



## Caucasus Trust Fund (CTF)

### Conservation Trust Funds Training Course

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## Caucasus Ecoregional Planning

- 56 priority conservation areas (PCA)
- total surface of PCA: 135,089 km<sup>2</sup>
- PCA = 23% of the region's entire territory
- plus 62 important wildlife corridors



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## Reasons for establishing a Caucasus PAs Trust Fund

- Only 19.6 % of the basic management costs of all PA's in the Southern Caucasus (Georgia, Armenia, Azerbaijan) are covered by state budgets
- Lack of funding threatens the continued existence of PA networks in the Caucasus
- A Trust Fund could provide long-term financing for PA's on an eco-regional basis

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## Example: Borjomi-Kharagauli NP

- Covering 80,000 ha
- Established with KfW funding in 2001
- Operational costs needed: 188,000 €/year
- Operational costs deficit: 116,000 €/year
- Feasibility study of KfW and WWF for the development of a trust fund
- KfW has agreed to provide 100,000 €/year to cover management costs until 2008

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## Purpose of the fund

Provide **long-term financing** for

- Management of Protected Areas (main priority of the CTF)
- Establishment of New Protected Areas (under certain preconditions)

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## Status Quo of Trust Fund Implementation

### (1) Phase I:

BMZ/KfW financed WWF study phase I: finalized March 2005

- Estimation of Trust Fund Capital Endowment
- Discussion of different trust fund options with stakeholders
- decision for off shore trust fund

### (2) Phase II:

BMZ/KfW are financing WWF study phase II: finalized July 2006

- Securing funding commitments from donors
- Defining the management structure of the trust fund
- Legal establishment of the Trust Fund by registering its Articles of Incorporation
- Establishment of the Trust Fund's board of directors
- Identifying an asset manager
- Providing training and technical assistance to the Trust Fund's staff and Board

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## Management costs of the PA network in the Caucasus

- Unit costs were calculated based on business plan of Borjomi Kharagauli NP (Georgia)
- PA's were divided in 3 categories:
  - Strict Nature Reserves
  - National Parks
  - Sanctuaries
- Costs were estimated based on category, size and threat level

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## Estimation of average annual operational costs/ha

SIZE OF PROTECTED AREA (in has)	PRICE PRO HECTARE in US-\$			
	Nature Reserves	National Parks	Sanctuaries	Average
1.000	45,7	64,2	35,8	48,5
5.000	9,7	13,4	7,7	10,3
10.000	5,3	7,2	4,3	5,6
20.000	3,1	4,1	2,5	3,2
30.000	2,6	3,3	2,0	2,6
50.000	1,9	2,3	1,5	1,9
70.000	1,7	2,0	1,3	1,7
100.000	1,5	1,7	1,1	1,4
150.000	1,4	1,5	1,0	1,3

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## Annual budgets for eligible PA's (in US\$)

	Total	existing state budget	proposed budget from state/others	Trust fund
<b>ARMENIA</b>	<b>1.177.573</b>	<b>301.417</b>	<b>287.369</b>	<b>588.786</b>
Strict Nature Reserves (IUCN category I)	207.233	91.690	11.926	103.616
National Parks (IUCN category II)	405.754	176.670	26.207	202.877
Sanctuaries (IUCN category IV)	564.586	33.057	249.236	282.293
<b>AZERBAIJAN</b>	<b>2.029.121</b>	<b>274.816</b>	<b>739.745</b>	<b>1.014.561</b>
Strict Nature Reserves (IUCN category I)	714.988	164.001	193.493	357.494
National Parks (IUCN category II)	981.686	110.815	380.028	490.843
Sanctuaries (IUCN category IV)	332.448	0	166.224	166.224
<b>GEORGIA</b>	<b>1.418.710</b>	<b>161.078</b>	<b>548.277</b>	<b>709.355</b>
State Nature Reserves (IUCN category I)	412.956	44.406	162.072	206.478
National Parks (IUCN category II)	699.231	89.600	260.015	349.615
Sanctuaries (IUCN category IV)	306.523	27.072	126.190	153.262
<b>Total</b>	<b>4.625.404</b>	<b>737.311</b>	<b>1.575.391</b>	<b>2.312.702</b>

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## Target Size for a Caucasus Protected Areas Endowment

- Funding gap for ALL Eligible Protected Areas in all 3 countries: **US\$ 2,3 million/year**  
  
→ **\$60million capital need**  
(with inflation adjustment: US\$ 126 million)
- Funding gap for Priority Strict Nature Reserves and National Parks (IUCN I + II): **US\$ 1,71 million/year**  
  
→ **\$ 40 million capital need**  
(with inflation adjustment: US\$ 90 million)

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## Calculating Trust Fund endowment

- 10-year average annual gross rate of ROI: ca. 5%
  - asset management fees: ca. 0.75%
  - administrative costs: ca. 10% of trust fund's annual rate of return on capital
- 3,825% net rate of ROI (without inflation adjustment)
- inflation adjustment: 2%

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## 4 Options for Trust Fund Structure

- Option 1:** 1 International Foundation and 3 Separate National Foundations
- Option 2:** 3 Separate National Foundations, but no International Foundation
- Option 3:** 1 International Foundation with National Sub-Accounts, but no Separate National Foundations
- Option 4:** An existing Regional/Caucasus Foundation such as REC, but no new foundations

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## Fundraising strategy

- Joint efforts of KfW, CI and WWF in order to capitalize the Trust Fund
- Contact donor Organizations via WWF/ CI/KfW contacts
- Develop fundraising Material (Prospectus, letters)

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## Development of legal documents

- Proposal for a country to establish the trust fund
- Development of Foundation Statutes based on the Foundation Law of Hessen

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## Proposed general structure of TF

- The Trust Fund will **pay up to 50% of the operating costs** of priority protected areas
- These **grants cannot be spent for expenses** of any of the **Ministries**
- **Ministry of Environment can prepare** grant proposals for “priority” PAs
- **Technical Advisors** will develop a **recommendation** to the board
- **Trust Fund’s Board of Directors** will meet to review all of the proposals and decide which ones to support.

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## Management procedures – Criteria for grants -

- Protected area is defined as priority in the ECP or an amendment
- The ministry has submitted a grant proposal for the respective PA
- The PA has developed or is in the process to develop a management plan. The plan has to be approved by the ministry and has to fulfill criteria set by the TF
- The PA receives 50% of the annual management costs from the government

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## Management procedures – Management costs -

- Distinguish between recurrent “Management costs” and “establishment costs”
  - Management costs contain:
    - staff costs
    - travel costs
    - training and development costs
    - vehicle and office running costs and maintenance costs
    - updates of the PA management plan
- ➔ Exceptions:
- coverage of costs for the development of Management Plans
  - Establishment costs up to 50% of the management costs

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## Management procedures – Administrative Structure-

Different options to ensure:

- Monitoring of the PA grant expenditures
- Advise and assistance for the development of grant proposals/ management plans
- Ensure political buy-in
- Ensure that ecoregional aspects are considered
- Support fundraising activities
- Option 1: establish a TF office in Georgia
- Option 2: establish a TF office in all 3 Caucasus states
- Option 3: consult services (in or outside the region)

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## Management procedures – Grant disbursement-

Georgia:

- Disburse funds to legal entities for public purposes
- Transfer money to a separate account of the ministry
- Monitoring by the “Chamber of Control”, Inspectorate general (Environm. Ministry) or independent auditing firm

Armenia

- Funds given to the MoF
- Agreement signed between MoE, MoF and the TF
- Monitoring by the “Chamber of Audit” (Parliament), “Supervisory Body” (Prime Minister) or the MoF auditing department

Azerbaijan

- To be clarified

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