REQUEST FOR CEO ENDORSEMENT/APPROVAL

PROJECT TYPE: Medium-sized Project
THE GEF TRUST FUND

Re-Submission Date: April 23, 2010

PART I: PROJECT INFORMATION

Expected Calendar (mm/dd/yy)	
Milestones	**Dates**
Work Program (for FSP)	n/a
CEO Endorsement/Approval	May 2010
Agency Approval Date	June 2010
Implementation Start	July 2010
Mid-term Evaluation (if planned)	Jan 2014
Project Closing Date	July 2017

GEFSEC PROJECT ID:
GEF AGENCY PROJECT ID: 4285
COUNTRY: Georgia
PROJECT TITLE: Ensuring sufficiency and predictability of revenues for the Georgia's protected areas system
GEF AGENCY(IES): UNDP
OTHER EXECUTING PARTNER(S): Agency of Protected Areas of Georgia; Caucasus Protected Areas Fund
GEF FOCAL AREA(s): Biodiversity
GEF-4 STRATEGIC PROGRAM(s): BD-SP1-PA Financing
NAME OF PARENT PROGRAM/UMBRELLA PROJECT: N/A

A. PROJECT FRAMEWORK

Project Objective: To secure long-term financial sustainability of the Georgian PA system.

Project Components	Type	Expected Outcomes	Expected Outputs	GEF		Co-financing		Total
				($)	%	($)	%	
1. Ensuring sufficiency and predictability of revenue sources for the PA system	Inv.	The long-term financial sustainability of the majority of the PA system in Georgia (37 PAs; > 482,000 ha) is secured through the operation of the regional conservation trust fund (CPAF), including the newly constituted Georgia - dedicated, 7-year sinking fund. Measured by Financial Scorecard: (a) Current overall funding of optimal PA operating and investment costs: 34%; UNDP/GEF Sustainable PAF project target (sister-project): 47%; this project target: 70%. (b) Tools for revenue generation: current baseline 8.7%; UNDP/GEF PAF sister project target: 30%; this project target: 55%. This ensures long-term population stability of globally threatened and endemic species in a variety of fragile ecosystems (from semi-deserts to Alpine meadows, mountainous steppes and forests) within the country's PA system.	(i) Sinking Fund structure and operation finalized based on studies previously prepared by the CPAF feasibility study. (ii) Sinking fund capitalized in full and rounds of proposals advertized to PAs (with focus on IUCN Cat.I and II). Applications from PAs and the Agency for Protected Areas reviewed and funding is channeled to recipients to cover the regular PA annual running costs, biodiversity research and monitoring, establishment and support of tourism, catering, interpretation and other income-generating facilities, as well as for preparation of PA management plans. (iii) Negotiations completed for full capitalization of the CPAF (both the endowment fund and replenishment of the sinking part).	848,000	17	4,067,000	83	4,915,000
2. Raising cost-effectiveness and capacities of PAs	TA and Inv.	Cost-effectiveness of site management improved on at least 10 Pas (focusing on of IUCN Categories I and II) harboring globally threatened and endemic biodiversity, ensuring reduction of biodiversity pressures: reduced illegal logging, poaching, unregulated tourism and over-	**(i)** CPAF implements project audits through external auditors and puts in place "PA management support group" to assist PAs to increase cost-effectiveness of PA management. Best international guidance on PA business-planning, assessment of financial returns on investment, cost-accounting and reporting adapted to Georgia's context and made available, through the "PA management support group" to all recipients of assistance from CPAF and other PAs.	53,000	21	197,000	79	250,000

Project Objective: To secure long-term financial sustainability of the Georgian PA system.								
Project Components	**Type**	**Expected Outcomes**	**Expected Outputs**	**GEF**		**Co-financing**		**Total**
				($)	%	($)	%	
		use of resources. Over the project period, PA management costs are optimized in light of site-specific management and business plan objectives on the one hand, and resources available system-wide on the other (measured by the UNDP Financial Scorecard, section on the cost-effectiveness of resource allocation).	**(ii)** Application forms for funding from CPAF and proposal review protocols designed to request confirmation of how cost-effectiveness considerations have been incorporated in the request. **(iii)** Capacities of site managers strengthened through series of trainings delivered on cost-effective PA management. **(iv)** An electronic system in place, at the CPAF, to track changes in the cost-effectiveness of sites it funds, based on the METT score and – where appropriate – on the Financial Sustainability Scorecard. The system will be linked to the Government reporting on protected areas to facilitate its use for decision-making not only about the CPAF, but also government funding allocation across all PAs					
Project management				99,000	17	470,000	83	569,000
Total				**1,000,000**		**4,734,000**		**5,734,000**

Note: Project management cost of $569,000 has been calculated at 10% of the $5.7 million in total funding for the project. As stated in the PIF approved by the GEF, the government's $2.435 million commitment is solely to direct investments to the same PAs for which funding will be made available from the CPAF through a combination of the sinking fund established with this project and the CPAF's existing funding. Accordingly, a higher share of the the non-government co-financing will be used to finance management costs.

B. Sources of Confirmed Co-financing for the Project

Name of Co-financier (source)	*Classification*	*Type*	*Amount*	*%*
Project Government Contribution	Executing agency	Grant	2,435,000	51
TJS German Development Cooperation	Bilateral agency	In-kind	144,000	3
Bank of Georgia	Bilateral agency	Grant	225,000	5
Caucasus Protected Areas Fund	Executing agency	Grant	1,930,000	41
Total Co-financing			**4,734,000**	**100**

C. Financing Plan Summary For The Project ($)

	Project Preparation *a*	*Project* *B*	*Total* *c = a + b*	*Agency Fee*	*For comparison:* *GEF and Co-financing at PIF*
GEF financing	0	1,000,000	1,000,000	100,000	1,000,000
Co-financing	0	4,734,000	4,734,000	-	4,635,000
Total	**0**	**5,734,000**	**5,734,000**	**100,000**	**5,635,000**

D. GEF Resources Requested by Agency(ies), Focal Area(s) and Country(ies)[1] N/A

E. Consultants Working for Technical Assistance Components:

Component	*Estimated person weeks (GEF)*	*GEF amount ($)*	*Co-financing ($)*	*Project total ($)*
National consultants	65.5	53,000	53,000	106,000
International consultants	7	22,500	22,500	45,000
Total	**72.5**	**75,500**	**75,500**	**151,000**

Note: Details are provided in Annex E.

F. Project Management Budget/Cost

Cost Items	*Total person weeks (GEF)*	*GEF ($)*	*Co-financing ($)*	*Project total ($)*
Contractual Services Individuals	38	84,000	443,000	**527,000**
Professional Services	9	15,000	27,000	**42,000**
Total	47	99,000	470,000	**569,000**

Note: Details are provided in Annex E.

G. DOES THE PROJECT INCLUDE A "NON-GRANT" INSTRUMENT? yes ☐ no ☒

H. DESCRIBE THE BUDGETED M&E PLAN:

Monitoring and reporting

1. Project monitoring and evaluation will be conducted in accordance with established UNDP and GEF procedures by the Project Executive with the support of the Project Manager (PM), and UNDP Country Office (UNDP-CO) with the support of UNDP/GEF Regional Coordination Unit in Bratislava (RCU), and any other relevant members of the project team. The Logical Framework Matrix in Annex A (log-frame matrix) provides impact and outcome indicators for project implementation along with their corresponding means of verification. The Financial sustainability score card will be used to monitor progress in PAs, financial sustainability and management effectiveness. The Baseline Financial Sustainability Scorecard is attached as Annex F. The M&E plan and reporting requirements include: inception workshop and inception report, regular interim and annual project reviews by a project executive board, project implementation reviews, short quarterly operational reports for GEF submission and detailed quarterly progress reports in UNDP format, including financial reports, both mid-term and final evaluations, project terminal report. The principal components of the M&E Plan and the indicative cost estimates related to M&E activities are outlined below. The project's M&E Plan will be presented and finalized at the project's inception workshop following a collective fine-tuning of indicators, means of verification and the full definition of project staff M&E responsibilities.

2. The APA will act as Project Executive. The CPAF will act as the PM and will be supported by the Georgian representative of the Transboundary Joint Secretariat for the Southern Caucasus (together, they will constitute the "project team"). The PM will report regularly on project management matters to the Project Executive which will in turn report to a Project Executive Board (PEB) consisting of the Chairman of Georgia's Agency for Protected Areas (APA), representatives of UNDP-CO and a representative of the PAs supported by the project either in the form of a PA director or an official of the APA responsible for PA operations. This is the highest policy-level body of the parties directly involved in the implementation of the project.

Project Inception Phase

3. A Project Inception Workshop (IW) will be conducted with participation of the project team and key stakeholders. A fundamental objective of this IW will be to assist the project team and key stakeholders to understand the project's goals and objectives and the Project Executive and project team to take ownership in it. The IW participants will also review the logframe matrix (indicators, means of verification, assumptions), imparting additional detail as needed. At the IW, the Project Executive, with support from the PM, UNDP-CO assisted by the RCU and in consultation with the full project team, will fine-tune the progress and performance/impact indicators of the project. Specific targets for the first year implementation progress indicators together with their means of verification will be agreed. Schedules for measuring the impact indicators related to global benefits using METT score will be defined. On the basis of this exercise, the Project Executive, with the support of the PM, will finalize and submit to the stakeholders the initial Annual Work Plan (AWP) and the Project Inception Report referred to below. The AWP will include a detailed first year schedule divided in quarterly time-frames detailing the activities and progress indicators that will guide implementation during the first year of the project and the detailed project budget for the first full year of implementation.

4. Additionally, the purpose of the IW will be to: (i) introduce key members of the Project Executive and project team who will support the project during its implementation; (ii) detail the roles, support services and complementary responsibilities of UNDP-CO and RCU staff and other project team members vis à vis the PM; (iii) provide a detailed overview of UNDP-GEF reporting and M&E requirements (described below). The IW will also provide an opportunity for all parties to understand their roles, functions, and responsibilities within the project's decision-making structures, including reporting and communication lines, and conflict resolution mechanisms. It will also seek to harmonize project reporting and PEB meetings with internal CPAF reporting and board meetings so the CPAF can remain efficient.

Monitoring responsibilities and events

5. A detailed schedule of PEB meetings to review project progress will be developed by the PM in consultation with the rest of the project team and incorporated in the AWP. Such a schedule will include: (i) tentative time frames for PEB meetings and (ii) project related M&E activities.

6. Day to day monitoring of implementation progress will be the responsibility of the PM, based on the project's AWP. The PM will inform the Project Executive and UNDP-CO and the PEB of any delays or difficulties faced during implementation so that the appropriate support or corrective measures can be adopted in a timely and remedial fashion.

7. The specific targets for implementation progress indicators agreed as part of the initial and subsequent AWPs will be used to assess whether implementation is proceeding at the intended pace and in the right direction. Targets and indicators for subsequent years would be defined annually as part of the internal evaluation and planning processes undertaken by the project team.

8. Measurement of impact indicators related to global benefits using METT score will occur according to the schedules defined in the AWPs. Periodic monitoring of implementation progress will be undertaken through UNDP-CO regular meetings with the PM as well as through the regular interim PEB meetings. This will allow parties to take stock and to troubleshoot any problems pertaining to the project in a timely fashion to ensure smooth implementation of project activities.

9. Each calendar quarter the Project Executive, supported by the PM and in consultation with the UNDP-CO will prepare and present to the PEB for review quarterly progress reports described below.

10. Annual monitoring will occur by June 30 in each year through the Annual Project Report and will be incorporated into the UNDP/GEF Project Implementation Review described below.

11. The final project review by the PEB will be held in the last month of project operations on the basis of the Terminal Report described below.

Project Reporting

12. The Project Executive, with the support of the PM and in conjunction with the UNDP-GEF extended team, will be responsible for the preparation and submission of the following reports that form part of the monitoring process:

13. An Inception Report will be prepared by the Project Executive and the PM immediately following the IW, which will include the first year AWP described above. The Inception Report will also include a detailed narrative on the institutional roles, responsibilities, coordinating actions and feedback mechanisms of project related partners. In addition, a section will be included on progress to date on project establishment and start-up activities and an update of any changed external conditions that may affect project implementation. The Inception Report will also include a detailed schedule of all monitoring events, including dates of specific field visits, support missions from UNDP-CO or RCU or consultants, as well as time-frames for meetings of the PEB. Finally, as part of the Inception Report, the Project Executive and PM will prepare a draft Reports List, detailing the technical reports that are expected to be prepared on key areas of activity during the course of the Project, and tentative due dates. Where necessary this Reports List will be revised and updated, and included in subsequent APRs. These technical reports will represent the project's substantive contribution to specific areas, and will be used in efforts to disseminate relevant information and best practices at local, national and international levels. When finalized, the Inception Report will be circulated to project counterparts who will be given a period to respond with comments or queries. Prior to this circulation of the IR, UNDP CO will review the document.

14. With the support of the PM, the Project Executive will prove short quarterly reports outlining main updates in project progress to UNDP CO and the RCU as a GEF requirement. In addition, detailed quarterly and annual progress reports, including risk monitoring report and financial report in UNDP format will be shared with the PEB for review.

15. The AWP will be updated by the PM and the Project Executive on an annual basis and reviewed by the PEB.

16. An annual UNDP/GEF Project Implementation Report (PIR) will be prepared by the PM, the Project Executive, UNDP CO and RCU for submission to UNDP-GEF, coinciding with GEF annual project cycle (from July of previous year to June of the next year). The PIR will reflect progress achieved in meeting the project's AWP and assess performance of the project in contributing to intended outcomes through outputs and partnership work. The PIR will include the following: (i) an analysis of project performance over the reporting period, including outputs produced and, where possible, information on the status of the outcome; (ii) the constraints experienced in the progress towards results and the reasons for these; (iii) the three (at most) major constraints to achievement of results; (iv) AWP and other expenditure reports (ERP generated); (v) lessons learned; and (vi) clear recommendations for future orientation in addressing key problems in lack of progress.

17. During the last three months of the project the PM and the Project Executive will prepare the Project Terminal Report. This comprehensive report will summarize all activities, achievements and outputs of the Project, lessons learned, objectives met or not met, structures and systems implemented, whether the project has contributed to the broader environmental objective, etc. It will be the definitive statement of the Project’s activities during its lifetime. It will also lay out recommendations for any further steps that may need to be taken to ensure sustainability and replicability of the project’s activities and acts as a vehicle through which lessons learnt can be captured for other projects under implementation or formulation. The PM and the Project Executive will be responsible for preparing the Terminal Report and submitting it to UNDP-CO and the PEB. It shall be prepared in draft at least two months in advance of the PEB meeting in order to allow for PEB members review the report, and will serve as a basis for discussions at the PEB.

Independent evaluations

18. The project will be a subject to two independent external evaluations. Mid-Term Evaluation will be undertaken at the mid-point of project implementation. The Mid-Term Evaluation will determine progress being made towards the achievement of outcomes and will identify course of correction if needed. It will focus on the effectiveness, efficiency and timeliness of project implementation; will highlight issues requiring decisions and actions; and will present initial lessons learned about project design, implementation and management. Findings of this review will be incorporated as recommendations for enhanced implementation during the final half of the project's term. The Terms of Reference for this Mid-term evaluation will be prepared by UNDP CO based on guidance from the RCU and UNDP-GEF.

19. An independent Final Evaluation will take place 3 months prior to the final project review by the PEB and will look at impact and sustainability of results, including the contribution to APA capacity development and the achievement of global environmental goals. The Final Evaluation should also provide recommendations for follow-up activities. The TOR for this evaluation will be prepared by the UNDP CO based on guidance from the RCU and UNDP-GEF.

Learning and knowledge sharing

20. Results from the project will be disseminated within and beyond the project intervention zone through a number of existing information sharing networks and forums. In addition, the project will participate, as relevant and appropriate, in UNDP/GEF sponsored networks, organized for Senior Personnel working on projects that share common characteristics. The project will identify and participate, as relevant and appropriate, in scientific, policy-based and/or any other networks, which may be of benefit to project implementation though lessons learned. The project will identify, analyze, and share lessons learned that might be beneficial in the design and implementation of similar future projects. Identification and analysis of lessons learned is an on-going process, and the need to communicate such lessons as one of the project's central contributions is a requirement to be delivered not less frequently than once every 12 months.

Table 1. Project Monitoring and Evaluation Plan and Budget[1]

Type of M&E activity	Responsible Parties	Budget US$	Time frame
Inception Workshop	Project team	5,000	Within first three months of project start up
Inception Report	PM & Project Executive, UNDP CO	None	Immediately following IW
Conduct METT	Project team MOEPNR/APA staff UNDP CO	None	Mid-term and end
APR/PIR	PM & Project Executive UNDP CO RCU	None	Annually (August-September)
Quarterly progress reports	PM & Project Executive UNDP CO	None	Quarterly
Annual progress reports	PM & Project Executive UNDP CO	None	End of calendar year
Project Executive Board Meetings	Project Executive PM TJS WWF	5,000	Following Project IW and subsequently at least once annually in addition to the APR
Annual Project Reviews	PM & Project Executive PEB	None	Annually
Technical reports	Project team	None	To be determined by Project team
Mid-term Evaluation	UNDP- CO UNDP-GEF Regional Coordinating Unit External Consultants (i.e. evaluation team)	20,000	At the mid-point of project implementation.
Final Evaluation	UNDP-CO UNDP-GEF RCU	25,000	At the end of project implementation

[1] Excluding project team and UNDP staff time and UNDP staff travel expenses

Type of M&E activity	Responsible Parties	Budget US$	Time frame
	External Consultants + national consultants		
Terminal Report with lessons learned	Project team & Project Executive UNDP-CO	3,000	At least one month before project end
Visits to field sites (UNDP staff travel costs to be charged to IA fees)	PM UNDP CO MOEPNRMOEPNR	5,000	Semi-Annually
Audit	UNDP-CO Project team	8,000	Annual
TOTAL COST		**US$ 71,000**	

PART II: PROJECT JUSTIFICATION:

A. STATE THE ISSUE, HOW THE PROJECT SEEKS TO ADDRESS IT, AND THE EXPECTED GLOBAL ENVIRONMENTAL BENEFITS TO BE DELIVERED:

Background

21. Georgia covers an area of 69,500 sq. km. and is located in the Caucasus region which forms the isthmus between the Black and Caspian Seas. Georgia is in the west of the region on the southern slopes of the Greater Caucasus Mountain Range, and borders the Russian Federation in the north, Armenia and Turkey to the south, Azerbaijan to the East and the Black Sea to the west. Together with Armenia and Azerbaijan, Georgia is at the core of the Caucasus Ecoregion, which has very high plant and animal diversity and endemism. It is classified by WWF as one of the "Global 200 Ecoregions," by Conservation International as one of only 35 biodiversity "hotspots" worldwide and as one of the World's 221 Endemic Bird Areas. Located at a biological crossroads, species from Central and Northern Europe, Central Asia and the Middle East and North Africa mingle with endemics. Over 6,500 species of vascular plants are found in the Caucasus. At least a quarter of the plants are found nowhere else–the highest level of endemism in the Temperate Zone of the Northern Hemisphere. One-third of the endemic plants in the Caucasus are thought to have originated in the Greater Caucasus Range. Seventeen endemic plant genera thrive in the region, nine of which are associated with high mountain communities. Plant associations from the Tertiary period have been preserved in the Colchic and Hyrcanic refugia–centers of plant endemism. There are several reasons for the high level of diversity: the country is at the junction of two major bio-geographic zones– the Eastern Anatolian montane steppe and the Caucasus mixed forests, the latter itself located at the convergence of three bio-geographic provinces (Central/Northern Europe, Central Asia, and the Middle East/North Africa). Georgia holds the major part of the region's biodiversity with almost all Caucasus ecosystems and habitats represented and a high number of globally threatened species. On its own it has a richness of species and level of endemism that make it an important biodiversity reservoir. Three Caucasus endemic birds (the Caucasian Black Grouse, Snow Cock and Chiffchaff) occur in Georgia, which is unique for the European continent. The biomes of Georgia are: forests, sub-alpine, alpine, subnival, nival, semi-desert, steppe and arid light woodlands.

22. Georgia became independent from the Soviet Union in 1991, and has since undergone a dramatic economic transition. In 2008 Georgia's per capita GDP was US$ 2,915, GDP growth - 2.3%, unemployment rate - 16.5% (2007 est., SYG 2008) and inflation estimated at 5.5% (State Department for Statistics). Many industries are no longer operating, and agriculture is now largely small-scale as a result of land privatization and unsustainable farming practices. The current human population is estimated at 4,382[2] thousand (SYG 2008) and the country ranks 93th out of 177 with an HDI value of 0.763 for 2008 (State Department for Statistics, 2008). Key problems include rural poverty (est. 21%, poverty level in 2007[3]), inequality, and low life expectancy. Declines in socio-economic conditions have in turn resulted in substantial over-use of biological resources, and declines in the effectiveness of environmental protection, ultimately threatening refuges of biodiversity through: (i) habitat degradation and fragmentation caused by illegal logging timber trade, overgrazing and water pollution; (ii) poaching and illegal wildlife trade; (iii) overfishing; and (iv) infrastructure development. The cumulative impact of these threats has been a reduction in the ecological functioning of many natural areas including their capacity to provide key ecosystem services, the increased fragmentation of the remaining natural areas, the continuing loss of threatened habitats and associated species and the loss of the economic benefits accruing from biodiversity.

[2] Excluding the population of Abkhazia and Tskhinvali region.
[3] 60 per cent of median consumption

Pressures on PAs

23. **Four primary threats** to biodiversity have been identified within and around protected areas in Georgia: *(1) Habitat loss:* though-out Georgia, habitat loss caused by grazing, unsustainable logging and pollution threatens biodiversity; *(2) Overexploitation of natural resources:* there is *de facto* open access to most natural resources except within the boundaries of a few better-managed protected areas, as well as poaching and illegal wildlife trade; *(3) Overfishing*: Georgia's marine ecosystems are being threatened by unregulated fishing. *(4) Infrastructure development*: plans to develop infrastructure rarely take environmental measures into account. The impact of these threats includes the accelerated loss of vulnerable habitats and associated species, the reduction of ecological functionality and the growing insecurity of ecosystem services. Opportunities for communities to realize the potential social and economic benefits accruing from biodiversity are lost.

Baseline

24. The Government of Georgia adopted the law on Protected Areas System in 1996, putting the PA network under a firm legal footing. Georgia now has a system of protected areas covering about 482,842 ha of land or 7% of the country's territory. The system is composed of 39 protected areas (PAs) of the different management categories presented in the table below. The PA network has grown to include 21 nature reserves, four national parks, three national monuments, eleven managed reserves and one protected landscape. Until 2008, all protected areas were managed by the Department of Protected Areas (DPA). The DPA was replaced in January 2008 by the newly created parastatal, the Agency for Protected Areas (APA), under the oversight of the Ministry of Environment. The APA has begun the process of developing its own internal management policies and systems. The 39 PAs are divided into 19 administrative divisions for management purposes (grouping, for example, adjacent Nature reserves and National Parks, as well as certain larger PAs with smaller non-contiguous but nearby PAs. Of these 19 administrative divisions, almost all include areas designated as priority protected areas under the Ecoregional Conservation Plan for the Caucasus referred to in paragraph 44 below. Protected areas represent the cornerstone of Georgia's biodiversity conservation strategy, as reflected in the government's commitment to achieve a 20.2% coverage (1,417, 522 ha) by 2010 by establishing new protected areas and enlarging some of the existing ones. For this purpose, Georgia has developed a very comprehensive programme on protected areas and strong partnerships with numerous international organizations, such as the World Bank, the EU, BMZ/KfW/GTZ, Governments of US and Norway, IUCN, WWF, Conservation International, etc.

Table 2: Georgian protected areas (NBSAP 2005)

#	Type	Area (ha)	Established
	Nature reserves – IUCN Category I – managed for strict protection		
1.	Lagodekhi	22,358	1912
2.	Tusheti	10,694	1980
3	Babaneuri	770	1960
4.	Batsara	3,042	1935
5.	Vashlovani	8,480	1935
6.	Algeti	6,400	1965
7.	Liakhvi	6,388	1977
8.	Saguramo	5,241	1946
9.	Mariamjvari	1,040	1935
10.	Kazbegi	8,707	1976
11.	Ajameti	4,848	1935
12.	Sataplia	300	1935
13.	Borjomi	17,948	1935
14.	Bichbinta	1,461	1935
15.	Miusera	2,300	1934
16.	Ritsa	17,200	1930
17.	Pskhu	27,333	1978
18.	Gumista	13,400	1976
19.	Skurcha	85	1971
20.	Kintrishi	13,893	1959
21.	Kobuleti	331.25	1999
National parks – IUCN category II – managed for conservation and recreation			
1.	Borjomi-Kharagauli NP	57,964.44	1995
2.	Kolkheti NP	44,313	1999

#	Type	Area (ha)	Established
3.	Tusheti NP	83,453	2003
4.	Vashlovani MP	25,114	2003
Natural monuments – IUCN category III – managed for conservation of natural features			
1.	Alazani natural monument	138	2003
2.	Takhi-Tefa	0,5	2003
3.	Artsivis Kheoba		2003
Managed reserves - IUCN category IV – preservation through active management			
1.	Gardabani	3,315	1957
2.	Korugi	2,068	1958
3.	Iori	1,336	1965
4.	Chachuna	5,200	1965
5.	Katsoburi	295	1964
6.	Ktsia-Tabatskuri	-	1995
7.	Nedzvi	-	1995
8.	Tetrobi	-	1995
9.	Kobuleti	438.75	1999
10.	Ilto	5,273	2003
11.	Lagodekhi	1,998	2003
Protected landscapes – IUCN category V –managed for ecosystem restoration and conservation			
1.	The Tusheti Protected landscape	27,903	2003

25. Analysis of the current status-quo and barriers with regard to the financial sustainability of the PA system in Georgia covered three "classic" pillars of financial sustainability: (1) enabling legislative and institutional environment, (2) sufficiency and predictability of revenue sources (i.e. the supply of funding), and (3) capacities and cost-effectiveness of site management (i.e. the efficiency of use of available funding by PAs).

26. With regard to the enabling legal and institutional environment for PA financing, in the recent years the Government has created a number of legal and institutional prerequisites for increasing the financial sustainability of the PA system, which serve as a positive baseline for the project. Thus, there is a *National Biodiversity Conservation Strategy and Action Plan* adopted in 2005 containing 10-year strategic goals and objectives for Georgia in the area of biodiversity protection and costed actions to achieve those goals and objectives. The Protected Area Law dates from 1997, but various recent changes have significantly modernized the way in which Protected Areas are administered. Under the law, the Ministry of Environment Protection and Natural Resources (MOEPNR) exercises overall control of protected areas, realizes state policy in the field and coordinates the activities of various bodies involved in the process. A 2008 MOEPNR order created the Agency of Protected Areas (APA), a state body with separate legal character under the MOEPNR. Day to day management of protected areas is conducted by the APA. Under separate MOEPNR orders from 2008, PAs conduct their activities on the basis of by-laws, and standard form by-laws were adopted. PAs do not have separate legal existence, they represent structural divisions of the APA; however, they may have separate property as well as their own bank accounts. PAs conduct management activities locally on specific protected areas and implement instructions of the APA. Directors of PAs, who are appointed and dismissed by the head of the APA, submit each year an action plan for the coming year and report on the implementation of a current action plan. The allocation of responsibilities as between the MOEPNR and the PAs leaves the PAs some measure of autonomy; the budget for the funding of the whole PA system is approved on an annual basis by the Government; and there are standards for collection of fees by PAs. Nevertheless, legal gaps remain, and the following summarizes some of the more important remaining gaps: (i) the economic and financial elements of the law do not fully reflect existing budgetary regulations; (ii) standardized national PA business planning guidelines do not exist with the exception of the financing plan scenarios prepared for Kolkheti National Park with World Bank/GEF assistance; (iii) levels of public financing and donor assistance are not sufficient for management effectiveness of PAs and innovative and sustainable models for revenue generation, including PPPs were not supported; (iv) there are inconsistencies and conflicts among PA and other laws; and (v) failure to define clear codes of management with adequate specificity and the existence of contradictions even in some of the general guidelines given – e.g. some strict nature reserves allowed tourism and some not.

27. These issues in Georgia's PA legislation are, however, being addressed by the UNDP/GEF 3957 project on PA Financing entitled "Catalyzing Financial Sustainability of Georgia's Protected Area System" (the "sister project"). The project will include detailed legal review and revision of the legal-regulatory framework for PA management in order to allow for: a) revenue generation opportunities allowed for each type of PA; b) retention of raised income by PAs and

permission for its reinvestment into site management; c) resource user fees at PAs and procedures for their collection and retention by sites; d) delegation (in full or in part) of PA management to private companies, NGOs, local community groups thus "legally" recognizing public-private-partnership" models for PAs; e) tourism and natural resource use based concessions at PAs; f) linking the PA law with the Law on State Budget, thus ensuring better accuracy and predictability of central budget allocations to PAs; and (g) setting of standard formats for PA business plans for IUCN Category I and II, with guidance for site managers. The sister project will also create a PA Network Sustainable Financing Plan (NSFP), the implementation of which will also be facilitated by these changes in legislation. The NSFP will detail methods for targeting decision makers, the government budgetary office and other stakeholder groups as well as the general public. Finally, the sister project also contains a natural resources management component that will implement a pilot project in Tusheti Protected Areas designed to increase revenue from tourism and sustainable management of PA resources.

The desired scenario and barriers to achieving it

28. As has been shown above, the sister project will fill in the gaps in the current legislation and other elements of the institutional environment, addressing the first pillar of financial sustainability. However, pillars 2 and 3, discussed at length below, continue to represent **barriers** to achieving a sustainably of the PA system in the country. The Financial Scorecard created for the sister project (see Annex F) estimated the annual needs of Georgia's PA system at $8.6 million to achieve optimal financing and at $5.7 million to achieve a basic financing level. With current revenues available to it of $2.9 million, the current financing ratio is 51% in relation to basic needs and 34% in relation to optimal needs. The sister project aims to provide the tools to enable the system access an additional $1.1 million and to raise those ratios to 70% and 47%, respectively. For purposes of this project, a "Financial Scorecard 2013 Projection" has been added to supplement the Financial Scorecard (see Annex G). The projection includes the effect of the sister project, an assumed increase in government funding of PAs of 35% compared with 2008 levels and the planned contribution from this project. **In the desired scenario contemplated by this project**, these new revenue sources combine so that the basic operating and investment needs of the PA system in Georgia will be more than 100% covered, and coverage of the optimal needs will be increased to 70% in 5-7 years, ensuring long-term integrity of the habitats and species protected by the priority PAs.

<u>Barrier 1. The sufficiency and predictability of revenue sources remains the key barrier to financial sustainability</u>. There have been a multitude of studies in the recent years that have engaged the Government, as well as NGOs (e.g. WWF) and donors (e.g. the KfW), and which have taken stock of issues and opportunities for diversifying revenue sources for PAs in Georgia. The conclusion of the majority of the studies was that under the business-as-usual scenario in the foreseeable future there will remain two main revenue sources – annual Government allocations and project-based donor funding; alternative sources of revenue (such as payment for ecosystem services, etc.), while perhaps accessable over the long-term, are uncertain in amount and will take significant time to develop. As discussed above, government allocations are inadequate and project-based donor funding has been unstable and difficult to predict, adding on average only $100,000-$200,000 of available resources annually. Accordingly, an alternative source of revenues was required for the foreseeable future to close the funding gap.

The CPAF was "launched" at a conference in Berlin attended by the Ministers of Environment from the three South Caucasus countries, and was formally established in 2007 following receipt of sponsoring commitments from its initial donors. The CPAF's "Framework Agreement" with Georgia establishing the government's commitment was signed in December 2008, and financing under its pilot project in Georgia is expected to begin in April 2010. The CPAF's current permanent endowment capital amounts to €8.5 million (approximately $12 million) on which only the investment income can be spent. Recognizing that not all potential donors would want (or be able) to contribute to its endowment, the CPAF's structure was designed to accommodate sinking and other types of project funds, but these have not yet been created or funded.

The CPAF's mission is to supplement the funding for operating costs of priority PAs in Georgia, Armenia and Azerbaijan. As long as the relevant government maintains or increases its funding of operational costs on an inflation adjusted basis, the CPAF can up to match the government's funding of such costs, thereby effectively doubling the current budget, as long as doing so is justified by a budget presented by the government as part of its project proposal. For new protected areas, the CPAF can fund up to 50% of total operating costs. These funds will be granted on a PA by PA basis to support at least a basic level of an individual PA's costs – i.e. the basic running costs and the critical capital and scientific research costs, ranger programmes and monitoring. The funds enable PAs to pay adequate salaries, to maintain basic physical infrastructure, or to carry out essential management and operational functions.

As mentioned above, the sister project aims to increase the financing capacity available to the Georgian PA system to 70% of basic needs and 47% of optimal needs as measured by the Financial Scorecard. The government has significantly increased its funding of PAs in recent years, but government budgets can only be expected to cover a portion of the remaining gap. For purposes of the Financial Scorecard 2013 Projection in Annex G, it has been assumeed that budget funding will increase by 35% and add just over $1 million in new funding to the system. After such increase, the remaining financing GAP in absolute terms will be $650,000 to cover basic needs and almost $3.5 million to cover optimal needs. The problem, accordingly, is that the CPAF's current endowment is insufficient for it to cover even Georgia's basic projected funding gap. And for the CPAF to cover even half ($1.75 million) of the financing gap for optimal needs through its endowment element alone (at a 4% real return on its investment), its capitalization would need to be in the range of $45 million, just for Georgia. If the current $12 million endowment fund is not increased in the next few years, and not supported in the meantime with sinking funds, there is a high risk that the CPAF impact on covering Georgia's PA funding gaps will be limited. The 2005 Feasibilty Study which led to the creation of the CPAF pointed to cases of Belize, Papua New Guinea and Namibia where Trust Funds failed, among other reasons for "long delays in obtaining funding from donors" which entailed prohibitively high overhead costs assosiated with maintaining expensive consultants and administrative structure without any actual grant-making or lending, constant "restructuring of the trust fund design, changing legal documents" and ultimate loss of trust form Governments and failure. The Feasibilty Study concluded that perhaps the most viable way for the CPAF to avoid the problems of the three countries mentioned above would be to establish a medium-term sinking fund facility that allows the CPAF to effectively "jump-start" its operations and prove its viability; and then to confirm additional funding over the next 5-7 years.

<u>Barrier 2. The second system-wide barrier to increasing financial sustainability of the country's PA system is the level of business skills and cost-effectiveness of site management.</u> Studies have indicated that the problem is not only about making more funds available, but also about eliminating the sometimes highly ineffective budget planning on the side of park managers and ministries. The exercise to compile the UNDP Financial Sustainability Scorecard proved that site-level business planning has been only sporadically piloted without any lasting country-wide effect. In the majority of PAs, managers are unaware of what cost-effectiveness means and what cost-effective approaches to PA management are, biodiversity needs/objectives are not juxtaposed with costs when site managers prepare request for funding from the state, and there is no analysis of return on investment when capital investment proposals are being made to government or donors. Protected area managers must have the business acumen necessary to identify creative funding mechanisms and efficiently allocate income. Providing funding alone for the PAs will not solve the problem—financial sustainability can only be achieved with intensive capacity building on management effectiveness with particular focus at the site level.

There are numerous aspects to the business planning/cost effectiveness problem. One may be a question of the number as much as the qualification of the staff. It will need to be determined whether, with training, existing (or fewer) personnel can perform additional duties, or whether new managers need to be added. Further, the limited knowledge and experience of stakeholders at the Ministry level to promote sound business planning at the PA level is a barrier to protected area expansion and improvement. In addition, the establishment and management of protected areas in community lands will be more warmly received if there is a perception that such designation is accompanied by improved revenue generation possibilities, and proper management of protected areas will require the ability to work with community members to encourage change in their current livelihood practices to be more supportive of biodiversity conservation. Accordingly, protected area managers will need the business acumen necessary to implicate their communities into the PA management planning process. Particularly those PA managers tasked with managing potentially more complex landscapes such as Sanctuaries will need to be able to identify creative funding mechanisms and efficiently allocate income. Because these skills are currently missing from the protected area toolbox, financial sustainability remains out of reach.

Properly managed, tourism could begin to contribute meaningfully to the financial sustainability of the PA system while providing valuable social and economic benefits and contributing to the over-all interest and support for biodiversity conservation. However, the limited capacity of protected area managers (not to mention communities, tourism professionals and others) to embark on conservation oriented tourism continues to be a barrier. There is no national corpus of knowledge capable of leading the way towards designing and managing tourism operations that become an asset rather than a liability to PA management and community development. Tangible examples, guidelines and other templates showing stakeholders how to establish and sustainably manage sustainable tourism, particularly with community participation, are nearly non-existent. Until this barrier is removed, tourism will continue to be a biodiversity threat rather than benefit. An ineluctable first step is the creation of the necessary capacity in the PA managers to manage tourism, along with the basic infrastructure in the PAs to support it. Hotels, restaurants, guides and other tourism services can only develop if there is something to visit and an ability to receive tourists. In this sense, developing PA manager capacity and PA infrastructure for tourism are demand drivers—without them, tourists will not want to visit the sites and the eco-tourism component of financial sustainability will continue to be missing.

Many professionals identify "poaching" as a major threat to biodiversity in Georgia. Outside of State Reserves, the enforcement of conservation law is very erratic. Several factors, including poverty and lack of funding to support enforcement efforts (the latter of which will be addressed by Component 1), contribute to this problem. An additional important contributing factor is the limited capacity of protected area managers to mobilize community support. Park managers have almost no experience with and/or access to creative examples of anti-poaching measures that focus upon integrating communities and building community support for biodiversity conservation. Often communities and even conservation professionals do not fully understand conservation legislation. Community-based management models where non-consumptive tourism, limited sport hunting, alternative income generation, poacher recruitment, and/or collection and marketing of non-timber forest products serve as incentives for careful community stewardship and participation are not known. A direct correlation generally exists between a high level of community support for protected areas and savings in protected area management costs. In other words, the more communities understand and support biodiversity conservation efforts, the less time and money is required for law enforcement. Accordingly, in a financially challenged country such as Georgia, building capacity to design and implement anti-poaching tools that are creative and premised upon positive incentives to alleviate illegal activity can be a direct contributor to financial sustainability by reducing long-term PA management costs.

Project Strategy: Objective, Components, Outputs

29. The project has **the objective** to secure long-term financial sustainability of the Georgian PA system. The objective will be achieved through two components: (1) ensuring sufficiency and predictability of revenue sources for the PA system and (2) raising cost-effectiveness and capacities of Pas.

Component 1: Ensuring sufficiency and predictability of revenue sources

The project has been designed to achieve a desired scenario in which the basic operating and investment needs of the PA system in Georgia will be more than 100% covered, and coverage of the optimal needs will be increased to 70% in 5-7 years. The financing provided by the project assures that the existing gaps to those objectives are reduced by more than 25% by year four. The remaining reductions result from the fundraising component of the project which should begin to add further resources at latest by year five.

<u>Output 1.1: Sinking fund structure set and operation started based on studies previously prepared by the CPAF feasibility study.</u> The sinking fund is a method for addressing the first barrier (inadequacy and unpredictability of revenue streams for PAs). The Feasibility Study for the Fund confirmed that the key GEF prerequisites for it were in place in Georgia[4], which are based on the 1999 GEF Evaluation Report on Conservation Trust Funds:

- the biodiversity conservation issue to be addressed requires a long term commitment—at least 10 to 15 years;
- there is active government support for creating a mixed, public-private sector mechanism that will function beyond direct government control;
- there is a critical mass of people from diverse sectors of society who can work together despite different approaches to biodiversity conservation and sustainable development;
- there is a basic fabric of legal and financial practices and supporting institutions in which people have confidence.

The CPAF and the APA are entering into a Sinking Fund and Project Management Agreement in the form attached as Annex H hereto. Under the Sinking Fund and Project Management Agreement, the APA appoints CPAF as project responsible party under this project. As project responsible party, one of the CPAF's tasks is to operate a sinking fund with an initial deposit of $825,500, representing the grant portion (covering Component 1) of the GEF Trust Fund Grant (the "GEF Sinking Fund Grant"). Under the Sinking Fund and Project Management Agreement, the APA requests UNDP to transfer the sinking fund monies to the CPAF's sinking fund account upon CPAF's request when all the conditions to the disbursement of the GEF Sinking Fund Grant are satisfied. Once in the sinking fund, funds deposited will be invested by the CPAF in accordance with its investment policies prior to disbursement. Funds deposited in the sinking fund account, together with all investment earnings thereon, must be fully amortized (spent) by December 31, 2016 (seven years after the year in which the contribution occurs (assumed to be 2010)).

In summary, the sinking fund will operate as follows:

- <u>Sinking Fund Project and Expenditures</u>: The sinking fund (less any investment advisory and management costs) are to be used exclusively for re-granting to support the budgets of PAs in accordance with the CPAF's Articles and by-laws, as amended from time to time, and subject to the additional condition that such funds can only be spent to support Georgia. The CPAF will, during the period beginning in 2010 and ending on December 31, 2016, use its best effort so that (i) annual expenditures from the Fund to support the operating costs of PAs under Grant Agreements with the APA and MOEPNR in Georgia equal at least 1/7th of the total Fund by 2013 (the "Minimum Spending Goal"), and (ii) the Fund is

[4] The full study provides the details. It is available on request and not extensively quoted here for lack of space.

used in its entirety by December 31, 2016. If the Minimum Spending Goal is not achieved by 2013, the Project Executive Board will consult urgently on the reasons for the prevailing level of spending and the measures that can be taken to increase it.

- Return of Funds:
  - If any part of the sinking fund remains unspent at December 31, 2016,
    - As to the pro rata portion of the Fund provided by GEF through UNDP, CPAF shall reimburse UNDP and UNDP shall reimburse GEF unless otherwise instructed by GEF.
    - As to the pro rata portion of the Fund provided by other donors, the CPAF shall make payment as directed by such donor and, failing such instruction by December 31, 2017, as it shall determine.
  - If at any time the CPAF makes a payment from the sinking fund for expenditures that are not consistent with the provisions of this Agreement, upon notice from UNDP or any other donor, the CPAF will refund to such donor an amount equal to the amount so used or the portion thereof as shall be specified by the donor.
  - The CPAF shall, upon notice from UNDP or any other donor of a Sinking Fund Grant, promptly refund to such donor its pro rata share of the remaining balance of the sinking fund that is not committed to cover expenditures under existing obligations including existing re-grant agreements, if various events (such as dissolution of the CPAF) occur that would materially and adversely affect the implementation of the project.

Under this output, the sinking fund will be initially capitalized with co-financing of $825,500 of UNDP/GEF funds dedicated to this output, which will be deposited by the CPAF for investment with the CPAF's custodian bank in Germany, which follows standards adopted for third-party independent non-governmental conservation trust funds.

Output 1.2: Sinking fund capitalized in full and rounds of proposals advertized to PAs (with focus on IUCN Cat.I and II). Rounds of applications will be announced. Applications from PAs and the Ministry of Environmental Protection and Natural Resources (MOEPNR) or the Agency for Protected Areas (APA) will be collected, reviewed and funding will be channelled to recipients to cover the regular PA annual running costs, biodiversity research and monitoring, establishment and support of tourism, catering, interpretation and other income-generating facilities, as well as for preparation of management plans. This process will occur in accordance with the arrangements agreed in the Framework Agreement between the CPAF and the MOEPNR and APA. The PEB will be timely advised of proposed projects and the views of the Senior Supplier will be given due consideration.

On top of the GEF/UNDP funding of $825,500, funding totalling at least $1,384,500 will be available either directly from the CPAF's existing funds or from other donors with which the CPAF is in current discussions. In addition, the Bank of Georgia has agreed to donate $225,000 over a three year period to support the CPAF's pilot project in Borjomi Kharagauli National Park. Together with the GEF commitment, the new funding for Georgia's PAs (excluding government funding) will thus amount to $2,435,000. These $2,435,000 are referred to below as the "CPAF Sourced Funding".

The CPAF's current plan is to use the CPAF Sourced Funding by offering to add one new Georgian PA per year to the CPAF's stable of partner PAs over the 4-year period 2010-2013. The CPAF expects to use the CPAF Sourced Funding per PA to supplement the government provided funding by approximately $110,000 annually per PA supported. Accordingly, the current overall plan is that $110,000 of the CPAF Sourced Funding will be used to support one PA in 2010, $220,000 will be used to support two PAs in 2011, $330,000 will be used to support three PAs in 2012, and $440,000 will be used to support four PAs in each of the four years from 2013-2016. On that plan, the CPAF will have "used" $2,420,000, or virtually the entire amount of the available new funds, by 2016 as planned.

The government will match the CPAF Sourced Funding, providing at least an addtional $2,435,000 in PA funding, so that at least $4.87 million in total will be spent in Georgia's PAs over the next seven years. By year four, total government and CPAF spending in the CPAF's projects should amount to at least $880,000 annually, and should result in at least basic investment and operating funding for more than a quarter of the highest priority areas of the Georgian PA system, ensuring coverage of the necessary annual running costs, as well as biodiversity research and monitoring, support of tourism, catering, nature interpretation and income generating activities.

Overall, output 1.2 will, for the years 2013-2016, thus reduce the annual funding gap identified by the Financial Scorecard by $440,000. With the current financing ratio in relation to basic needs is increased from 47% to 70% by the sister project, and from 70% to 88% by the assumed increase in government spending contemplated by the Financial Scorecard 2013 Projection, it would be further increased to 96% by output 1.2. The comparable figures in relation to optimal needs show a rise from a starting point at 34% to 64% taking account of the additional projected revenues including output 1.2. See Annex G.

Output 1.3: Negotiations completed for full capitalization of the CPAF (both the endowment fund and – if still required – replenishment of the sinking part). This output will support continued aggressive fund-raising for the CPAF's ongoing funding requirements. Beyond 2013, the CPAF's mission is to expand its funding from the initial four projects to cover as many as possible of the highest priority protected areas in Georgia. It is expected that this will be accomplished by a combination of additions to the CPAF endowment, new sinking funds and new project funding. Through its fundraising, it is planned that by 2017 the CPAF's annual financing PA capacity will be increased from the planned $440,000 for the years 2013-2016 to at least $950,000. At latest from 2017 onward, the minimum $950,000 permanent reduction in the annual funding gap effected by output 1.3 would erase the funding gap for basic needs and increase the financing ratio to at least 70% of optimal needs, achieving the desired project outcome. See Annex G.

Component 2: Raising cost-effectiveness and capacities of protected areas at the site level

For certain aspects of Component 2 below, KfW has agreed with the CPAF that, as an in kind contribution to the project, its regional vehicle, the Transboundary Joint Secretariat for the Southern Caucasus ("TJS"), either directly or by organizing the participation of other experts, will spearhead the implementation these actions in at least the period 2010-2012. Thereafter, if the support of the TJS were no longer to be available, the CPAF would assure the role of TJS in the relevant action from its own resources. Additionally, the UNDP/GEF sister project "Catalyzing Financial Sustainability of Georgia's Protected Area System" (MSP project - ID 3957) has a sizable component for developing business planning capacities within the APA and outside through trainings, business planning guidelines and sample business plans.

Output 2.1: CPAF implements project audits through external auditors and puts in place "PA management support group" to assist PAs to increase cost-effectiveness of PA management.

The CPAF, as project responsible party, will organize regular financial and technical audits of the projects it sponsors. It is expected that financial audits will be conducted annually and technical audits at regular intervals. Potential auditors include major accounting firms represented in Georgia and NGOs active in the environmental/protected area scene.

The results of these audits will feed into the second element of this component, which will involve establishing a PA management support group. The precise workings of the management support group will be established in connection with the implementation workshop, but the concept is already clear. The TJS will coordinate a group that, relying on best international guidance on PA business-planning, develops guidance for PAs on staffing ratios, assessment of financial returns on investment, cost-accounting and reporting adapted to Georgia's context. This will give site managers the tools needed to run protected areas at international standards, budget funds appropriately and effectively and handle project audits. Other members of the group will be the CPAF ED and a representative of the APA.

Once it has developed this guidance, the management support group would make the guidance available, through the trainings contemplated by Output 2.3 but also on an ongoing basis online, to all recipients of assistance from CPAF and other PAs. It is expected that the management support group would meet not less than three times a year and that TJS would be available on a real time, as needed basis to consult with PA managers on specific management questions related to the guidance.

Furthermore, the management support group will support the continued efforts of the CPAF and PA management to ensure that PAs are run cost-effectively throughout the life of the project. This means that after the initial capacity strengthening trainings discussed in output 2.3, the other members of the Management Support Group will be available to consult with the CPAF to evaluate PA reporting and the results of project audits. This will help the CPAF determine whether these practices remain daily routines of site managers, so that it can take corrective action if necessary. This will guarantee the sustainability of the capacity building and its replicability in all of the protected areas in Georgia.

Output 2.2: Application forms for funding from CPAF and proposal review protocols designed to request confirmation of how cost-effectiveness considerations have been incorporated in the request. Activities under this output will generate the forms for project proposals, proposal review protocols, annual project reporting and the like for the CPAF that will be designed in such a way that applicants will need to show that the requested funding will be (and is being) spent in a cost-effective way, thus linking "theory" to "practice." With these procedures in place, the monitoring of PA business practices and cost-effective management will be made easier, and site-level managers will have to demonstrate the progress they have made in business planning through their grant proposal applications and reporting. It will serve as a guarantee of outcomes from the work of the PA management support group and related trainings.

Output 2.3: Capacities of site managers strengthened through series of trainings delivered on cost-effective PA management. The goal of this output is to boost overall capacities of the site managers, creating better business and PA management on a whole and increasing the cost-effectiveness of PA management in the Georgian PA system. The trainings will be the initial catalyst to international business standards, with the ongoing audits, CPAF reporting and management support group and CPAF intervention maintaining this level of business skills at the site level.

The details of the training programs to be implemented will be discussed and agreed at the IW. TJS has agreed to play the coordination role. This means that it will either develop the training and curriculum itself, or organize others to do so through the best adapted of the various technical assistance donors who could be called upon for assistance (e.g., Germany's GTZ, USAID, the EU's twinning program, and the like).

The trainings would focus on two to three key managers at the various sites, but will also seek to include appropriate personnel at the Ministry or APA. Subjects to be covered will include those implicated by output 2.1 such as effective budgeting, return on investment analysis, cost accounting, reporting, project audits and planning. In addition, other relevant subjects such as management and leadership skills, tourism development, anti-poaching techniques and training and bio-diversity monitoring programs will be considered. Through this work the business and management planning barriers will be addressed.

Output 2.4: An electronic system in place, at the CPAF, to track changes in the cost-effectiveness of sites it funds, based on the METT score and – where appropriate – on the Financial Sustainability Scorecard. TJS will coordinate the design and implementation of an electronic system to track dynamics in the cost-effectiveness of site management. The system will capture regular reporting on management effectiveness received by the CPAF as part of its grant processes. The reporting will be linked to processes of decision making within the CPAF (including, e.g., determinations as to whether grants should be made or renewed), and will also be available to the government offices in charge of allocating government resources across protected areas in Georgia. This is one more way the CPAF will ensure the sustainable capacity strengthening of Georgia's protected areas. The electronic system will allow for any appropriate action to be taken should cost-effectiveness levels drop, enabling the CPAF either directly or through the management support group to engage the PA to reinstate good business practices and effective management. The system will be linked to the Government reporting on protected areas to facilitate its use for decision-making not only about CPAF funds, but also government funding allocations across all PAs.

30. The combined effect of the additional revenues made available through component 1 of the project, including a fully successful capitalization of the CPAF financing mechanism, with the efficiency and cost effectiveness gains of component 2 of the project, will result in improvements to the Financial Scorecard and should lead to further reductions in the funding gap. Full capitalization of the CPAF will create a financially sustainable vehicle for the continued support of the chronically underfunded protected areas in Georgia and the rest of the South Caucasus. Overall, the project will secure the long term financial sustainability of Georgia's PA system, thus securing globally important habitats, reducing illegal logging and poaching and other direct threats at key protected areas. This will contribute importantly to sustainable development and monitoring of biodiversity within the PA system and the economic well-being of PA employees.

Sustainability

31. Environmental sustainability: The project will help ensure the proper financing and effective management of Georgia's protected areas system, thus substantially increasing environmental sustainability *per se*. Increased funding for PA operations, including patrol vehicles and equipment, and strengthened salaries and capacities of rangers and park personnel, will enable better control of threats such as poaching and illegal logging. These threats will also be mitigated as increased tourism revenues improve community "buy-in" to the PAs. Increased funding for, and training in implementing, dedicated research and monitoring programmes will allow development and implementation of concrete, on-the-ground measures for globally threatened mammals and birds. Priority habitats include those harbouring threatened or endangered Caucasian leopards, Bezoar goats, Cinereous vultures and other threatened, vulnerable or endangered species, as well as Georgia-specific endemics found within its PA estate.

32. Financial sustainability: The long-term financial sustainability of the Georgian PA system will be based on four pillars:

- continued government funding;
- a dedicated trust fund to supplement that funding;
- diversified additional funding sources based on tourism; and
- improved efficiency and productivity in park management.

CPAF was founded as a long-term trust fund for protected areas of the South Caucasus; accordingly, its existence, and the funding support provided for the CPAF by Component 1 of this project directly address the second pillar. The CPAF's own grant-making activity, but also ongoing financial support for eco-tourism development and other measures in the PAs funded by the CPAF, will address the third pillar. Component 2 of this project, which will embed efficiency and cost effectiveness considerations into the CPAF's routine work with PAs, directly addresses the fourth pillar. While ultimately, only the government can be responsible for ensuring that the first pillar, the CPAF's very structure requires the government's to provide at least 50% of the PA operating costs and to at least maintain their current contributions on an inflation adjusted basis in order to attract CPAF funds; accordingly, the CPAF operates as a kind of financial incentive for the governments, both to continue funding for current PAs, and, by offering the possibility of up to 50% of the necessary funding for new PAs, to expand the PA system. GEF support for the sinking fund not only adds to the CPAF's financing capacity in real terms, but also enables it to attract the co-financing necessary to fully implement the medium-term goals of this project. Success breeds success, and successful implementation of the other components of this project will lay the necessary groundwork for the aggressive fundraising measures that will lead to the final capitalization of the trust fund. With GEF support, the long-term financial sustainability of at least 482,000 ha of protected areas bearing globally threatened species and habitats within the WWF 200 Caucasus Global Ecoregion will thus be secured.

33. Social sustainability: The direct and indirect contributions of the project to social sustainability will be considerable. A variety of different stakeholders--from the PAs themselves, to the ministry officials involved in supervising their operations, to NGOs and independent audit firms involved in technical/operational and financial audits of their operations—will be implicated in the successful management of PA's supported by the CPAF. The CPAF's procedures also mandate that management plans—adopted with the participation of the rural communities surrounding the PAs--will be put into place for each PA supported by it, thus ensuring the involvement of local communities as well. The project will also help Georgia to achieve Millenium Development Goal 1 ("Eradicate extreme poverty and hunger") by generating local employment and regional development (including development of a tourism industry) in remote and impoverished sections of the country where incomes are commonly less than $3/day but where most of the highest biodiversity PAs are located.

34. Institutional sustainability: With the PA Management Support Group that the CPAF will put in place, PAs will be guided in business planning and raising cost-effectiveness of site management and generally provided with the tools to manage themselves on a long-term, sustainable and transparent basis. This capacity building component of the project will thus help achieve institutional sustainability at the PA level. The sound and transparent PA budgeting, planning and operational and financial reporting that will result from the project will also benefit institutional sustainability at the MOEPNR and APA level, as will the planned participation of selected MOEPNR or APA personnel directly involved in the supervision of PAs in the trainings and in the PA Management Support Group. The improved dialogue between the PAs and the MOEPNR and APA will enable better communication within the government of the achievements and benefits of the PA system.

Replicability

35. The potential for replication of this project is substantial. First, replicability within Georgia is built into the project itself. The sinking fund portion of the project will finance the first four to five Protected Areas under the CPAF model over the first several years of the project, with each grant to a PA building on the knowledge and experience gained from the previous project. Then, with resources from the deepening of the CPAF's funding sources contemplated by the fundraising component of the project in hand, the model will be extended to all of the highest value PAs system-wide.

36. In addition, there is significant scope for replicability outside of Georgia. A similar project is being implemented in Armenia, and the CPAF's mandate extends to Azerbaijan as well. If the projects in Georgia and Armenia succeed, Azerbaijan will be more likely to follow suit. Furthermore, PAs in the other Caucasus countries (portions of Russia, Turkey and Iran are in the Caucasus) are theoretically potential recipients of CPAF funding if geo-political circumstances someday permit. Finally, as a rare regional trust fund, the CPAF model, if successful, will be studied in other regions.

Expected Global Benefits

37. By promoting the conservation of Georgia's PA system, the project will be helping to protect part of WWF's "Global 200" and Conservation International's "Caucasus Hotspot" at an area of almost 500,000 hectares. The project will remove pressures on a number of endangered species, including Bezoar goat (*Capra Aegagrus*), Eurasian lynx (*Lynx lynx*), Caucasian leopard (*Panthera pardus sicaucasica*), Lesser Kestrel (*Falco naumanni)*, Imperial Eagle (*Aquila heliaca)*, Greater Spotted Eagle (*Aquila clanga*), and countless endemic flora. Example habitat types to be included are low-mountain dry steppe, low and middle mountain steppe, high-mountain subalpine and high-mountain alpine. The project also addressed the three major gaps in the countries commitments under the CBD PoWPA, namely Goal 3.4 (to ensure financial sustainability of the PA systems).

B. Describe the consistency of the project with national and / or regional priorities/ plans:

38. The project is aligned with the Government's policy for biodiversity conservation, as stated in the National Biodiversity Conservation Strategy and Action Plan and relevant PA legislation. The Government of Georgia has set up a comprehensive program for protected areas implemented in partnership with a series of international organizations. The proposed project is an integral part of this overall program and all key members of the program have been consulted in developing this project. The CPAF will support exclusively protected areas that possess globally significant biodiversity and have been proposed for funding by the Ministry of Environment and Natural Resources of Georgia, and this project to secure

the long-term financial sustainability of Georgia's PA system through the Caucasus Protected Areas Fund is strongly supported by the Ministry.

39. The project is also consistent with the spatial priorities and PA targets identified in the Millennium Development Goals: Nationalization and Progress – Millennium Development Goals Report (2004), MDG Progress Report (2005), the Eco-regional Conservation Plan for the Caucasus 2nd edition (2006) and the Georgian Basic Data and Directions (BDD), the government medium-term expenditure framework for the period of 2006-2010.

C. DESCRIBE THE CONSISTENCY OF THE PROJECT WITH GEF STRATEGIES AND STRATEGIC PROGRAMS:

40. The project is designed to improve the financial sustainability of the national PA system of Georgia. This is in line with SO-1 SP-1 (Catalyzing Sustainability of Protected Area Systems). Conservation trust funds are recognized by the GEF as an effective long-term financing tool, and as described in paragraph 6, all key GEF requirements for trust funds have been met in Georgia. This is the focus of Component I. Further in line with the SP-1, Component II will support measures to increase cost-effectiveness of site management, including by initiating technical audits and providing guidance, training and support to business plan preparation, assessment of returns on investment, cost-accounting, and financial reporting.

D. JUSTIFY THE TYPE OF FINANCING SUPPORT PROVIDED WITH THE GEF RESOURCES.

41. The project is a combination of "investment" and "technical assistance". The main part of the project is in essence the co-financing, through the establishment of a sinking-fund for Georgia, of the emerging CPAF. Georgia is a developing country where PA management is viewed as a fundamental government function, the basic PA legislation is in place, but funds are scarce. It has been shown in the barriers analysis above that addressing the funding gaps in the foreseable future will require small (in absolute terms) but constant support to operational costs of protected areas. As mentioned above, the government and the CPAF are not ruling out other sources of revenue (on the contrary), but view the need as urgent and seek a mechanism likely to have a near term impact. The philosophy underpinning the CPAF is that, in circumstances such as these, the best way to support the PA system and the bio-diversity it supports is to strengthen the government's hand in its park protection and management functions. The Ministry of Environment and Natural Resources in Georgia is supportive of the CPAF's philosophy that its matching funds principle will encourage the government to continue its funding for existing PAs, and, together with the CPAF, to fund new PAs. As mentioned above, the key GEF prerequisites for the establishment of the fund have been found satisfactory in Georgia, and it is critical to support it through a sinking account in the next years before it is fully capitalized with endowment or other long-term funding. The small technical assistance part is key to ensure that the funds provided to the PAs through the CPAF and government contributions are used efficiently by increasing the cost-effectiveness of PA management at the site level.

E. OUTLINE THE COORDINATION WITH OTHER RELATED INITIATIVES:

43. The project is closely coordinated with its sister project, UNDP/GEF project for Georgia "Catalyzing Financial Sustainability of Georgia's Protected Area System" MSP project - ID 3957. This project was submitted to GEF CEO for clearance on 20 March 2009, in recognition that the primary step Georgia should take when dealing with its PA financial sustainability would be to address the systemic and institutional barriers hampering the financial sustainability of the PA system. This sister-project will thus help to further strengthen the first of the three classic pillars of financial sustainability of any PA system – the legal and policy environment. It pilots site-level revenue generation mechanisms, such as nature-based tourism, and will help to improve the funding ratio to 71% in relation to basic needs and 47% in relation to optimal needs as described above. This project is designed to target macro-level revenue generation by financing a sinking fund in the CPAF, further improving Georgia's total PA funding ratio. Furthermore, while the sister project pilots business planning in Tusheti park and builds PA capacity at central and regional level, this project adds value by targeting cost-effectiveness improvements at the site-level, establishing a real-time help desk for PA managers and providing guidance on cost-effective business planning to CPAF applicants. The two projects have been designed to complement each other; as indicated in the log-frame they will raise the total funding ratio of the Georgian PA system and have similar synergetic effects on specific aspects of the UNDP/GEF Financial Scorecard, such as tools for revenue generation. Both projects will be managed by UNDP Country Office in Georgia and by APA at the national government level. For better efficiency, they will exchange experts and representatives of their steering committees.

44. In addition to the sister project, the further development of the CPAF complements various other bio-diversity related initiatives that have been undertaken in Georgia in recent years. Directly related initiatives include the funding of the Ecoregional Conservation Plan for the Caucasus, the preparation of which was coordinated by WWF (based on two years of consultations involving over 100 scientists, and which has been recognized by the Governments of all three Caucasus countries). The Ecoregional Conservation Plan (as modified from time to time with input from the Regional Council described below) has in effect already served to "pre-select" priority areas that are the most important for the CPAF. International funding has also supported the creation of the "Regional Council for Biodiversity Conservation and Sustainable Use in the Caucasus," one of the functions of which is to update and monitor the implementation of the Ecoregional Plan. In

addition, the Transboundary Joint Secretariat (TJS) was created and funded by German Federal Ministry for Economic Cooperation and Development (BMZ) via KFW Development Bank to facilitate cooperation in the field of biodiversity conservation between the three Southern Caucasus . TJS's mission initially is to support the establishment of new protected areas, facilitate and promote the adoption of regional approaches to regional problems ensure that regional and national policies and programmes, support the vision of the Caucasus Ecoregional Conservation Plan and improved biodiversity conservation and nature protection practices, including through support of the CPAF.

45. IUCN and the Government of Norway have initiated a project to assist the government in identifying gaps in PA management. WWF with funding from Mava Foundation will support Georgia in creating the enabling conditions for the implementation of PoWPA. Other international projects mainly target investments at individual PAs and capacity development at the national and site level. For example, BMZ/KfW jointly with WWF has supported the development of Borjomi-Kharagauli National Park; BTC Co and IUCN supported the development of a management plan for Ktsia-Tabatskuri Sanctuary and capacity building of the Department for Protected Areas. The USDOI /ITAP "Georgia Protected Areas Support Project" is a one-year project which will improve current legal basis for PA management, develop a training center for rangers in Tbilisi and directly support public awareness in two national parks.

F. Discuss the value-added of GEF involvement in the project demonstrated through incremental reasoning :

46. The difference between the business-as-usual and the sought project scenario can easily be summarized. The medium-term goals of the project are to support four to five of the most important PAs in the Georgian system over the next seven years, and to make management training available to the entire system. The basic difference is that under the **baseline scenario,** after the implementation of the sister project, these PAs will have only about 70% of the funds needed for basic management and 47% of those needed for opitmal management. The chronic shortage of funds, and the lack of prospects for future development, will see these key PAs, and the PA system in general, in 5-7 years with high rotation of site managers and rangers due to low salaries, poor state of maintenance of PAs as a result of dilapidated equipment and infrastructure, high levels of illegal logging and poaching as a result of lack of patrol activities, and poor levels of scientific research and monitoring. The failure to adequately pay the local workforce and the failure to exploit the tourism potential of the sites will mean that community acceptance of the PAs remains sub-optimal. The failure to train the PA managers in business planning and related management techniques will only worsen the low moral and lack of progress at the PA sites. In terms of biodiversity this would mean aggravation of habitat loss and decline of globally threatened species populations in this WWF 200 Global Ecoregion.

47. The **GEF alternative**, on the contrary, will increase availability of funding for basic running costs to 79% and for optimal costs to 53% for these key PAs in Georgia by the middle of the seven-year period covered by the project. Increased tourism in the system will create improved community buy-in for the PAs, not to mention overall economic benefits for Georgia. Scientific reseach and monitoring will be in place producing further knowledge on this important corner of global biodiversity. Longer-term, at latest by the end of the seven-year period covered by the project, the fundraising component of the project will lead to the successful capitalization of the CPAF with additional endowment, sinking fund and/or project funding that will ensure at least 90% availability of funding for basic running costs and 70% of optimal costs for these key PAs in Georgia improving the funding ratio in relation to the optimal Financial Scorecard needs by 23 percentage points, thereby ensuring close-to-perpetual integrity of habitats and species covered by the Pas.

48. In addition, with GEF inputs, Georgia's protected area network will move significantly closer to cost effectiveness in management, with capacity at site level having been built and sustained through the mechanisms of the project. The project will result in a suite of management improvement tools to prepare protected area managers, including opportunities to link protected areas with the country's socio-economic development priorities. Levels of site management effectiveness will be substantially increased, highly qualified specialists retained within the system. This could not be realized without GEF inputs.

49. The **GEF incremental value** is significant: (1) pressure on a number of globally threatened species will be removed, including those mentioned in paragraph 35 above; (2) long term financing of the PA system will be ensured; and (3) lasting skills, business models and conservation approaches will be developed. The lessons learned and the mechanisms developed in these establishment processes will then be made available so that they can be replicated elsewhere in the country.

50. The total cost of the 7-year project, including co-funding and GEF funds, amounts to $5,734,000. Of this total, co-funding constitutes 82% or $4,734,000 (including $2,435,000 from the Ministry of Environment and Natural Resources and $2,299,000 from the CPAF and other new donors). The GEF financing comprises the remaining 18% of the total, or $1,000,000. The incremental cost matrix below provides a summary breakdown of baseline costs, co-funded and GEF-funded alternative costs.

Table 6. Summary of baseline and incremental costs

Result	Business-as-Usual and costs	Project incremental value and costs
Domestic Benefits summary	Residents suffer from deteriorating ecological situation with limited sustainable development options.	Better quality of life for Georgian residents, including benefits of natural resource management from protected natural areas and greater access to wider variety of economic alternatives.
Global Benefits	Existing threats continue to expand unabated. Globally significant biodiversity lost and/or left highly vulnerable due to fragmented landscapes and a failure of protected area system to include adequate representation of key biomes.	Strengthened protected area network means a higher ecological representativity, greatly increased likelihood of long-term conservation of globally significant biodiversity. Existing threats addressed and conservation community strengthened to solve future arising threats. Lessons learned contribute to regional knowledge base.
Component 1. Ensuring sufficiency and predictability of revenue sources for the PA system (over seven years)	**Current 2010-2017 MOEPNR Funding of PAs to be Supported by CPAF: $2,435,000**[1] **Total: $2,435,000**	**GEF: $848,000** **CPAF, BoG, Gov. (cash): $4,067,000** **Total: $4,915,000**
(i) Sinking Fund structure and operation finalized based on studies previously prepared by the CPAF feasibility study and PPG stage.	No sinking fund exists today at the CPAF. CPAF is inadequately capitalized and is not viable in its current state. **Total: $0**	Sinking fund established and initially capitalized with GEF funds. GEF Sinking Fund Contribution: $825,500 **Total: $825,500**
(ii) Sinking fund capitalized in full and rounds of proposals advertized to PAs (with focus on IUCN Cat.I and II). Applications from PAs and Ministry of Environmental Protection and Natural Resources (MOEPNR) reviewed and funding is channeled to recipients to cover the regular PA annual running costs, biodiversity research and monitoring, establishment and support of tourism, catering, interpretation and other income-generating facilities, as well as for preparation of management plans.	No sinking fund exists today and CPAF in inadequately capitalized. Current MOEPNR PA Funding is inadequate to cover basic operational needs, donor funding is uncoordinated and low in amount, and CPAF is inadequately capitalized and is not viable in its current state. Sinking Fund and Co-Financing: $0 MOEPNR: $2,435,000 **Total: $2,435,000**	Co-Financing is put in place to increase the size of or complement the sinking fund, enabling CPAF to ramp up its operations and finance up to 4 PAs by 2013. Project is monitored and evaluated. Ministry continues its current level of funding for the PAs. Other GEF Funds: $22,500[2] New cash co-financing: $1,609,500 Total new cash funding, including GEF Sinking Fund Contribution: $2,435,000 MOEPNR: $2,435,000 **Total: $4,870,000**
(iii) Negotiations completed for full capitalization of the CPAF (both the endowment fund and – if still required – replenishment of the sinking part).	CPAF is inadequately capitalized for the long term. Aggressive fundraising is required. **Total: $0**	CPAF is fully capitalized and able to support substantially all of the critical PAs in Georgia. Project is monitored and evaluated. **Co-financing: In-kind**
Component 2. Raising cost-effectiveness and capacities of PAs	**MOEPNR: $ 0** **Unpredictable Additional Funding Sources: $ 0** **Total: $ 0**	**GEF: $53,000** **CPAF Cash Co-Financing: $53,000** **In-Kind Co-Financing TJS: $144,000** **Total: $250,000**
(i) "PA management support group" sponsored by the CPAF in place, implementing project audits and assisting PAs to increase cost-effectiveness of PA management. Best international guidance on PA business-planning, assessment of financial returns on investment, cost-accounting and reporting adapted to Georgia's context and made available, through the "PA management support group" to all recipients of assistance from CPAF and other PAs.	No PA management support group exists; independent financial and technical audits are not conducted and business practices at PAs are not up to international standards. **Total: $0**	PA management support group in place; independent financial and technical audits are conducted and business practices at PAs conform to international standards. **Co-financing: In-kind** CPAF Conducts technical & financial audits of PAs it supports. GEF: $53,000 Co-Financing: $53,000 **Total: $106,000**
(ii) Application forms and processes for funding from CPAF designed to request confirmation of how cost-effectiveness considerations have been incorporated	No trust fund financing is available so that no applications can be filed.	CPAF application processes are currently under development.

Result	Business-as-Usual and costs	Project incremental value and costs
in the request.	**Total: $0**	**Co-financing: In-kind**
(iii) Capacities of site managers strengthened through series of trainings delivered on cost-effective PA management.	Site management is not cost-effective, and there is no guidance for business planning. **Total: $0**	Trainings on cost-effective PA management are delivered and capacities are strengthened. **Co-financing: In-kind**
(iv) An electronic system in place, at the CPAF, to track changes in the cost-effectiveness of sites it funds, based on the METT score and – where appropriate – on the Financial Sustainability Scorecard. The system will be linked to the Government reporting on protected areas to facilitate its use for decision-making not only about the CPAF, but also government funding allocation across all PAs.	Currently no system exists. **Total: $0**	A system is put in place to monitor changes in cost-effectiveness at the site level. **Co-financing: In-kind**

[1] This amount budgeted for the MNP is a minimum--based on the 2009 MNP budgets for the entire system of $2.9 million as set forth in the Financial Scorecard, it is expected that the MNP will contribute more than $2,435,000 over the period to the PAs that are supported by the CPAF. For simplicity's sake, the table does not take account of tourism revenues (currently amounting to $50,000 annually) .Tourism revenues are expected to grow over the period, in part as a result of the project, so here again the table understates the overall value of the project.
[2] These funds represent GEF's share of the M&E budget.

G. Indicate risks, including climate change risks, that might prevent the project objective(s) from being achieved and outline risk management measures:

Risk/Assumption	Rating	Mitigation measures
Strategic: Slow uptake of measures to increase cost-effectiveness by site managers and business planning is not recognized as a necessary element in PA management.	Medium	The strategy of the project on this risk is to make it explicit to site managers that obtaining funding from CPAF depends on them ensuring cost-effectiveness of funds use (work on this is integrated in Component II). Faced with failure to reform at a particular site, the CPAF will not hesitate to impose discipline by ceasing funding at that site and moving funds to another more receptive site; competition among sites should assist in mitigating this risk.
Political: Insufficient support for key decisions on behalf of the most important government institutions	Low	Key government officials consulted during project preparation and government co-funding commitment ensured. The project will be implemented by the Ministry of Environmental Protection and Natural Resources through APA. It will play an executive role in the Project Executing Board. It will coordinate project activities through the National Project Director appointed from its staff. In addition, targeted PR campaigns targeting high officials will be conducted and the mechanisms for information sharing with them will be established.
Financial: The international financial crisis coupled with moderate inflation may require reconsideration of the project budget and fundraising approaches.	Medium	The international financial crisis may impact this project in three obvious ways. First, the project may experience large and unforeseen fluctuations in both currency levels and commodity prices. The US dollar is now stronger in comparison to the Euro and other currencies, and commodity prices levelling. However, the spikes seen during the summer of 2008 may return. The buying power of protected areas budgets are somewhat affected upon both of these factors, and the CPAF's grant-making capacity will be affected by the value of the currencies in which it's assets are invested. Second, a repeat of the substantial declines in the value of investments experienced in late 2008 and early 2009 could affect the ability of the CPAF to fund at the levels contemplated. The project designers are well aware of these issues. Expectations and budgets can and must be elastic in a multi-year project, and will be adjusted in light of these factors as circumstances warrant. The CPAF is being advised by experienced financial advisors, its executive director is experienced in financial matters, and it has managed to increase the value of its endowment despite the recent turmoil. In addition, the project has been designed to ensure relevance for the CPAF for an initial seven year period—long enough so that it should have the ability to continue through to the next economic cycle even in the event of a prolonged downturn.
Climate change: Climate aridation is already evidenced in Georgia resulting in altitudinal shifts of forests. The semi-desert	Low	One of the aspects that will be considered by the CPAF in reviewing progress at the PAs will be measured for adaptation to climate change, aimed at increasing the resilience and adaptability of the ecosystems, as in some PAs. The CPAF will encourage site managers to ensure active participation of local communities in the

Risk/Assumption	Rating	Mitigation measures
and steppe vegetation belts have expanded and the alpine vegetation belt has reduced. It is expected that the desert and semi-desert zone area will expand by 33%, a new desert zone will form, and semi-desert will move over the bottom border of the forest in the south-eastern part.		identification and implementation of adaptation measures where such will be appropriate.
Environmental: Biodiversity threats grow beyond the background levels and thus demand still higher funding levels from them CPAF than currently planned.	Medium	CPAF and the Ministry of Environment will be regularly monitoring the risk levels at the site level. The project will maintain regular communications with the current fund co-financiers (i.e. KfW) to sensitize them to the need of ensuring that the CPAF capital is sufficient to deal with possible aggravations of biodiversity risks. Further the project's Component I includes support to continued fund-raising, seeking project and sinking funds in addition to endowment funding, from as large a universe of potential donors as possible. .

H. EXPLAIN HOW COST-EFFECTIVENESS IS REFLECTED IN THE PROJECT DESIGN:

51. The Financial Scorecard (Annex F) and the CPAF's initial experience with developing a pilot project make clear that the current financial management of PAs is not cost-effective and funding levels are not enough to meet conservation priorities. Against this backdrop of inadequate funding, PA expenditures are skewed towards meeting recurrent costs, especially staffing, and even those costs appear to be underfunded. Investment needs that are critical over the long-term receive even fewer funds. The project's focus on (i) plugging a portion of the funding gap short-term, (ii) bringing cost- and management- efficiencies to bear as well as enhancing tourism, and (iii) achieving an appropriate long-term capital structure for the CPAF longer-term, is the most effective way to achieve a close-to-perpetual financial sustainability of the PA system in Georgia.

52. Alternatives to supporting a viable CPAF financial support mechanism include: increased national government financing; developing increased tourism; developing a PES revenue stream for the PAs; and relying on bilateral, multi-lateral and private donor support. The Feasibility Study that led to the CPAF's establishment, and the discussions that led to the proposal for GEF support for the CPAF, concluded that:

- Given its other pressing development needs, it would not be reasonable to expect the government of Georgia to cover the PA financing gap for many years—at a minimum the 10-15 year minimum GEF time horizon for establishing a conservation trust fund.
- While eco-tourism and the possible implementation of PES mechanisms in Georgia are and should be a focus of PA development over the coming years, it will take many years to develop them as a significant contributor to the overall financial gap, particularly given the current state of tourist infrastructure in Georgia.
- Relying on uncoordinated donor support as in the past had not been effective in addressing the systemic need, in part because of the focus of most donors on visible projects such as the establishment of new PAs and the erection of new infrastructure rather than the nitty-gritty, day-to-day needs of the PAs.

So it is not realistic to expect additional government financial resources, tourism, and PES to have a medium-term impact on the scale required. And the project will clearly produce more cost-effective financial management of PAs as compared to the business-as-usual practice of PAs being funded largely from piece-meal, uncoordinated donor grants, even if they were capable of being increased in amount and re-focussed on PA operating costs. As to any alternative (i.e. non-market based) way to invest resources, e.g. an investment wholly through technical assistance, these would inevitably suffer from higher uncertainty in terms of biodiversity impact generation given the lack of sustainability at the PA site level.

53. But with the proper financial sustainability in place, the technical assistance component of the project represents a very cost-effective conservation approach. Done properly, the long-term management direction of the entire PA system can be improved for decades as a result of a relatively small capital investment in technical assistance and associated capacity building. Ideally, this investment results in both institutions being given the fundamental management tools required to actively engage in conservation and development initiatives leading to even greater conservation returns.

54. Investment in protected area management represents a pro-active expenditure that usually pays significant down-stream dividends. The immediate strengthening of a protected area mosaic will create a more secure future for a great

number of species and landscapes currently vulnerable to the threats identified during project. This timely and pro-active investment will alleviate the need for later and much more costly conservation expenditures such as habitat restoration and species re-introduction, which generally entail greater economic conflicts and costs.

55. Project activities were designed to work with proposed and on-going conservation initiatives. The project is designed to achieve the proposed outcomes while only incurring essential incremental expenses. To accomplish this, the project will build upon the existing baseline activities and national and local capacities, as well as available infrastructure, and will target increased co-financing commitments during project design and implementation. The project will seek to contribute to the existing government efforts to expand and strengthen the national protected area system, and will increase the capacity of PAs and the MOEPNR to meet biodiversity conservation priorities in compliance with international standards. Technical assistance, both national and international, is designed to be strategic and efficient. This means that properly selected individuals can provide support for several project outputs, alleviating the need to recruit, transport, and otherwise support a large team of experts to support project implementation.

PART III: INSTITUTIONAL COORDINATION AND SUPPORT

A. INSTITUTIONAL ARRANGEMENT:

56. UNDP is the GEF implementing agency for this project and the APA is an executing partner. The UNDP Country Office Georgia will support the project's implementation by maintaining the project budget. The APA will have an overall responsibility for achieving the project goal and objectives. However, for the Sinking Fund operations and management purposes as well for capacity development and provision of high-quality technical advice on sustainable financing of PAS, it will delegate the project management and fund operations responsibilities to the CPAF based on the Sinking Fund and Project Management Agreement between the APA and the CPAF. The rationale behind the selecting the CPAF for fund operations and the project management is that the latter is the only organization in the Caucasus with the mandate granted by the governments of three South Caucasus countries to operate Trust Funds, including both endowment and sinking funds in support of Protected Areas in these countries. CPAF's organizational structure and operations allow for effective and efficient management of the Trust Fund, whose general rules and policies is defined in the framework agreement between the government of Georgia and the CPAF. Detailed capacity assessment of the CPAF is enclosed to this CEO endorsement document. Thus, the CPAF will be responsible for project expenditures, in particular grant-making to the Agency for Protected Areas, contracting project personnel, experts and subcontractors, carrying out procurement, and providing other assistance. The UNDP Country Office will also monitor the project's implementation and achievement of the project outputs and ensure the proper use of UNDP/GEF funds. Financial transactions, reporting and auditing will be carried out in compliance with UNDP rules and procedures for National Implementation (NIM).

B. PROJECT IMPLEMENTATION ARRANGEMENT:

Overall responsibilities

57. The project will be executed by the APA (Project Executive), with the support of the CPAF (PM), which will play a project responsible party role. The Project Executive, with the support of the PM, will be responsible for the achievement of the overall project objectives, activities and outputs. The PM will be responsible for implementation of the project, in particular operationalizing the Sinking Fund and implementing components 1 and 2. The PM currently operates with a four-member Board of Directors and is run by its Executive Director, who is currently supported by an Assistant. The Executive Director and his assistant are currently based in Paris, consistent with their overall fundraising mission. A project management team ("project team") will be created and will be composed initially of the Executive Director of the CPAF and the Georgia representative of the Transboundary Joint Secretariat for the Southern Caucasus (together, the "project team"). During the first 3 years of the project (2010-2012), the PM will be supported on the ground in Georgia by the local country representative of the TJS. TJS support is being provided as an in kind contribution to the project from KfW. TJS support will include leadership of the Management Support group referred to in Output 2.1 above and support on other aspects of Component 2. During 2012, the CPAF will consider whether it wishes to continue the relationship with TJS and KfW will consider whether it is willing to consider extending the TJS's mandate for the CPAF. As an alternative, the CPAF will also consider the advisability of adding local staff to the project. These discussions will be shared with the Project Executive Board.

58. The Project Executive Board (PEB) will direct the project and will be an ultimate decision-maker for it. It will ensure that the project remains on course to deliver the desired outcomes of the required quality. The PEB will make management decisions for the project when guidance is required by the Project Executive or the PM or when project tolerances have been exceeded. More specifically, the PEB will set up tolerance levels for project stages in terms of duration and disbursement of financial resources. The PEB will review and clear Annual Work Plans (AWPs), which will include budget revisions and

annual progress achieved by the project through Annual Project Reviews based on the approved AWPs. The AWP will be sent to the RCU in Bratislava for clearance by the Regional Technical Advisor on Biodiversity. It will review and approve project stage (annual) plans and will authorize any major deviation from these agreed stage plans. The PEB is the authority that signs off on the completion of each stage plan as well as authorizes the start of the next stage plan. It will ensure that required resources are committed, will arbitrate any conflicts within the project or negotiate a solution to any problems between the project and external bodies. The PEB will meet on a bi-annual basis (more often if required). Prior to the bi-annual meetings, the PM will duly submit the progress report on the previous period and the plan for the next one. The PEB will evaluate submitted documents and be in charge of approving plans and budgets.

59. The responsibilities of the PEB will be divided into the Executive, Senior User/Beneficiary ("Senior User") and Senior Supplier components.

60. The Executive component is ultimately responsible for the project, supported by the Senior User and Senior Supplier components. The Executive component's roles are to ensure that the project is focused throughout its life cycle on achieving its outputs and that the project has a cost-conscious approach, balancing the demands of the user (or beneficiary) and supplier. For the project purposes, the APA through the National Project Director (mid/high level official) will assume the Executive Role in the Board, and will be supported in that role by the PM – CPAF representative.

61. The Senior User is responsible for specification of the needs of all those who will be primarily using or benefiting from the project outputs, for user liaison with the project team and for monitoring that the solution will meet those needs. The Senior User role commits user resources and monitors project outputs against agreed requirements. One of the directors of the PAs supported by the project, Representative of the International Relations and/or Bio-diversity Service of the Ministry of Environment will represent the Senior User/Beneficiary in the PEB.

62. The Senior Supplier represents the interests of those committing resources either financial or human to the project. The Senior Supplier is accountable for the quality of the outputs delivered by the supplier(s). The Senior Supplier role must have the authority to commit or acquire supplier resources required. Thus, major project donors including UNDP senior management (Deputy Resident Representative or Assistant Representative), CPAF Chief executing officer/representative of Board of Directors will represent the senior supplier role and may be extended by other major project co-financier donors.

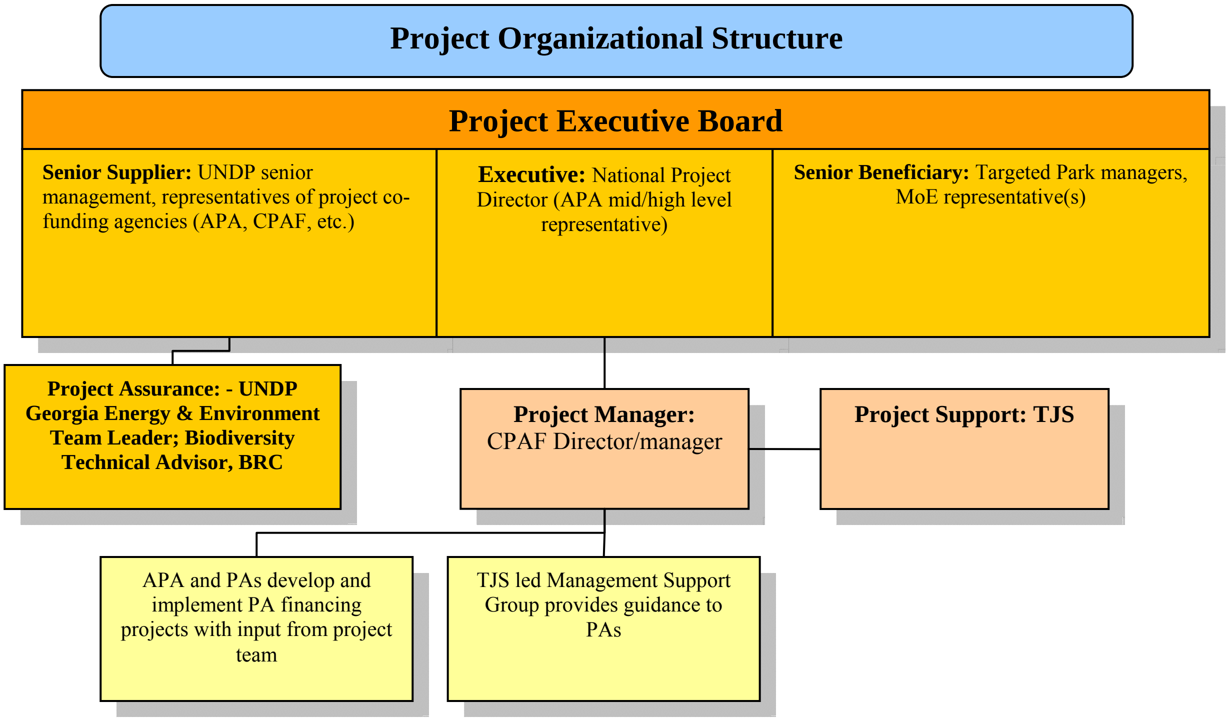
63. Project Assurance – this is one of the key roles in the project management structure. The Project Assurance will act as an independent and objective quality monitoring agent, avoiding the potential "self-serving bias". In addition, the project assurance will verify the products' or outputs' quality. UNDP Energy and Environment Team Leader and Regional Technical Advisor for Biodiversity at RCU will play the Project Assurance role.

Communications

64. The Project Executive, PM and the project team will communicate with a variety of audiences and be in charge of keeping the stakeholders informed of the progress overall and on the most important project events. The Project Executive will be responsible for building and sustaining the MOEPNR's commitment to the project, and, with the support of the PM, the involvement of project stakeholders. To do this, the Project Executive and PM, supported by the Senior User, will develop a communications strategy and will maintain a high level of transparency and openness throughout the project implementation. CPAF promotional materials will be developed bearing the logos of all project partners. The same standard will also apply for all other written materials and publications and will also apply to all public events.

Financial and other procedures

65. The financial arrangements and procedures for the project are governed by the UNDP rules and regulations for National Implementation Modality (NIM) that allow for government rules and procedures to be used for implementation of project components and activities, including setting up and operations of the Sinking Fund. General rules for operations of the Caucasus Protected Areas Trust Fund are set up in the framework agreement between the Government of Georgia and the CPAF and, for the purpose of this project the rules and procedures for the Sinking Fund operations, to be a part of the Trust Fund – in the Sinking Fund and Project Management Agreement between the APA and CPAF, attached as Annex H hereto,. Financial transactions will be conducted through direct payment requests made by APA to UNDP to transfer funds to the CPAF, the project responsible party. All the procurements and financial transactions to be made by the APA within the framework of each sub-grant provided by the CPAF through the Sinking Fund facility are governed by national rules and regulations.



PART IV: EXPLAIN THE ALIGNMENT OF PROJECT DESIGN WITH THE ORIGINAL PIF:

66. The project design is aligned with the approved PIF and did not deviate substantively from the anticipated structure. The following summarizes certain adjustments that were made as part of the preparation process. In developing the project, the APA has been added as an executing partner in recognition of its role in project implementation. The size of Component 2 was increased by $90,000 in recognition of the significance of the technical advice and costing of the TJS contribution. In addition, M&E was factored into Component 1 at $45,000. In addition, since the submission of the PIF, the discrepancy in the financial gap as presented in the CPAF Feasibility Study was analyzed further. Upon the basis of that analysis, the stakeholders agreed that the more up to date UNDP Financial Scorecard was also more accurate. Accordingly, it has been adopted as the baseline for purposes of this project.

PART V: AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for CEO Endorsement.

Agency Coordinator, Agency name	Signature	Date *(Month, day, year)*	Project Contact Person	Telephone	Email Address
Yannick Glemarec UNDP/GEF Executive Coordinator	Y. Glemarec	April 23, 2010	Maxim Vergeichik	+421-905-42-8152	Maxim.vergeichik@undp.org

ANNEX A: PROJECT RESULTS FRAMEWORK

Project Strategy	Objectively verifiable indicators	Baseline	Target	Sources of verification	Assumptions
Objective: To secure long-term financial sustainability of the Georgian PA system.	Area of sustainably financed PAs	0	>100,000 ha cat. I-II by 2013 >400,000 ha cat. I-IV by 2016	CPAF project grants and technical audits	Renewed regional political stability MOEPNR/APA leadership remains committed to the project objectives
	Improved funding ratio of optimal needs of PAs measured by financial sustainability score card:	47%	70%	Financial Scorecard	
	Ecological status of habitats within the 4-5 IUCN Cat. Protected areas.	Deteriorating	Non-deterioration or improvement in 4-5 Cat1-II PAs by 2013[1]	Monitoring and reporting of park rangers.	
Outcome 1: Ensuring sufficiency and predictability of revenue sources for the PA system	Reduce annual funding gap by $440,000 by 2013	70% of basic funding 47% of optimal funding	96% of basic funding 64% of optimal funding	Financial Scorecard; End-of year PA financial reports	MOEPNR sets an effective coordination mechanism for development of PAs' management and financial plans and take a lead on preparation of grant applications.
	US$ value of capitalization of sinking fund.	0	$2,435,000[2]	CPAF reporting	
	Number of PAs financed from CPAF	CPAF is currently not financing any PAs	Four to five PAs financed by 2013[3]	CPAF reporting and mid-term and final evaluation reports	
	Increase in tools PA system revenue generation	30%	55%	Financial Scorecard rating	
	Long-term annual funding capacity of CPAF available for Georgia based on its endowment, sinking fund and other regular annual commitments.	$100,000	$950,000	CPAF audit and financial statements; agreements with CPAF donors.	
Outcome 2: Raising cost-effectiveness and capacities of PAs	Increase in cost-effectiveness of at least 10 PAs measured by UNDP Financial Score Card (part II, component II);	8%	33%	Financial Scorecard rating	

[1] Deterioration is halted; habitats are conserved
[2] Of which $825,500 from GEF and $1,609,500 from co-financing (a portion of the $1,609,500 is in the form of project funding or annual grants).
[3] CAPF funding is being channeled to recipients to cover the regular PA annual running costs, biodiversity research and monitoring, establishment and support of tourism, catering, interpretation and other income-generating facilities, as well as for preparation of management plans.

Project Strategy	Objectively verifiable indicators	Baseline	Target	Sources of verification	Assumptions
	Adoption of site-specific business plans at 10 PAs providing transparency on the optimum level of management costs	0	10 business plans adopted	CPAF funding applications; annual PA reporting and technical audits include assessment of cost-effectiveness; benchmarking of appropriate staff & salary levels, equipment and infrastructure	
	Number of site managers trained in cost-effective management	0	At least three in a minimum of 10 targeted PAs	PA Management Support Group; Technical audits; project reviews	
	Existence of electronic system to track changes in management effectiveness based on the METT score and – where appropriate – on the Financial Sustainability Scorecard.	No such system exists	Development and implementation of such a system	Review of CPAF reporting; project reviews	

ANNEX B: RESPONSES TO PROJECT REVIEWS

NA at this stage

ANNEX C: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS:

NA: No PPG funds were requested

ANNEX D: TOTAL BUDGET AND WORK PLAN

Award ID:	00059440
Project ID:	00074318
PIMS Number:	4285
Award Title:	PIMS 4285 BD MSP: Ensuring sufficiency and predictability of revenues for the Georgia's protected areas system
Business Unit:	GEO10
Project Title:	PIMS 4285 BD MSP: Ensuring sufficiency and predictability of revenues for the Georgia's protected areas system
Implementing Partner (Executing Agency)	Agency of Protected Areas of the Ministry of Environment Protection and Natural Resources of Georgia (APA)

GEF Outcome/Atlas Activity	Responsible Party/ Implementing Agent	Fund ID	Donor Name	Atlas Budgetary Account Code	ATLAS Budget Description	Amount Year 1 (USD)	Amount Year 2 (USD)	Amount Year 3 (USD)	Amount Year 4 (USD)	Amount Year 5 (USD)	Amount Year 6 (USD)	Amount Year 7 (USD)	Total (USD)	Notes
Outcome 1. Ensuring sufficiency and predictability of revenue sources for the PA system	**GoG**	**62000**	**GEF**	71200	International Consultant	0	0	0	9,900	0	0	12,600	22,500	1,2
				72600	Grants	825,500	0	0	0	0	0	0	825,500	3
				Total Outcome 1		**825,500**	**0**	**0**	**9,900**	**0**	**0**	**12,600**	**848,000**	
Outcome 2. Raising cost-effectiveness and capacities of PAs	**GoG**	**62000**	**GEF**	72100	Contractual Services Company	0	3,500	7,000	9,250	11,500	11,500	10,250	53,000	4
				Total Outcome 2		**0**	**3,500**	**7,000**	**9,250**	**11,500**	**11,500**	**10,250**	**53,000**	
PROJECT MANAGEMENT	**GoG**	**62000**	**GEF**	71400	Contractual Services Individuals	12,000	12,000	12,000	12,000	12,000	12,000	12,000	84,000	5
				74100	Professional services	0	2,500	2,500	2,500	2,500	2,500	2,500	15,000	6
				Total Project Management		**12,000**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**	**14,500**	**99,000**	
PROJECT TOTALS						**837,500**	**18,000**	**21,500**	**33,650**	**26,000**	**26,000**	**37,350**	**1,000,000**	**7**

Budget notes:

1. *Pro rata* costs are based on a 50/50 allocation between GEF and cash co-financing commitments other than from the government and CPAF, except that (i) for project management, the allocation is 17% for GEF and 83% for the cash co-financing commitments so that the GEF contribution and the commitment of co-financing to PM are just under 10% of the respective commitments (with the non-government co-financing funding the entire 83% non-GEF share since it was agreed that the government will not contribute to PM), and (ii) for PA funding (the "grants" item), the amounts are based on the funds remaining after funding of the other portions of the project.
2. *Pro rata* costs of contractual appointment of evaluation experts for mid-term and final evaluation. : $20,000 is planned for the mid-term review, to be performed by an international consultant, and $25,000 is planned for the final review, also by an independent international consultant.
3. GEF pro rata share of the funding going directly to the protected areas. The funds flow into the CPAF sinking fund in year 1 and are spent in the discretion of the CPAF Board, with the input from the Project Executive Board (PEB). The CPAF's working assumption is that it will, from the combination of the sinking fund and the earnings on its endowment, co-finance with the government: one PA for 7 years beginning in 2010; a second PA for 6 years beginning in 2011; a third PA for 5 years beginning in 2012; and a fourth PA for four years beginning in 2013. The total number of PA budget years financed would thus be 22. See footnote 7 below. The total co-financing provided by GEF, TJS, the Bank of Georgia and the CPAF is $2,435,000, of which

GEF's share is $825,500 (33.6%). This sum divided over 22 PA budget years equals an assumed average CPAF contribution to the PA budgets of about $110,000 per year, of which GEF would be financing about $37,500. The government will, at a minimum, be required to match the CPAF contribution, so that a minimum of $4,870,000 flows to the target PAs over the period.

4. The amounts here represent GEF's *pro rata* share of 10 technical audits over the seven-year period (at the end of the first year and the second year and every third thereafter) at $2,500 per audit plus 18 annual financial audits of the protected areas over the seven-year period (one in 2011; two in 2012, three in 2013, and four each in 2014- 2016 at $4,500 per audit. See footnote 8 below.
5. GEF's pro rata share of the salaries of the CPAF employees who will effect project management, calculated as follows: Executive Director's salary + social charges = $150,000/year or $2900/week. Assistant's salary + social charges = $44,000/year, $858/week. Project management is calculated as 20 weeks of the Executive Director's time and 20 weeks of the assistant's time, or slightly over $75,000 per year ($527,000 over seven years).
6. Costs associated with a yearly project audit: $7,000 per year for six years.
7. Summary of Funds*

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	TOTAL
GEF	837,500	18,000	21,500	33,650	26,000	26,000	37,350	1,000,000
Ministry of Environment	110,600	221,200	331,800	442,850	442,850	442,850	442,850	2,435,000
Caucasus Protected Areas Fund, including Bank of Georgia contribution to BKNP	103,650	207,100	310,550	423,700	413,800	413,800	426,400	2,299,000
TOTAL	**1,051,750**	**446,300**	**663,850**	**900,200**	**882,650**	**882,650**	**906,600**	**5,734,000**

* All co-financing (cash and in-kind) that is not passing through UNDP.

8. The following table shows the anticipated funding of PAs from the project and the frequency of the financial and technical audits associated with such funding:

Year	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**Total 2010-2016**
PA 1								
Financing	√	√	√	√	√	√	√	7
Financial Audit		√	√	√	√	√	√	6
Technical Audit*		√	√			√		3
PA 2								
Financing		√	√	√	√	√	√	6
Financial Audit			√	√	√	√	√	5
Technical Audit*			√	√			√	3
PA 3								
Financing			√	√	√	√	√	5
Financial Audit				√	√	√	√	4
Technical Audit*				√	√			2
PA 4								
Financing				√	√	√	√	4
Financial Audit					√	√	√	3
Technical Audit*					√	√		2
Total PA Budget Years Financed	1	2	3	4	4	4	4	22
Total Financial Audits		1	2	3	4	4	4	18
Total Technical Audits		1	2	2	2	2	1	10

*Technical audits are planned during second and third year of a 3-year grant cycle and, assuming renewal of the grant on the basis of the audit in year 3, every third year thereafter as a basis for determining whether to continue the grant.

ANNEX E: CONSULTANTS TO BE HIRED FOR THE PROJECT

Position Titles	*$ / person week*	*Estimated person weeks*	*Tasks to be performed*
For Project Management			
International			
Project Manager	2,900	25	Deliver results and manage funds in line with the work plan; analyze and evaluate achieved results regularly to ensure that the project is meeting the target beneficiaries' needs; record and resolve project issues occurring during the implementation; discuss and deal with local and national authorities on matters pertaining to activities described in the project document; ensure timely preparation and submission of yearly/quarterly project work plans and reports; lead the recruitment process of the necessary local experts in the areas identified in the project document in accordance with UNDP rules and regulations; collect, register and maintain information on project activities by reviewing reports and through firsthand sources; advise all project counterparts on applicable administrative procedures and ensures their proper implementation. Assumed time commitment, 20 weeks per year.
Project Admin Assistant	858	13	Collect, register and maintain all information on project activities; contribute to the preparation and implementation of progress reports; monitor project activities, budgets and financial expenditures; advise all project counterparts on applicable administrative procedures and ensures their proper implementation; maintain project correspondence and communication; support the preparations of project work-plans and operational and financial planning processes; assist in procurement and recruitment processes; assist in the preparation of payments requests for operational expenses, salaries, insurance, etc. against project budgets and work plans; follow-up on timely disbursements by UNDP CO; receive, screen and distribute correspondence and attach necessary background information; prepare routine correspondence and memoranda for supervisor' signature, check enclosures and addresses; assist in logistical organization of meetings, training and workshops; prepare agendas and arrange field visits, appointments and meetings both internal and external related to the project activities and write minutes from the meetings; maintain project filing system; maintain records over project equipment inventory; perform other duties as required. Assumed time commitment, 20 weeks per year.
Project Financial Auditor	1,750	9	Responsible for a yearly financial audit of the project for six years starting in the second year at four weeks per year.
For Technical Assistance			
Local			
PA Technical Auditor	500	25	Responsible for technical audits of protected areas to assure implementation of operating and management plan goals. It is assumed that there will be 10 technical audits over the seven year period (at the end of the first year, the second year and every third year thereafter) at 5 weeks per audit
PA Financial Auditor	1,000	40.5	Responsible for financial audits of protected areas. It is assumed that there will be 18 financial audits of the protected areas over the seven year period at 4.5 weeks per audit
PA Management Support Group Manager[1]			<u>Output 2.1- 2.2:</u> Responsible for the preparation and implementation of the PA Management Support Group. Duties will include: assessing current business skills of PA management, supporting PA management, implementing trainings on cost-effective management, assisting with project audits and applications, reporting to the CPAF on progress made by PA personnel.
Electronic System Specialist			<u>Output 2.4:</u> Responsible for devising and implementing an electronic system to track cost-effectiveness changes in site management. Duties include: creating system outline, developing system, following-up on system bugs/problems, training CPAF on use of system.
International			

[1] To be financed through co-financing – in-kind contribution of the services of TJS from KfW.

Mid-term evaluator	3,000	3	Conduct project mid-term evaluation. TOR's to be developed according to M&E plan.
Final evaluator	3,000	4	Conduct project final evaluation. TOR's to be developed according to M&E plan.
Fundraising Consultant[2]			Output 1.4: Implement aggressive fundraising activities of the CPAF to achieve full capitalization goals.

[2] To be financed though co-financing – in-kind contribution of services of the CPAF.

ANNEX F: FINANCIAL SCORECARD – ATTACHED SEPARATELY

ANNEX G: FINANCIAL SCORECARD 2013 PROJECTION – ATTACHED SEPARATELY

ANNEX H: SINKING FUND AND PROJECT MANAGEMENT AGREEMENT

This Agreement is between the Agency of Protected Areas of the Ministry of Environment Protection and Natural Resources of Georgia (the "APA") and the Caucasus Protected Areas Fund ("CPAF").

Whereas:

UNDP is acting as a GEF implementing agency and the APA as the executing agency under a grant by Global Environment Facility ("GEF") to the Government of Georgia for the benefit of the CPAF (the "GEF Trust Fund Grant"). The GEF Trust Fund Grant is GEF Agency Project, PIMS: 4285, for Georgia, for the Project entitled: Ensuring sufficiency and predictability of revenues for the Georgia's protected areas system, hereafter "the Project."

The Caucasus Protected Areas Fund (CPAF), Ministry of Environment Protection and Natural Resources and the APA have entered into a Framework Agreement, attached as Schedule 1 to this Sinking Fund and Project Management Agreement, governing the basis on which the CPAF grants funds to the APA to finance "Covered Costs" of Priority Protected Areas ("PPAs").

For the benefit of the Project the APA hereby appoints CPAF as a responsible party to act in accordance with this Agreement.

APA recognizes that the GEF Trust Fund Grant was made on the condition that the CPAF would act as project responsible party thereunder, and that the action of the CPAF under this Agreement supports the *National Biodiversity Conservation Strategy and Action Plan*.

Now, therefore, the parties hereby agree as follows:

1. Sinking Fund. CPAF shall operate a sinking fund with $825,500, representing the grant portion (covering Component 1 of the Project) of the GEF Trust Fund Grant (the "GEF Sinking Fund Grant"). The GEF Sinking Fund Grant shall be subject to these Sinking Fund Rules.

   1.1 Transfer and Deposit. The GEF Sinking Fund Grant shall be transferred directly by UNDP to the CPAF for administration and use by the CPAF in accordance with this Agreement. The APA hereby requests UNDP to make such direct payment upon CPAF's request when all the conditions to the disbursement of the GEF Sinking Fund Grant are satisfied. The GEF Sinking Fund Grant shall be deposited by the CPAF for investment with the CPAF's custodian bank, Deutsche Bank AG in Frankfurt, Germany, or its successor as the CPAF's custodian bank. The CPAF shall establish in its financial accounts a separate account or accounts called the Georgia 2017 Sinking Fund Account ("SFA 1") that will record the GEF Sinking Fund Grant and other contributions to SFA1 (collectively, the "Sinking Fund Grants"), earnings, gains and losses on the contributions to SFA1, as well as expenditures from SFA1. The proceeds of the Sinking Fund Grants shall be invested in accordance with CPAF's investment policy pending expenditure for project purposes as described below. Funds from time to time in the SFA1 Account (the Sinking Fund Grants and earnings thereon) are herein referred to as SFA1 Funds.

   1.2 Sinking Fund Project and Expenditures. The SFA1 Funds (less any investment advisory and management costs) shall be used exclusively for re-granting by the CPAF to support the budgets of PAs in accordance with (i) the CPAF's Articles and by-laws, as amended from time to time, and subject to the additional condition that such funds can only be spent to support Georgia, and (ii) the Framework Agreement, as amended from time to time. The CPAF shall, during the period beginning in 2010 and ending on December 31, 2016, use its best effort so that (i) annual expenditures from SFA1 Funds to support the operating costs of PAs under Grant Agreements with the MOEPNR in Georgia equal at least 1/7th of the total of all Sinking Fund Grant contributions by 2013 (the "Minimum Spending Goal"), and (ii) all SFA1 Funds are used in their entirety by December 31, 2016. If the Minimum Spending Goal is not achieved by 2013, the Project Executive Board will consult urgently on the reasons for the prevailing level of spending and the measures that can be taken to increase it.

1.3 Return of Funds.

1.3.1. If any SFA1 Funds remain unspent at December 31, 2016,

- As to the pro rata portion of the SFA1 Funds representing the GEF Sinking Fund Grant, CPAF shall reimburse such funds to UNDP and UNDP shall reimburse such funds to GEF unless otherwise instructed by GEF.
- As to the pro rata portion of the SFA1 Funds representing the Sinking Fund Grants of other donors, the CPAF shall make payment of the remaining SFA1 Funds as directed by such donor and, failing such instruction by December 31, 2017, as it shall determine.

1.3.2 If at any time the CPAF makes a payment from SFA1 Funds for expenditures that are not consistent with the provisions of this Agreement, the CPAF shall, upon notice from UNDP or any other donor of a Sinking Fund Grant, promptly refund to such donor (in the case of UNDP for deposit into the GEF Trust Fund Grant Account) an amount equal to the amount so used or the portion thereof as shall be specified by the donor.

1.3.3 The CPAF shall, upon notice from UNDP or any other donor of a Sinking Fund Grant, promptly refund to such donor its pro rata share of the remaining balance of the SFA1 Funds that are not committed to cover expenditures under existing obligations including existing re-grant agreements, if any of the following events shall occur:

(a) the CPAF's charter, By-laws, Operations Manual or Investment Policy has been amended, suspended, abrogated, repealed or waived in a manner which, in the opinion of the donor, would materially and adversely affect the implementation of the Project or the attainment of its objectives; or

(b) CPAF has been dissolved or its operations have been suspended.

2. The project —M&E, Components 2 and 3: Implementation and Project Management.

As project responsible party, CPAF will contract for the M&E reports contemplated under Component 1 of the by the GEF Trust Fund Grant. In addition, CPAF will mandate project audits and oversee the Management Support Group and other elements of Component 2 of the GEF Trust Fund Grant. In consideration for its services as project responsible party, CPAF will be entitled to all payments in respect of project management as contemplated by the project documents.

The APA shall from time to time, sign and authorize direct payment requests to UNDP of GEF Trust Fund Grant funds to permit the CPAF to timely cover the relevant costs and receive the project management payments.

3. Project Reporting. The CPAF shall make the reports for which it is responsible and support the APA in making the reports for which it is responsible, as contemplated in the project documents.

4. No GEF Trust Fund Grant Funds shall be used for any purpose other than those contemplated by this Agreement.

In Witness Whereof, the parties have hereunto signed their names.

Agency of Protected Areas

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Caucasus Protected Areas Fund

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