



**Steve Gorman**

Subject Fw: CEPF II

10/17/2007 01:34 PM

35865 ENVGC

Dirk,

Thank you for submitting the US comments and endorsement of the CEPF II project circulated for GEF Council comment. The note on improving engagement of the private sector will be included in the Operational Manual for the CEPF program. We have no objection to this note (document attached) being circulated to other members of the GEF Council.



CEPFprivate sector.doc

Steve Gorman  
GEF Executive Coordinator and Team Leader  
POPs/MP operations  
Environment Department  
The World Bank  
202-473-5865



**Dirk.Joldersma**

10/15/2007 04:15 PM

To mbarbut@thegef.org, secretariat@thegef.org

cc ywatanabe@thegef.org, gfonseca@thegef.org,  
mevidente@thegef.org, Rkhanna2@worldbank.org,  
Kmackinnon@worldbank.org, Andrew.Velthaus@do.treas.gov

Subject CEPF II

Dear Monique:

I am writing to comment on the document you recently circulated to the Council on the second phase of the Critical Ecosystem Partnership Fund.

My colleagues and I have carefully reviewed the project document regarding compliance with the conditions for CEO endorsement agreed by the GEF Council on September 26, 2006. We believe that CEPF and the World Bank have made considerable effort to improve the quality of the project and resolve the problems that had been identified. We are pleased that administrative costs have been brought to within the 24% cap established by Council and that these costs will not be financed by the GEF grant. We are satisfied with the measures to ensure that CEPF operates free of the conflicts of interest that had been present in the Fund's first phase. We also believe that CEPF has met the conditions with regard to World Bank safeguard standards, monitoring and evaluation, and targeting of global environmental benefits.

However, we still have concerns relating to the last condition in the Council decision – the need for “a plan for stronger outreach to the private sector.” The United States asked for such a plan because we were concerned that CEPF was not sufficiently engaging the private sector on biodiversity conservation. We wanted to see a written description of how CEPF would improve such engagement in the future.

We have discussed our concerns with GEF Secretariat and World Bank staff. In response, the World Bank has forwarded us a brief plan drafted by the CEPF Secretariat that describes how CEPF will strengthen private sector outreach. We believe this plan satisfies the condition in the Board decision. We would like to request that this document be included in the project documentation listed on the GEF’s website and that it be circulated to Council. We also ask that the Bank include it in the documents it presents to the World Bank Board for approval.

With this action, we believe that CEPF and the World Bank will have satisfied all the conditions set out in the Council decision, and we can support your endorsement of the project.

[Dirk Joldersma](#)

[Deputy Director](#)

[Office of Multilateral Development Banks](#)

[US Treasury - International Affairs](#)

[\(p\) 202 622-1272](#)

[\(f\) 202 622-1228](#)

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**To:** [Dirk.Joldersma@Do.Treas.Gov](mailto:Dirk.Joldersma@Do.Treas.Gov)  
**cc:** [Mbarbut@Thegef.Org](mailto:Mbarbut@Thegef.Org)  
[Secretariat Gef/Ou=Service](#)  
[Ywatanabe@Thegef.Org](mailto:Ywatanabe@Thegef.Org)  
[Gfonseca@Thegef.Org](mailto:Gfonseca@Thegef.Org)  
[Mevidente@Thegef.Org](mailto:Mevidente@Thegef.Org)  
[Rkhanna2@Worldbank.Org](mailto:Rkhanna2@Worldbank.Org)  
[Kmackinnon@Worldbank.Org](mailto:Kmackinnon@Worldbank.Org)  
[Andrew.Velthaus@Do.Treas.Gov](mailto:Andrew.Velthaus@Do.Treas.Gov)

## The Critical Ecosystem Partnership Fund Engaging the Private Sector

The Critical Ecosystem Partnership Fund (CEPF) provides support to nongovernmental organizations and other civil society partners to conserve critical ecosystems. From its inception in 2000, CEPF has defined “civil society” broadly to include the private sector. The CEPF Financing Agreement explicitly states that CEPF shall provide strategic assistance to nongovernmental and private sector organizations for the protection of vital ecosystems.

CEPF has directly awarded grants to private sector partners to help implement its region-specific investment strategies. In the Cape Floristic Region of South Africa, for example, CEPF support to the South African Wine & Brandy Company enabled the company to lead implementation of a unique initiative that resulted in biodiversity guidelines being incorporated into the industry-wide system for South African wine production. In addition to following the guidelines for the sustainable production of wine, more than 80 participating cooperative cellars and winegrowers have set aside biodiversity-rich areas of their land for conservation. In other biodiversity hotspots, such as the Atlantic Forest, the Tropical Andes, the Succulent Karoo, and the Philippines, CEPF funding has facilitated the engagement of the private sector in diverse partnerships and approaches, from co-financing to direct implementation, contributing to biodiversity conservation.

During the second phase of the global program, CEPF will continue to recognize the important role that the private sector can play in biodiversity conservation and seek to further scale up its engagement of this sector together with other civil society actors.

As a first critical step, CEPF will further scale up its analysis and understanding of the private sector as a core part of the ecosystem profiling process for each new investment region. This will be undertaken as part of the CEPF commitment to include strengthened analysis of the socioeconomic, policy, and civil society context within each hotspot for a more comprehensive understanding of development priorities, threats and opportunities. The highly participatory profiling process identifies the conservation needs, gaps, opportunities, and the specific niche and investment strategy for CEPF to provide the greatest incremental value in each investment region. The process enables diverse stakeholders to develop a shared strategy from the outset based on the individual region’s needs and opportunities. The profiling process will enable identification, wherever possible, of specific niches for engagement with the private sector through various mechanisms including: dialogue to change policies and practices; development and dissemination of good practice guidelines; synergies and opportunities for private sector cofinancing; and incremental investments to small-scale business initiatives to enhance, and monitor, biodiversity impact.

Multiple ecosystem profiles developed to date have identified specific opportunities and strategies for engagement with the private sector. The Cape Floristic Region project example highlighted above is a direct result of the strategic need identified in the profile to promote innovative private sector involvement in critical landscapes. In the Atlantic

Forest, where much of the land is privately held, CEPF also identified a strategic direction to increase the number of private protected areas. CEPF grant-making subsequently enabled a targeted program to assist more than 50 landowners in creating and improving management of reserves on their private land. Recognized as official protected areas under Brazilian law, these private reserves complement the country's public protected areas system by connecting small and fragmented forest blocks and bringing additional priority land into the network of protected areas. Guided by the strategic directions and investment priorities identified in the profiles to date, CEPF funding has also helped create important contributions to biodiversity conservation from mining, logging, tourism and other corporate interests in the hotspots. The new Indochina profile specifically targets opportunities for private-public partnerships and enhancing the environmental impact process to mitigate the impacts of commercial and development operations.

The profiling process is thus the first and most critical step in planning private sector engagement in a manner appropriate for any particular region. Information requirements for future profiling will more explicitly emphasize the need to identify private sector engagement opportunities. This emphasis will also build on the CEPF-2 components to (i) strengthen protection and management of globally significant biodiversity and (ii) increase local and national capacity to integrate biodiversity conservation into development and landscape planning, which is particularly targeted to biological corridors and more sustainable management in production landscapes.

As part of the first component, CEPF-2 will focus on key biodiversity areas and address threats to biodiversity across broad landscapes that include a matrix of land uses. Target areas will not be limited to formal designated protected areas and legal entities but will also include community and private lands that are managed for a conservation objective. This component also includes a subcomponent to support innovative financial mechanisms for sustainability, including the introduction and use of conservation financing tools such as payments for environmental services and economic incentives for conservation that will engage the private sector in implementation. As a core part of the mainstreaming component, CEPF will support activities that integrate biodiversity conservation in production systems and sectors, including enabling private sector actors to plan, implement, and influence biodiversity conservation efforts as effective partners in sustainable development. CEPF will build upon successful models from earlier years to promote collaboration with governmental partners and sectors such as agriculture, tourism, logging and mining, by fostering innovative public-private partnerships and multi-stakeholder alliances to harmonize conservation with economic development.

As the profiles guide implementation at the regional level, the identified needs and opportunities to engage the private sector will become a key part of implementation. As the lead in implementing the ecosystem profiles, Regional Implementation Teams will play an important role by acting as an extension service to assist local actors in designing, implementing and replicating successful conservation activities, including those initiatives proposed for direct implementation by or in partnership with the private sector.

Through its diverse donor partnership, the CEPF also provides exciting opportunities for working with the private sector, in collaboration with CI operations such as Verde Ventures and the Center for Environmental Leadership in Business (CELB) as well as through enhanced opportunities for collaboration with World Bank Group operations, including those of the International Finance Corporation, (IFC).

Monitoring and evaluation of individual projects by the Regional Implementation Teams, and deriving and sharing lessons learned within, and across, hotspots will also help to identify increased opportunities for engagement with the private sector. The CEPF Secretariat will develop a global replication and dissemination strategy to expand and formalize information sharing and learning opportunities for analysis and documentation of lessons learned and best practices, including engagement with the private sector. New opportunities to engage the private sector and other key stakeholders may also be identified and incorporated during implementation.