with CEPF. There is consensus that CEPF is a trustworthy and effective mechanism, with a well functioning Secretariat that adequately supports and interacts with members of both Working Group and Donor Council. Chances of success during Phase III however, will likely depend on a broader set of constituencies sharing these same perspectives. In order to advance in this direction, CEPF's current governance will need to revisit some of its current rules and procedures, accommodating novel and innovative governing and programmatic arrangements.

## Diversity

Best practices for civil society governance make a clear recommendation that boards include representatives of both public and private institutions, reflecting complementary competencies and expertise. CEPF currently lacks rules for selecting members; instead, representation in governance is determined by donors' capacity to make a USD25 million investment commitment. If on the one hand this mechanism has worked well for CEPF during its previous phases, bringing cohesiveness to a somewhat homogenous group of organizations and agencies whose missions are aligned with CEPF's goals, it has potentially stymied engagement of a more diverse set of players who could add additional expertise and strength to the organization.

Interviews carried out with Working Group members revealed a mixed set of perspectives as far as changing CEPF's current governance make up. Non-traditional donors such as private sector companies or bilaterals like China or Saudi Arabia are perceived as important to help the organization meet future fundraising goals. But at the same time, Working Group members highlighted that engaging with such players may disrupt the balance of power and trust that presently defines the current board. In other words, existing global donors appear both favorable towards having non-traditional donors invest in CEPF, but reluctant to expose the organization to reputational risks, or worse yet, to having strategies co-opted by private or bilateral interests that may go against the organization's goals.

In this sense, defining clear principles of good governance and shielding these from the financial contributions made by donors seems like a necessary first step for CEPF's future governance. Having a set of policies for how governing members are to be selected, grounded on having complementary skills, knowledge, and expertise present in the organization's governance will help isolate CEPF from any potential negative repercussions associated with the image or practices of its investment partners. Moreover, the need to diversify CEPF's donor base<sup>5</sup> goes beyond meeting future financial growth targets. It is

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<sup>5</sup>25th Meeting of the Donor Council, 24 June 2014  
([http://www.cepf.net/SiteCollectionDocuments/donor\\_council/DC25\\_3\\_DraftMinutes.pdf](http://www.cepf.net/SiteCollectionDocuments/donor_council/DC25_3_DraftMinutes.pdf)).

equally important to recognize that greater diversity will help strengthen a future program, creating additional opportunities and solutions to address a broader set of perspectives, issues, needs, and goals.

## Representation

Active engagement of multiple stakeholders in the decision-making processes of civil society organizations adds legitimacy to organizational procedures and decisions. CEPF already collaborates with a wide range of local stakeholders throughout the Hotspots. The Secretariat and Regional Implementation Teams (RITs) coordinate the development and update of Ecosystem Profiles<sup>6</sup>. RITs also promote stakeholder engagement and exchange at the Hotspot level through encouraging grantee collaboration.

Nevertheless, CEPF's main stakeholders are not currently reflected in CEPF's global governance or ultimately involved in its decision-making. Some interviews revealed that Conservation International's participation at the Donor Council is perceived as sufficient representation of civil society. Best practices in governance indicate however, that securing social buy in and support requires broader levels of engagement and participation by multiple stakeholders (Osterwalder et al, 2010). Empowered stakeholders who have a seat at the table of decision making processes share responsibility and accountability for decisions made and for the outcomes of those decisions (Luttrell et al, 2009; IFC, 2007).

In order to better align with best practices, CEPF's growth during phase III will require rethinking ways to reflect and involve its stakeholders in global decision making, in addition to their involvement in the development of Ecosystem Profiles. A number of organizations similar to CEPF make use of Advisory Councils or expert panels, as a means to incorporate individuals and organizations that have a direct vested interest in their long-term mission success on an ongoing basis. Such players, who may not always be able to make financial investments, can contribute in other ways that are equally important, including by expanding social networks, suggesting solutions grounded in local knowledge and experience, helping keep the organization current and relevant to stakeholders needs and local contexts, and identifying risks and opportunities.

Similarly, in addition to a global advisory, regional forums can help strengthen regional implementation, while also helping CEPF identify local opportunities and solutions on a more permanent basis. As CEPF advances in its plans to develop long-term visions for the Hotspots, having strong regional governance mechanisms in place will be one of the principal means to guarantee mission success, extending the participatory nature of the initiative beyond the duration of its investments.

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<sup>6</sup> Information available in the CEPF Operational Manual ([http://www.cepf.net/SiteCollectionDocuments/CEPF\\_OperationalManual.pdf](http://www.cepf.net/SiteCollectionDocuments/CEPF_OperationalManual.pdf)).



In addition, the fact that CEPF's regional donors are not currently represented at CEPF's global governance could be curtailed through the development of regional advisories. Regional committees help to promote a more consistent, and often effective, participation of donors who have site specific networks and strategies and who wish to monitor their investments more closely. Providing an opportunity for such donors, which are already part of CEPF's current donor base, will likely strengthen existing relationships with CEPF, catering to region specific interests and retaining financial commitment as part of a long term fundraising approach during Phase III and beyond.

### **Terms of Service / Renewal of Members / Termination**

CEPF's Operational Manual and the agreements celebrated between donors do not currently define procedures for nominating members, nor do they place limits on the terms of office. While interviews revealed this to be an issue, rules for maintaining and excluding members have not been put in place in order to maintain a cohesive group of institutions who have a vested interest in CEPF's ultimate mission and success. In fact, the only rule currently in place for being part of CEPF's Donor Council (and similarly, Working Group) is to make a USD 25 million commitment to a global set of priorities and programs, thereby matching the investment of previous founding partners.

Best practice guidelines for governance boards recommend however, that organizations establish a clear framework for selecting, maintaining and excluding governing members (Spiegel; Mikitin, 2013). The periodic renewal of board members is considered a healthy practice, when conducted in a way that ensures that technical capacity, continuity of mission, and institutional memory are preserved (Quesne; LaFontaine, 2013). Defining CEPF's rules for board member participation appears indispensable as the organization progresses and grows under Phase III. In particular, allowing donors to contribute to CEPF at varying levels (Ex. Contributing USD 25, 15, 10 million) would help harmonize the volume of contributions to the duration of service. In this case, the volume of commitments would equalize the duration of a members seat in CEPF's donor council, with 5 year, 3 year and 2 year terms respectively.

Furthermore, differently from a Donor Council, should CEPF choose to set up advisory councils, be they global or regional in scope, the selection of members should be based on the technical qualities and characteristics defined as necessary to help CEPF strengthen and advance its future goals and mission.

### **Roles and Responsibilities**

Best practices for governance further prescribe that organizations should consider different functions as a means to address the complexity of challenges associated with meeting institutional mission and goals, including operating through advisory, ad hoc members, and expert committees. In CEPF's case, the Donor Council is responsible for approving priority areas and investment strategies and for providing strategic guidance over operational aspects. A

Working Group provides expertise and guidance over operational and technical issues. The tasks listed in the Operational Manual as responsibilities of the Donor Council and Working Group can be reviewed in Table 3 below.

Current roles and responsibilities, as described, do not appear to provide sufficient detail or to explore the full spectrum of contributions that either group could make to CEPF's broader mission and goals. As an example, responsibilities for fundraising are mainly left up to the Secretariat, while the Donor Council approves the strategies and Working Group members are expected to promote internal coordination within their respective institutions. Neither group appears to be expected to contribute in expanding CEPF's network and donor base, or in defining more innovative approaches for engaging new investments and prospective donors. Although there is evidence that this sort of collaboration takes place occasionally, it is done in an ad-hoc manner, leaving the task of fundraising largely up to CEPF's Executive Director and Secretariat. Some organizations have responded to this very same challenge by setting up fundraising committees, charged with defining the strategies, identifying prospects, and supporting the task more collaboratively.

It seems that a review of the respective roles and responsibilities of the Donor Council and Working Group, including the identification of gaps in strategic functions like fundraising, would help strengthen donor participation in CEPF's current governance. In addition, Working Group members appear to accumulate a number of technical tasks that require a diverse set of thematic and geographical expertise, such as when reviewing Ecosystem Profiles and making recommendations for adjustment and/or approval. In these cases, Working Group members may benefit from receiving support of specific technical committees, with regional and technical expertise, set up to inform and strengthen Working Group recommendations.

**TABLE 3: SUMMARY OF CURRENT ROLES AND RESPONSIBILITIES OF CEPF'S GOVERNANCE**

<b>RESPONSIBILITY</b>	<b>DONOR COUNCIL</b>	<b>WORKING GROUP</b>
Fundraising	Reviews and approves fundraising	<ul style="list-style-type: none"> <li>- Supports mission and objectives and leverages investment by identifying technical and financial resources that member organizations can contribute;</li> <li>- Represents and communicates CEPF's mission, objectives, and investment strategy to respective donor organizations to leverage and amplify investments.</li> </ul>
Strategic Advice	Reviews and approves: <ul style="list-style-type: none"> <li>- Priority list of Ecosystem Profiles;</li> <li>- Conditions for new donors</li> <li>- Approves new Council members.</li> </ul>	Supports Ecosystem Profiles preparation by: <ul style="list-style-type: none"> <li>- Reviewing draft profiles,</li> <li>- Discussing geographic priorities,</li> <li>- Providing information and constructive input,</li> <li>- Assisting in identifying current investments; biodiversity threats</li> <li>- Leveraging opportunities.</li> </ul>
Operational Accountability	<ul style="list-style-type: none"> <li>- Provides general guidance (to CI) on the operations of the Fund;</li> <li>- Reviews and approves: Annual Spending Plans and amendments to the Operational Manual;</li> <li>- Procedures for procurement of goods and services (above threshold amounts);</li> <li>- Selection of Regional Implementation Teams;</li> <li>- Grants to CI;</li> <li>- Terms of reference for midterm evaluations,</li> <li>- External and programmatic audits;</li> <li>- Terms of reference for CEPF Working Group;</li> <li>- Elects chairperson of the Donor Council;</li> <li>- Delegates specific powers and duties to the Working Group as necessary.</li> </ul>	Provides input and guidance on operational matters, including changes to Operational Manual; <ul style="list-style-type: none"> <li>-Monitors and assists with the implementation of Council decisions, and other issues as necessary;</li> <li>-Provides support to CEPF and Donor Council members in preparing for meetings of the Donor Council reviewing documents, recommended actions;</li> <li>-Represent respective organizations on key issues;</li> <li>-Briefs Donor Council members;</li> <li>-Selects Regional Implementation Teams for Donor Council approval;</li> <li>-Reviews and approves CI grants above USD 20K.</li> </ul>

SOURCE: OWN ELLABORATION, BASED ON CEPF'S OPERATIONAL MANUAL

## Commitment

As discussed in the previous section of this report, ODA flows, and more specifically support for biodiversity conservation, have remained relatively stable over the last decade. Private sector contributions, although perceived as promising, are insufficient and often restricted to private interests and do not make up for the lack of growth in public funding. How this critical scenario will influence CEPF's Phase III investment targets remains to be seen. The Donor Council and Secretariat already know that fundraising is of utmost priority. Best practice guidelines point in favor of building a dedicated base of support for both designing and implementing resource mobilization strategies, and in this way, taking advantage of multiple levels of the expertise and networks. CEPF may consider the need to set up a fundraising committee, including current donor representatives, to help strategize, guide and implement fundraising plans.

On a related topic, if on the one hand there are visible and tangible advantages for CEPF to operate under CI's institutional framework, including prestige, senior staff commitment, operational and administrative support, as far as fundraising goes, CI competes for the same scarce pool of resources for their programs. This issue is unique to having a conservation NGO as part of the Donor Council. Although not a critical matter for its program currently, in order to be successful in meeting future fundraising goals, CEPF will need to maintain ample leeway in fundraising without limits, including going after common CI donors.

## Accountability

CEPF uses a monitoring framework approved by the Donor Council in June 2012 to track impacts and share the lessons of its programs. The Donor Council has also requested that communication products help showcase CEPF's extraordinary track record and disseminate the wealth of information being produced as a means to complement current impact monitoring.<sup>7</sup>

CEPF's is already planning on building stronger communication tools, materials and improved strategies into its Phase III program. Ultimately, it must seek to become more visible and better understood as a mechanism that effectively mobilizes resources and delivers biodiversity conservation, while building the capacity of local civil society. Greater visibility and brand equity will be important to ensure that CEPF remains competitive, while being transparent regarding its objectives, activities, progress, results, and costs. Organizations that share their successes as well as their failures are better equipped to adapt their

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<sup>7</sup> Information available in the documents of the 24th Meeting of the Donor Council, January 28, 2014 ([http://www.cepf.net/SiteCollectionDocuments/donor\\_council/DC24\\_5\\_StrategicFrameworkPhaseIII.pdf](http://www.cepf.net/SiteCollectionDocuments/donor_council/DC24_5_StrategicFrameworkPhaseIII.pdf)).

programs to changing circumstances and emerging challenges. Having clear metrics that matter to their constituencies will help demonstrate the significance of continued and expanding donor support.

## Partnership

In an increasingly interconnected world, success depends on the strength of networks and partnerships created. There is an ever-growing need for collaboration among individuals and organizations that share similar goals and visions. Civil society organizations have responded to this trend by building strong connections with different social agents, including governments and private sector players (Beloe et al, 2003; Huppé et al, 2012).

CEPF's governance is currently made up of a set of donor partners who represent mainly public sector interests. Private sector perspectives are limited, if not absent from the current structure. Interviews with Working Group members revealed a high level of satisfaction with the general make up and function of CEPF's governance as well as expressed concerns that a broader partnership initiative, involving non-traditional donors, should be conditioned on clear criteria and rules to mitigate potential risks for the organization.

The element of partnership is particularly relevant given the challenge of identifying additional financial resources in a context of scarcity. It means exploring models that will allow CEPF to become increasingly relevant in a space of collective and converging actions implemented by different organizations with similar and complementary objectives. The element of collaboration is particularly relevant for an organization that has "partnership" as a central theme. When asked about priority future partners, Working Group members highlighted a need to become better aligned with key mechanisms, such as the CBD, but appeared less clear on partnerships involving other conservation groups, private sector companies, and non-traditional bilateral donors. Clear criteria and safeguards should be defined as a means to assess the right profiles and rules of participation of advisory members, helping to strengthen the policies that will help guide CEPF's future oversight and decision-making.

## Options for CEPF's Phase III Governance

As a result of discussions held during the January 2015 Donor Council meeting, and of the best practices analyzed in the previous section, CEPF requested further details on options for adjusting three elements of its current governance:

- 1) Board member selection;
- 2) Definition of terms of service; and
- 3) Enhancing diversity and regional representation.

Each of these topics is discussed below. Supporting cases are also provided to illustrate approaches taken by other organizations. We specifically chose to present these topics as options rather than prescribing a specific approach. This

is a reflection of the fact that CEPF is still coming to terms with what changes are necessary versus what the organization is willing to take on during Phase III.

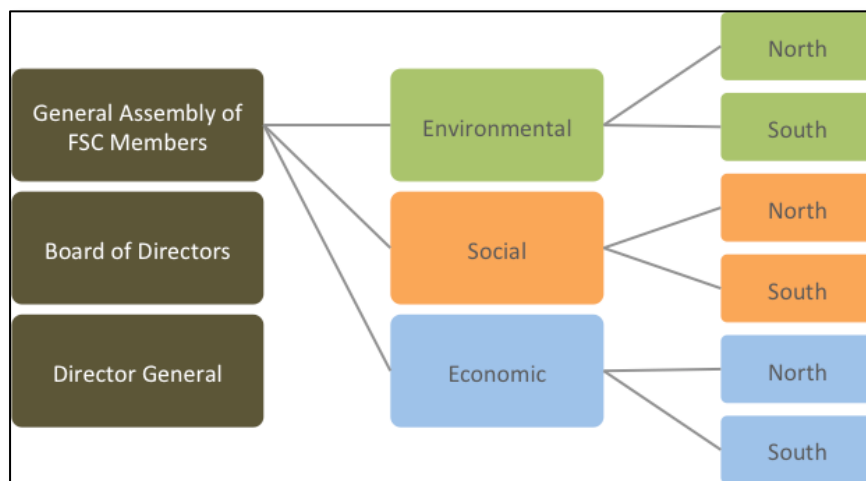
### Board Member Selection Process (Conflict of Interest)

A governing board’s main goal is to make the best possible decisions, involving the right set of people in the decision-making process. Selecting such people involves identifying actors that are proficient in their sector, who possess relevant knowledge and experience, and who add legitimacy and quality to discussions and decisions. These individuals tend to be associated with key reference institutions in their respective fields, although there are exceptions that justify involving independent players.

The main difficulty in selecting Board members lies in finding quality professionals that are willing to allocate time on a pro bono basis to what are often complex and time-consuming processes. Effective boards get around this issue by setting up well-structured selection committees whose task is to identify, approach, screen, and select new board members. In order to maintain fairness in the process, board members representing institutions that have a direct interest in the outcome of decisions are often allowed to join, though not participate in those decisions pertaining to their direct interest. Institutional bylaws should make explicit provisions for this type of conflict and specify how potential conflicts are to be addressed. Some organizations make use of ad hoc arbitration committees made up of internal board members and other appointed experts who can be activated and dissolved as needed.

In order to help illustrate how board member selection takes place in practice, two examples are described below: i. Forest Stewardship Council and, ii. Marine Stewardship Council. The governance structures of both of these organizations are composed of a diverse set of stakeholders, supported by rules adopted to define their participation and mitigate conflicts of interest.

FIG 1: FOREST STEWARDSHIP COUNCIL’S GOVERNANCE STRUCTURE



SOURCE: [HTTPS://IC.FSC.ORG/GOVERNANCE.14.HTM](https://ic.fsc.org/governance.14.htm)

## **FOREST STEWARDSHIP COUNCIL (FSC)**

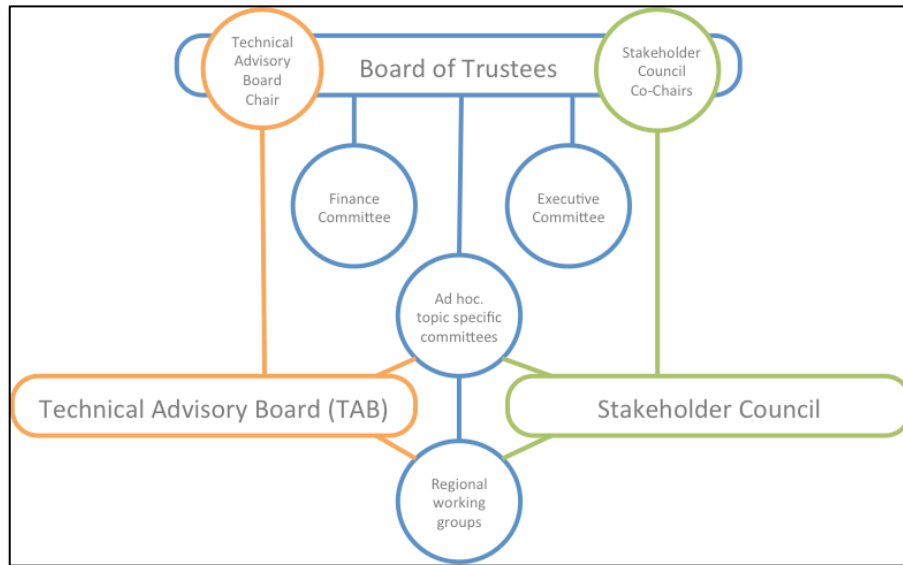
The Forest Stewardship Council (FSC) was founded in 1993 as an international not-for-profit organization. It is an association of members representing environmental and social groups, the timber trade and the forestry profession, indigenous people's organizations, community forestry groups and forest product certification organizations from around the world. Membership can be individual or organization based, and is open to all involved in forestry or forest products.

Members and their General Assembly (GA) hold the ultimate authority for the organization; their main roles and responsibility include: proposing candidates and electing the Board of Directors; proposing and voting on amendments of Statutes and By-laws; proposing and voting on policy making; and holding the ultimate decision making power on appeals for dispute resolution (prior to court action), destitution of members and dissolution of the association.

The Board of Directors has responsibilities for being accountable to the membership; formulating high level policies and strategies; approving the annual business plan, budget, work plan and financial statements; appointing the Executive Director and key executive staff; and approving terms of reference of committees and monitoring their performance. The Board is divided into three chambers, representing social, environmental and economic interests. Three members represent each chamber, two of which come from the north and south sub-chambers. The third one alternates between North and South. Each chamber is sub-divided into northern and southern sub-chambers, holding 33.3% of the votes; votes are weighted within each chamber to ensure that north and south hold an equal share, guaranteeing different interest groups and levels of economic power are represented. Decisions are made by consensus and do not require unanimity. In case of a split vote, decisions require the vote of a majority within each sub-chamber.

The General Director is the chief executive, head of the secretariat, who acts as secretary of the Board of Directors. His/her functions include: implementing policies and strategies; encouraging collaboration with other organizations (and people) who can contribute to FSC's mission; and ensuring that administrative duties are duly carried out by the secretariat, whose role is a more detailed version of the General Director's responsibilities.

**FIG 2: MARINE STEWARDSHIP COUNCIL'S GOVERNANCE STRUCTURE**



FONT: [HTTP://WWW.MSC.ORG/ABOUT-US/GOVERNANCE/STRUCTURE](http://www.msc.org/about-us/governance/structure)

### **MARINE STEWARDSHIP COUNCIL (MSC)**

The Marine Stewardship Council (MSC) was founded in 1997 through a partnership between Unilever & WWF. It is now a fully independent body, that uses an eco-label and fishery certification program to contribute to the health of the world's oceans. MSC partners with a number of organizations, businesses, and funders around the world. Stakeholders from a range of backgrounds contribute to the program ensuring balance and shared interests. A Board of Trustees, Technical Advisory Board (TAB) and Stakeholder Advisory Council make up the organization's governance.

**The Board of Trustees** sets the institution's strategic direction, monitors progress and ensures the MSC meets its objectives. MSC's governing body meets four times a year and has a maximum of 15 members. Trustees are chosen for their knowledge, expertise and support of the MSC. There is no formal membership structure, but the Board should be balanced with representatives from different sectors and geographical regions to reflect the broad mix of people who have a stake in the organization's mission. Trustees are nominated on a personal capacity, not as representatives of their organizations.

**The Technical Advisory Board (TAB)** is appointed by the Board. It is made up of eleven members whose role is to provide advice on technical matters. This includes setting and reviewing the MSC standard. Existing TAB members propose new TAB members and before making recommendations to the Board, seek feedback from the Stakeholder Council. The Board appoints new members, with the aim of bringing a range of experience, skills and geographical representation to the TAB.

**The Stakeholder Council** is a formal channel through which all stakeholders, whether members of the Stakeholder Council or not, can share their views with the MSC. It meets at least once a year to provide MSC's Board with advice, views, guidance, and recommendations from a variety of informed perspectives about operations.



## Board Mandate/Renewal/Termination

Doing pioneering work, experimenting and promoting social and economic transformation requires a permanent renewal of members (QUESNE; LAFONTAINE, 2013 and SPERGEL; MIKITIN, 2013). As governing boards seek to stay up to date with current affairs and practices in their respective fields, renewal guarantees an environment where positive competition, merit, and financial commitments are enhanced. Permanence, accommodation, and comfort zones are antithetical to these objectives.

Boards terms vary from one organization to the next, but on average, terms last approximately four years, including the option to renew for a subsequent term upon evaluation and board approval. In this sense, the longest board appointment period would be of eight years. It is also advisable that board members begin their terms of service at different time periods, allowing institutional memory to be maintained within the broader group, while keeping the board in a state of regular flux.

In cases where a board finds it important to retain a board member whose second term has expired, provisions can be made to have the name resubmitted to the selection committee to negotiate his or her return after a one-year sabbatical period. The member's new term would then revert to the ordinary rules applied to new mandates.

An active relationship can also be maintained with relevant board members who have completed their terms of service through the creation of a Consultative Council. This type of forum does not make decisions, but can support the Board with qualified recommendations. Individuals may be nominated and elected by the board to provide support on specific issues and decisions. Membership should be treated as honorary and be exclusive to individuals who made the most valuable contributions during their service time. Membership is usually permanent but can be terminated upon the member's request. Advisory Councils meet at least once a year during which time both progress and future plans are discussed. Additional meetings may be convened on an as needed basis, to help the board out with specific tasks and decisions.

Three examples are provided below to illustrate how different organizations – the Marine Stewardship Council; the Brazilian Biodiversity Fund, and the Global Environment Facility define the terms of service of their boards as well as their renewal and termination procedures.

### **MARINE STEWARDSHIP COUNCIL (MSC)**

The Marine Stewardship Council (MSC) is governed by a Board of Trustees, a Technical Advisory Board (TAB) and Stakeholder Council who advises the Board. A wide range of stakeholders are involved, representing different sectors including industry, environment and scientific groups, and geographies.

Members of the Board of Trustees are nominated on a personal capacity, not as representatives of their organizations. They serve a maximum three-year term and may stand for reappointment. The MSC adopted a revised Board Nominations Protocol in 2013 that includes provisions for identifying new members, and appointing new candidates.

Existing Technical Advisory Board members propose new TAB members and recommend them to the Board of Trustees. The Board appoints new members, with the aim of bringing a range of experience, skills and geographical representation to the TAB. TAB members are nominated in a personal capacity not as representatives of their organizations. Members serve a 3-year term and may stand for reappointment.

The Stakeholder Council is made up of two chambers, each with up to 20 members: (i) a Commercial Chamber is made up of commercial interests related to catch, processing, supply, retail, and the food service sectors; and (ii) a Public Interest Chamber is made up of academia, science, management, and the marine conservation community. Each chamber nominates and appoints new members as needed. Members serve a 3-year term and may stand for reappointment. The Stakeholder Council also has two Co-Chairs, one from each of the two chambers. Co-Chairs serve 2-year terms, and these are arranged so that only one co-chair is elected annually. Each Co-chair also serves, ex-officio, on MSC's Technical Board.

### **BRAZILIAN BIODIVERSITY FUND (FUNBIO)**

FUNBIO's Governing Council holds the highest authority within the Brazilian Biodiversity Fund. Decisions are collective, and members deliberate as to the management and operations of the organization. The Governing Council is composed of individuals with untarnished reputations, committed to FUNBIO's mission, and who represent the following sectors: I – Business; II – Academia; III – Environmental NGOs; and IV - Government. Each sector is represented by three individuals. Two technical commissions also provide specific support on matters related to asset management and financial audits.

All council members are limited to serving for four year terms; with one quarter of members being replaced each year. Members can also be re-elected once. Once a member no longer serves on the Governing Council, it automatically joins FUNBIO's Consultative Board where they can remain connected and involved with the organization, being called upon to provide input, expertise and to support its general program as needed.

## **GLOBAL ENVIRONMENT FACILITY (GEF)**

GEF's Governance Council is responsible for developing, adopting and evaluating operational policies and programs for GEF-financed activities. The Council consist of 32 Members, representing constituency groupings formulated and distributed taking into account the need for balanced and equitable representation of all Participants and giving due weight to the funding efforts of all donors.

There are 16 Members from developing countries, 14 Members from developed countries, and 2 Members from the countries of Central and Eastern Europe and the former Soviet Union. There is also an equal number of Alternate Members who have full power to act on behalf of an absent Member. Both Member and Alternate represent a constituency and are appointed by other constituency representatives. Unless the constituency decides otherwise, each Member of the Council and each Alternate shall serve for three years or until a new Member is appointed by the constituency, whichever comes first.

### **Regional Representation**

Innovative and transformative institutions make room for freedom of expression and, most importantly, for exploring the full potential of engaging different social forces and actors in their missions. Organizations that have a social mission are particularly well positioned to establish direct lines of communication and interaction with their stakeholders and beneficiaries. Doing so helps keep the organization in check, while building credibility and transparency into decision making and ensuring that the organization remains relevant to its constituencies.

The digital age allows for easy communication between stakeholder groups, which in CEPF's case includes local and international NGOs, donors, local government and community members. In such an environment, the role of the board changes, becoming less of a body of donors and more a group of actors responsible for listening with acute ears to their stakeholders and managing the information that flows from that process. This assumes that boards must become less insular and more culturally attuned, helping to reduce risks of making unpopular decisions, providing ballast for a balanced view of decisions among stakeholders. The ballast is built on trust, and that requires communications that reflect the shared ethic of the organization.

One might imagine this extra load of accountability to be onerous, or alternately that it might result in the dumbing down of an organization to its lowest common denominator. But if new practices of transparency, engagement, and communication are embraced, these risks can be mitigated. In summary, a new environment and moment marks CEPF's program under Phase III, requiring listening differently to stakeholders and communicating the organizations' governance considerations early and often, wherever possible. Three examples were identified of organizations that have incorporated regional perspectives in

their governance structure: Forest Stewardship Council (FSC); the Wikimedia Foundation and the Climate Investment Fund.

#### **FOREST STEWARDSHIP COUNCIL (FSC) NATIONAL INITIATIVES -**

The Forest Stewardship Council (FSC) contains a number of National Initiatives as part of its operations. Work at the national level takes several forms, from individual contact persons to full structures, national working groups, and national offices. The main function of these groups is to create a national forum for promoting FSC's certification and addressing related issues, and developing national standards for forest management and certification.

National working groups and offices must be endorsed by the FSC Board of Directors of FSC's International Center, but are independent entities. To be endorsed by FSC, they must meet certain criteria, including: having a structure that is similar to FSC's, i.e., being composed of at least three chambers (government representatives can be made members, and additional chambers can be set up as needed to reflect local issues); decisions are made in a manner that demonstrates support from each chamber and reflects FSC's international processes seeking to obtain broader stakeholder support for the standards developed.

#### **WIKIMEDIA FOUNDATION**

The Wikimedia Foundation is a nonprofit charitable organization dedicated to encouraging the growth, development and distribution of free, multilingual, and educational content, and to providing the full content of these wiki-based projects to the public free of charge. A Board of Trustees oversees the Foundation, and is made up of four officers: a Chair and Vice Chair (who have to be Trustees), and a Treasurer and a Secretary (who do not). Other work is delegated to specific committees, including one for Board Governance, another for overseeing Audits, and a third for Human Resources matters.

Since 2008, the Board includes ten Trustees: a founder's seat (reserved for Jimmy Wales); two seats selected by the Wikimedia chapters; three seats elected directly by the Wikimedia community; and four additional seats appointed by the Board for specific expertise.

Wikimedia is also building an international network of associated organizations; there are currently 41 Wikimedia chapters. Local chapters are independent organizations that share the goals of the Wikimedia Foundation and support them within a specified geographical region. They support the Foundation, the community, and different projects - by collecting donations, organizing local events and projects and spreading the word about Wikimedia and Free Culture. These chapters act as a local point of contact for the volunteer community, potential partners and local supporters.

## **CLIMATE INVESTMENT FUND (CIF)**

The Climate Investment Fund (CIF) provides 63 developing and middle-income countries with urgently needed resources to mitigate and manage climate change and reduce greenhouse gas emissions. The CIF allocates financing through four funding windows: Clean Technology Fund (CTF); Forest Investment Program (FIP); Pilot Program for Climate Resilience (PPCR); and a Scaling Up Renewable Energy in Low Income Countries Program (SREP).

Specific Sub-Committees govern each of the targeted programs, and are responsible for: approving programming priorities, operational criteria and financing modalities; and approving Program financing for programs and projects. Each Sub-Committee is composed of an equal share of contributor countries and recipient countries and other representatives designated by the Trust Fund Committee. Unless otherwise determined, each Sub-Committee serves for an eighteen-month term, although retiring members may be reappointed. Committees have only one country representative at any given time.

A Partnership Forum is a broad-based meeting of stakeholders of the CIF, including eligible recipient and contributor countries, MDBs, UN organizations, GEF, UNFCCC, the Adaptation Fund, bilateral development agencies, civil society organizations, private sector entities, and scientific and technical experts. The Partnership Forum is convened every eighteen months to provide a forum for dialogue on the strategic directions, results, and impacts of the CIF. The Forum is co-chaired by a representative from an eligible recipient country and a representative from a contributor country elected among government representatives participating in the Partnership Forum. The Partnership Forum serves as a primary venue to identify representatives from eligible recipient and contributor countries to serve as members of the SCF Trust Fund Committee and Sub-Committees.

## Conclusion

Formalizing Governance Policies requires organizations to define the framework that best reflects its ultimate mission and goals. The way in which an organization elects to formalize its governance policies and practices will ultimately depend on its culture and unique circumstances. This variation is clearly seen in the different approaches of the organizations presented in the previous section of this Options Paper.

Despite the uniqueness of CEPF's program, good governance practices are based on internationally and domestically recognized principles and standards. By taking these into account, CEPF can decide how far it is willing to go, and whether the benefits outweigh the costs of taking on such changes, and in learning anew how a more diverse and well represented group can operate under clear rules and procedures that will ultimately build strength into the operations and reputation of CEPF.

## Questions for further guidance

A set of guiding questions are provided below to help orient discussions between the Secretariat and Working Group initially, and later with the Donor Council. These points are presented for consideration, in light of the request for more detail on how principles and best practices might inspire changes to make CEPF more effective during Phase III.

The already mentioned effective and transparent nature of CEPF's operating rules and procedures will serve to guarantee that any decisions made as a result of these discussions are approached carefully, considering tiered implementation, so as to not place CEPF at risk or disrupt the dynamic and efficient operational capacity that is characteristic of the organization.

1. How might CEPF benefit from setting up a Global Advisory Council as a means to diversify and amplify its dialogue and collaboration with key constituencies?
2. Do the costs of setting up such a group outweigh the benefits?
3. Similarly, how might CEPF benefit from regional panels or committees that can strengthen regional governance, as aligned with long-term vision plans for investment Hotspots?
4. How might regional forums serve as a means to accommodate and expand a regional donor base for CEPF?

5. What additional committees might be necessary to help strengthen CEPF's Donor Council and Working Group functions? For example:
  - a. Should CEPF choose to advance in plans to set up a Global or Regional Advisory Councils, might it benefit from setting up a selection committee to help identify, approach, screen, and select advisory members?
  - b. Given CEPF's fundraising goals, might a similar committee be set up to support fundraising goals and targets?
  - c. Should CEPF consider making provisions for setting up a dispute committee where conflict of interests and other issues can be addressed?

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