Framework Agreement on Provision of Grants to Support Protected Areas in Georgia

№ 01 Dated December 5, 2008

This Framework Agreement (the "Agreement") is between the Ministry of Environment Protection and Natural Resources of Georgia (the "Ministry) and the Agency of Protected Areas (the "Agency") on behalf of Georgia, on the one hand, and the Caucasus Protected Areas Fund ("CPAF"), a foundation (*Stiftung*) established under the laws of Hessen, Germany, on the other hand.

WHEREAS, the primary purpose of the CPAF is to make grants to support Covered Costs of Priority Protected Areas (PPAs), each as defined in Annex A hereto, in Armenia, Azerbaijan and Georgia, which are the core countries ("Core Countries") of the Caucasus Ecoregion;

WHEREAS, the CPAF may also make grants to fund certain costs to develop management plans for PPAs; and

WHEREAS, the parties wish to enter into this Agreement to establish the basis of their cooperation and fulfill the purpose of this Agreement.

NOW, THEREFORE, it is hereby agreed as follows.

§ 1. Certain Defined Terms.

Certain of the capitalized terms used in this Agreement (and not defined in the body hereof) are defined in Annex A, which also includes an index of the terms that are defined in the body of this Agreement.

§ 2. Grants to Support Covered Costs of PPAs.

2.1 General. Grants to fund Covered Costs of a PPA shall be made pursuant to Grant Agreements between the Agency and the CPAF that have been approved and signed by the Head of the Agency and the Executive Director of the CPAF (the "Executive Director") or persons acting with appropriate authority on their behalf. Grant Agreements may be signed only following approval by the Board of Directors of the CPAF (the "Board") of a grant proposal submitted by the Agency (and endorsed by the Ministry and the Director of the PPA to which the grant proposal relates), in accordance with Section 2.4 below.

2.2 No Obligation to Apply for or Make Grants. This Agreement shall not obligate the CPAF to make, nor the Ministry or the Agency to apply for, any grant. Obligations of the CPAF to make grants and of the Ministry and the Agency in relation to grants shall arise only pursuant to grant agreements.

2.3. Grant Duration; Co-Funding. Grants to fund Covered Costs may finance a portion of a PPA's Covered Costs for a period of up to a maximum of three years or such longer period as may be decided by the Board and notified to the Ministry and the Agency.

2.3.1 Co-Funding Requirements. Grants to fund Covered Costs are subject to the following co-funding requirements being satisfied.

(a) In general, the CPAF may fund an amount of Covered Costs up to but not greater than the amount proposed to be funded through the Agency, the Ministry or other non-CPAF sources in its Grant Proposal (as defined in Section 2.4.1). In addition to its share of the Covered Costs, the Agency will be required (either directly, through the Ministry or through other non-CPAF sources) propose to fund in their entirety the costs specified in the budget for the PPA other than Covered Costs.

(b) For PPAs that have operated as protected areas for at least one full year prior to the year for which a CPAF grant is being requested ("Existing Protected Areas"), the CPAF may only make grants that effectively increase the overall funding for PPA Covered Costs. Accordingly, the Agency's Grant Proposal for Existing Protected Areas must provide that the total annual funding (on an inflation adjusted basis) from the Agency, the Ministry or any other branch of the Georgian government of the PPA's Covered Costs that constitute operating costs is maintained at or above the highest of the funding levels of the current year and the two previous years.

2.3.2 Best Efforts Obligation. These co-funding requirements should be understood as an obligation of the Ministry and the Agency to use their best efforts to achieve the applicable funding levels as part of the governmental budget process. If the Ministry and the Agency do not achieve the funding levels proposed, they will so advise the CPAF and the parties will seek to revise their proposed arrangements in a mutually satisfactory way, but the CPAF will be under no obligation to proceed with, or make any further disbursements under, the Grant.

2.3.3 Possible Waiver. The Board may waive these co-funding requirements on the basis of its relevant decision.

2.4. Grant Proposals.

2.4.1 Basic Proposal Requirements. The proposal for any grant covering a portion of the Covered Costs of a PPA ("Grant Proposal") must include:

(a) An operational or work plan (the "Operational Plan") in reasonable detail for the first year in which the grant is to be made (the "Base Year");

(b) A budget for the Base Year and the two following years (the "Budget") showing budgeted revenues and expenditures of the PPA (and proposing levels of funding of the Agency or Ministry (and/or other funding sources) and the CPAF consistent with the principles of Section 2.3 above); and

(c) a Management Plan.

in each case satisfactory to the Board. The Board may waive the requirement for a Management Plan, but only for the initial grant to a PPA. Any grant agreed without a

satisfactory Management Plan will contain the agreement of the Agency to prepare a Management Plan for submission with a new Grant Proposal.

2.4.2 Operational Plan, Budget and Management Plan Standards. In determining whether the Operational Plan, Budget and Management Plan are satisfactory for purposes of supporting a grant pursuant to this Agreement, the Board will use benchmarking standards that it will issue from time to time. The initial standards (which are subject to change by the CPAF by notice provided pursuant to Section 6.2 below) that the Board will use for evaluating Operational Plans, Budgets and Management Plans are set forth in Annexes B, C and D hereto, respectively.

2.4.3 Form and Timing. In order to be considered by the CPAF for possible funding, a Grant Proposal to fund Covered Costs of a PPA must be submitted in substantially the form for that purpose issued by the CPAF from time to time. The Grant Proposal should be submitted no less than three months prior to the date by which the Agency seeks to have the grant approved by the Board.

2.4.4 CPAF Review. The CPAF reserves the right to review and approve the levels of funding in a Budget and all other elements of the Budget, Operational Plan, Management Plan and Grant Proposal. In assessing whether a Grant Proposal meets the requirement of this Section 2.4, the CPAF will consider substance over form, so that if the required information is included in any of the submitted documents it will be viewed as properly submitted for the purposes of this Agreement.

2.5. Grant Agreements. Grant agreements to fund PPA Covered Costs ("Grant Agreements") shall include, *inter alia*, provisions covering reports to the CPAF, disbursement timing, disbursement conditions, payment mechanics, access, cooperation and other matters as shall be agreed. In connection with the initial grant, the CPAF and the Ministry shall seek to agree on a form of Grant Agreement that can serve as a model for subsequent agreements. The CPAF, the Agency and the Ministry expect the provisions of the initial Grant Agreement to be based on the provisions outlined in Annex E.

§ 3. Grants to Support Management Plan Development Costs

3.1. Management Plan Development Costs. It is anticipated that many PPAs will not have the means or capacity to prepare Management Plans that fulfill the CPAF's standards as initially reflected in Annex D, and that consultants may need to be engaged to assist with the plan preparation. The fees and expenses of external consultants hired by the Ministry or the Agency to assist in the preparation of a Management Plan or any portion thereof (including translation costs of the plans into English) are herein referred to as "Plan Development Costs".

3.1.1 CPAF Funding. The CPAF can fund up to 50% of Plan Development Costs for a Management Plan intended to be submitted in support of a Grant Proposal to finance Covered Costs of a PPA. The Agency or the Ministry must fund, or cause a third party to fund, the balance of the costs.

3.1.2 General. CPAF grants to fund Plan Development Costs shall be made pursuant to an MP Development Costs Grant Agreement (as defined in Section 3.3) approved and signed by

the Head of the Agency and the Executive Director or by persons acting with appropriate authority on their behalf, following approval by the Board of the related proposal described in Section 3.2.

3.2. MP Development Costs Grant Proposals. In order to be considered by the CPAF for possible funding, a proposal for a grant to fund Plan Development Costs (an "MP Development Costs Grant Proposal") must meet the following requirements:

(a) It must be submitted by the Agency, and endorsed by the Director of the PPA concerned and the Ministry, in substantially the form of the MP Development Costs Grant Proposal form issued by the CPAF from time to time;

(b) The consultant shall be chosen from a list of consultants approved in advance by the Ministry and the CPAF, and a terms of reference in an agreed form shall have been provided to the consultant; and

(c) The terms of reference shall have been sent to at least three possible consultants from the agreed list, and the respective offers shall be included along with the MP Development Costs Grant Proposal.

3.3. MP Development Costs Grant Agreements. The grant agreements for Management Plan development costs ("MP Development Costs Grant Agreement") will be in form and substance satisfactory to the CPAF and will specify, *inter alia*,

(a) The overall agreed budget and the percentage of the Plan Development Costs to be borne by the Agency or the Ministry (and/or by other non-CPAF sources) and the CPAF (in amounts consistent with Section 3.1 above)); and

(b) The consultant to be engaged.

§ 4. Estimates and Allocation of Available Resources

4.1 CPAF Estimates of Available Funds. By a date not later than October 31 of each year beginning in 2008, the CPAF will notify each Core Country of its good faith estimate of the total amount expected to be available for grants in the calendar year beginning fourteen months later, so that grant proposals can be timely prepared for submission. Such notification shall include, separately, funds available for grants from any donations that are earmarked for use in a specific country. By May 31 in the year following each such notification, the CPAF shall notify the Agency of its final estimate of funds that will be available for grants to be extended by CPAF, and will endeavor to inform the Agency prior to May 31 if it has reason to believe its estimates have changed significantly.

4.2 Nature of Estimates. The amounts estimated pursuant to the Section 4.1 are good faith estimates, and the CPAF will have no responsibility or liability if in fact its funds available for grants turn out to be less than estimated amounts.

4.3 Allocation in Event of Insufficient Funds. If the CPAF does not have sufficient financial resources to support all of the PPAs for which qualifying grant proposals are submitted in a

particular year, the Board will choose which PPAs to support based on the grant allocation criteria specified in Annex F.

§ 5. Support of CPAF Mission

The Ministry acknowledges the (i) importance of the mission of the CPAF in Georgia and the contribution it will make to nature conservation and sustainable development for the benefit of Georgia and its people in perpetuity, and (ii) that the CPAF will be seeking to secure new funding from private donors and partners as well as from bi-lateral governmental and multi-lateral donors and partners. If needed, the Ministry may provide letters of support to the CPAF in its process of seeking to secure such new funding.

§ 6. Miscellaneous

6.1 Jurisdiction; Language. This Agreement and the Grant Agreements to be entered into pursuant hereto shall be governed by German law, without regard to German conflicts of laws They shall be entered into in the English and Georgian languages. In the case of discrepancies between the English and the Georgian version, the English version shall prevail. The state court (Landgericht) in Frankfurt am Main will have exclusive jurisdiction over all disputes arising under this Agreement.

6.2 Notices. All notices and communications hereunder shall be in written form and sent to the CPAF at:

Caucasus Protected Areas Fund
c/o Dr. H. Gärtner/Steuerberater
Attention: Executive Director
Tulpenhofstr. 18
63067 Offenbach
Germany

And to the Ministry at:

Ministry of Environment Protection and Natural Resources of Georgia
Attention: Minister
6, Gulua Street
0114 Tbilisi, Georgia

And to the Agency at:

Agency of Protected Areas of Georgia
Attention: Head
6, Gulua Street
0114 Tbilisi, Georgia

6.3. Partial Invalidity; Severability Clause. If one or more provisions of this Agreement shall be or become invalid, the validity of the other provisions of this Agreement shall not be affected. In such case, the invalid provision shall be deemed to have been replaced by such

valid provision or provisions that reflect as closely as possible the intention of the parties as regards the invalid provision.

6.4. Amendments. Any amendments to this Agreement (including amendments to this clause) shall be valid only if made in writing by the parties hereto, unless applicable law requires otherwise.

6.5. Entire Agreement. This Agreement comprises the entire agreement between the parties concerning its subject matter and shall supersede all prior agreements, oral and written declarations of intent and other legal arrangements (whether binding or non-binding) made by the parties in respect thereof.

6.6. Force Majeure. If either party is rendered unable, wholly or in part, by force majeure, to perform its obligations under this Agreement, the performance of such obligations by such party, so far as they are affected by force majeure, shall be excused from the inception of any such inability until it is corrected, but for no longer period. The party claiming an inability to perform shall immediately after the occurrence of the force majeure, notify the other party verbally of the nature, date of inception, and expected duration of the force majeure, and the extent to which it will prevent the party giving such notice from performing its obligations under this Agreement. The party giving notice shall confirm such notification in writing as soon as practicable. The party claiming inability to perform shall promptly correct such inability to the extent it may be corrected through the exercise of reasonable diligence. The term "force majeure" shall mean any act, event, cause, or occurrence rendering a party unable to perform its obligations which is not within the reasonable control of such party, excluding any act, event, cause, or occurrence caused by a party's own financial condition or negligence.

6.7. Entry into Force. This Agreement shall enter into force upon its signing by the parties.

IN WITNESS WHEREOF, the parties have hereunto signed their names.

MINISTRY OF ENVIRONMENT PROTECTION AND NATURAL RESOURCES OF GEORGIA

By _____
Minister

Giorgi Khachidze

AGENCY OF PROTECTED AREAS OF GEORGIA

By _____
Head

Giorgi Shonvadze

CAUCASUS PROTECTED AREAS FUND

By _____
Executive Director

David Morrison

Annex A

"Covered Costs" means the recurrent costs of activities within PPAs to ensure that natural habitats remain intact and wildlife populations remain stable, and to ensure that the purposes of a particular PPA category are fulfilled. By way of example, Covered Costs include:

a) Staff salaries and training costs
b) Fuel costs for patrolling and monitoring on a regular basis
c) Purchase and replacement of necessary equipment and supplies, and including vehicles for patrolling and monitoring
d) Office running costs
e) The costs of maintaining existing infrastructure and equipment
f) Research relating to PA management activities
g) Costs for public information dissemination and awareness-raising.

By way of example, Covered Costs do not include: acquisition of ownership of or leasehold interest in lands; construction of new facilities or complete restoration of old facilities. Facility leases are Covered Costs.

Covered Costs must also be appropriate to the type of protected area: for example, the cost of maintaining visitor infrastructure is a Covered Cost for a national park but not for a strict nature reserve.

"PPA", or **Priority Protected Area**, means those protected areas in the Core Countries:

a) that are part of a wider Priority Conservation Area as defined in the document entitled "An Ecoregional Conservation Plan for the Caucasus", dated May 2006, as such document may be amended and updated from time to time (The "Caucasus Ecoregional Conservation Plan");

b) the activities within which are integrated into the overall land use patterns of the Priority Conservation Area;

c) that are legally protected in perpetuity primarily for the purpose of conserving biodiversity (whether as a national park, nature reserve, strict nature reserve or sanctuary); and

d) that the CPAF Board believes are priority protected areas for the CPAF based on the biological priorities established in the Caucasus Ecoregional Conservation Plan.

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Annex B

Initial Standards for Operational Plans

1. Content requirements for the operational plan or equivalent document(s)

1.1. Scope and content of the operational plan

The operational plan or equivalent document(s) sets out:

a. the activities which the PPA administration plans to carry out in year covered by the plan in relation to key management tasks such as: patrolling; bio-diversity; monitoring; land management; mapping; tourist and recreation; public awareness, community outreach and similar programs; plant; equipment and premises; human resources; financial administration; functional organization.

b. the physical resources which will be employed to carry out the scheduled activities;

1.2. Logical relationship of the operational plan to the management plan

If there is an effective management plan for the PPA, the activities specified in 1.1 herein must be in implementation of the management plan, and there must be a clear logical relationship between the activities scheduled in the operational plan or equivalent document(s) and the objectives and strategic actions (management actions) in the management plan.

Annex C

Initial Requirements for Budgets

1. Base Year/Budget Year (Budget Year is defined in Annex E)

1.1 The PPA revenue budget must distinguish between government budget funding and CPAF and other revenue sources.

1.2 The PPA expenditure budget must distinguish between capital expenditures and operating costs, and provide a reasonable level of detail on salary and other operating costs (fuel, maintenance, utilities, training, educational programs, etc.). As to capital expenditures, it should show those which qualify as Covered Costs and those which do not qualify as Covered Costs

1.3 If the Base Year budget is for an Existing Protected Area, and for all Budget Years, the budget should include an explanation of key variances compared to the current year budget.

1.4 If the budget foresees earmarking of CPAF funds to specific Covered Cost items, the budget must show the portion (if any) of such items covered by non-CPAF funds, and the portion covered by CPAF funding.

1.5 For all Budget Years, and for the Base Year in any renewal grant, the expenditure budget should also include as a Covered Cost an appropriate provision to be agreed with the CPAF for:

a) an audit by an independent auditor appointed by the CPAF; and

b) a technical review by independent experts appointed by the CPAF (to be completed and delivered to the CPAF no later than May 31 of such year. The scope of the review shall be determined by the CPAF, and may cover the effectiveness of management, the achievement of the Management Plan and Operational Plan conservation, operational and other goals, and the overall implementation of the Operational Plan or the Management Plan.

1.6 The cost of such audit and technical review shall be earmarked as a cost to be fully covered by CPAF funds. Notwithstanding the foregoing, the CPAF can, in its discretion, waive the requirement to budget for and carry out an annual technical review, provided that such a review shall in all events be budgeted and carried out at least once in every three year grant cycle.

2. Subsequent Years.

2.1 As to revenues, the estimated budget must show projected CPAF, government and other revenues. Projected government funding of Covered Costs that are operating

costs must be at least equivalent, on an inflation adjusted basis, to that provided for in the Base Year.

2.2 As to expenditures, the estimated budget should distinguish between operating and capital expenses but need not provide a detailed breakdown of expenses. It should, however, estimate all Covered Costs, including Covered Costs that are part of the capital budget.

2.3 It should also account on an estimated basis for foreseeable increases or decreases in expenditures (if any) resulting from items such as (x) estimated inflation and (y) developments at the PPA contemplated in the management plan (such as completion of new facilities and related staff or maintenance cost increases). Such estimated budget should contain an explanation of the inflation assumption and any other key variances compared to the Base Year or the prior year.

Annex D

Initial Requirements for Management and Operational Plans (or equivalent documents) for the Purpose of CPAF Grants

1.Management planning process requirements

1.1 Participation

1.1.1 The management plan's Vision, Objectives and Strategic Actions (management actions) were developed in a participatory process which engaged local communities and other people who use the natural resources of the PPA and its support zone (where applicable).

1.1.2 The Vision, Objectives and Strategic Actions (management actions) were adopted, as far as was reasonably practical, by consensus among those who participated in their development.

1.2 Consultation

1.2.1 Adequate opportunity was given to all those in the country with an interest in the management of the PPA area to comment on a draft of the management plan before the management plan was formally approved. Adequate opportunity means that the responsible body made a reasonable attempt to make people aware that the draft management plan was available and to encourage people to comment, and that a reasonable amount of time was given to people to submit their comments.

1.2.2 During finalization of the management plan and before formal approval, due consideration was given to all written comments on the draft management plan.

2 Management plan content requirements

2.1 Currency

The management plan continues to be current and sufficient to guide PPA management in all material respects.

2.2 Territorial scope

If the PPA has a support zone (buffer zone), the management plan addresses, within the limits of the PPA administration's powers and responsibilities, management of the support zone as well as management of the PPA.

2.3 Description

The management plan includes an account of the features of the area (biodiversity, cultural, historical and socioeconomic) and the regional and international importance of the values which it will protect, how it is used, and its legal and management framework. As a minimum the description includes the information listed in Annex 2.9 below.

2.4 Vision

The management plan includes a Vision which describes the desired state or condition of the PPA (and its support zone if there is one) between 20 and 50 years into the future. The vision is detailed enough to provide a sound basis for developing objectives and strategic actions and concise enough that it can be easily grasped and understood by everyone who has an interest in the future of the PPA.

2.5 Zoning plan

2.5.1 If national law so requires, and in the case of any national park or other protected area designation equivalent to IUCN category II or below, the management plan includes a zoning plan.

2.5.2 The zoning plan establishes as a minimum such zones as are required by national law and includes a strict protection zone in which human activity is limited to scientific research.

2.5.3 The zoning plan identifies those parts of the PPA in which traditional use of the PPA's resources will continue to be allowed subject to certain policies implemented through strategic actions (management actions) described in the zoning plan or elsewhere in the management plan.

2.5.4 The selection of zones and their boundaries ensures to the extent practical the protection of the area's ecological integrity while allowing for compatible human activities.

2.5.5 If the management plan is not the first for the PPA which is the subject of the grant application, the plan includes a summary evaluation of the effectiveness of the zoning plan contained in the previous management plan and demonstrates that due consideration has been given to the results of that evaluation.

2.6 Objectives and Strategic Actions

2.6.1 The management plan sets out the objectives which the PPA administration will aim at during the life of the plan and the strategic actions (management actions) by which the administration plans to achieve those objectives.

2.6.2 The objectives should address the following as a minimum:

a) development of the administration
b) conservation of biodiversity in the PPA
c) development of sustainable livelihoods in the support zone (where applicable)
d) visitor management (where applicable)

2.6.3 The objectives and strategic actions (management actions) are based on a description of the system of causes and effects that determine the future state of the PPA. The description of the system of causes and effects makes best possible use of the information available to the planning team at the time the management plan was prepared including the knowledge of local people.

2.6.4 If the management plan is not the first for the PPA which is the subject of the grant application, it includes a summary evaluation of the objectives and strategic actions contained in the previous management plan and demonstrates that due consideration has been given to the results of that evaluation.

2.7 Monitoring plan

2.7.1 The management plan includes a monitoring plan which:

a) lists and explains the rationale for selecting the indicators which will be used as the basis for determining success or failure in achieving the objectives of the management plan and the reasons for failure;
b) describes the sources of information which will be used for monitoring;
c) defines responsibilities for collecting and collating information.

2.8 Review cycle

2.8.1 The management plan states the period of validity of the plan, the date by when it should be reviewed and revised and the body responsible for arranging for review and revision.

2.9 Information to be included in the management plan description

The management plan should include all elements required by Georgian law. To the extent not included in the requirements of Georgian law, the management plan shall also contain the following information.

Corporate information

a) Location
b) Area
c) IUCN PA category
d) Legal status
e) Institutional structure
f) Administrative structure

Physical-geographic Information

a) Climate
b) Hydrology
c) Geology

Biological information

a) Landscape and habitats
b) Flora
c) Fauna

Social and cultural Information

a) Settlement and population
b) Current land use (traditional use, grazing)
c) Legal ownership, occupancy, tenure, access, other conditions and restrictions
d) Economical activities

Historical overview

a) Archaeology
b) Historical sites

Annex E

Provisions Expected in Grant Agreements

1. Reporting. Detailed written reports to be provided to the CPAF, in each case certified to the CPAF by the PPA director and the Agency Head, on PPA operations, including:

1.1 By a date to be agreed prior to the end of each year beginning with the Base Year:

(a) a new Operational Plan and Budget for the coming year (the "Budget Year"), meeting the requirements of Section 2.4 of the Framework Agreement and in the form contained in the original Operational Plan and Budget for the Base Year (except that the Budget need only cover the Budget Year and the year following the Budget Year); and

(b) for the Budget, an explanation of any significant variances in a year for which a Budget is presented in comparison to the Budget of the previous year.

(c) a progress report on achievement of operational, conservation and other goals contained in the management plan and current year's Operational Plan.

1.2 Within five months of the end of each year in the grant period, an annual statement of revenues and expenses for such year, in the form contained in the approved Budget and audited as provided below, and containing an explanation of any significant variations from the approved Budget

2. Disbursement Timing. Unless otherwise agreed, grants will be disbursed in tranches, over a period of up to three years, generally twice in equal semi-annual tranches on dates to be agreed.

3. Disbursement Conditions. Unless otherwise agreed, grant disbursement conditions will include, inter alia, conditions based on the following principles:

3.1 First Payment. The CPAF shall have received:

(a) the required reports under 1.1 above;

(b) if there is an official document or schedule of the Agency for Protected Areas other than the approved Budget which sets forth the budget for the PPA for the coming year, a copy of such schedule or document (which shall conform to the approved Budget);

(c) the calendar for any funding from other non-CPAF sources (other than regular payments of by the Agency of PPA expenses) for the Base/Budget Year;

(d) confirmation by the Agency that: (x) the Agency made total payments in the previous year to or on behalf of the PPA for expenditures at least equal to the amount provided for in the approved Budget for such year; (y) any other non-CPAF sources have funded all amounts scheduled to be funded by them in the Budget for the current and previous year; and (z) all funds provided by the CPAF in respect of the previous year have been expended; and

(e) a favorable opinion, on the basis of the information and reports delivered pursuant to this clause 3.1 and any other matters they deem relevant, by the CPAF's Executive Director or individuals appointed by him, on the effective use of CPAF funds.

3.2 Second Payment. The CPAF shall have received:

(a) the statement of revenues and expenses of the PPA covering the prior year contemplated by clause 1.2 above audited by auditors appointed by the CPAF as provided below and including an audit opinion satisfactory to the CPAF;

(b) confirmation by the Agency: (x) of the total payments made year to date to or on behalf of the PPA by the Agency and the CPAF as of a recent date (e.g., May 31 of such year); and (y) that any other non-CPAF sources have funded all amounts scheduled to be funded by them in the Base/Budget year prior to June 30;

(c) a favorable opinion on the basis of the information and reports delivered pursuant to this clause 3.2 and any other matters they deem relevant, by the CPAF's Executive Director or individuals appointed by him, on the effective use of CPAF funds.

4. Payment Mechanics. There shall be detailed provisions on whether CPAF payments are made to a separate account of the Ministry to be used exclusively for receiving and disbursing grants from the CPAF, directly to the individual PPA (but only if PPAs have separate accounts), or otherwise.

5. Access. The PPA and the Agency shall afford reasonable access to CPAF representatives (including third parties retained by the CPAF) to: (i) all relevant financial records of the Agency and the PPA in order to permit the CPAF to properly audit the annual statement of revenues and expenses of the PPA, and (ii) technical, scientific and operational records of the PPA in order to evaluate the effective use of funds.

6. Cooperation. The PPA, Agency and the Ministry shall cooperate with: (i) auditors appointed by the CPAF to audit the statement of revenues and expenses of the PPA at least annually so that the CPAF receives audited financial statements of the PPA within 5 months of the end of each year; and (ii) any technical advisers that the CPAF may designate from time to time to evaluate the effectiveness of management, the achievement of the Management Plan and Operational Plan conservation, or operational or other goals, or overall implementation of the Operational Plan or the Management Plan. The audit of the financial statements shall cover all PPA revenues and expenditures, including those not financed with CPAF funds.

The fees and costs of such auditors and technical advisors shall be paid from grant funds supplied by the CPAF and earmarked for such purpose.

7. Grant Termination. The CPAF shall have the right to terminate the Grant Agreement on not less than 1 year notice at any time if it determines in its discretion either that: (i) it is unable to attract funds from donors or otherwise no longer has the means to continue funding the Grant as originally contemplated; (ii) it determines that the Ministry is not pursuing, either in the PPA covered by the Grant Agreement, or in PPAs in Georgia generally, conservation objectives that are consonant with the Caucasus Eco-Regional Plan.

8. Procurement. There shall be provisions requiring procurement for all items included within Covered Costs for the PPA in accordance with procedures that are consistent with Georgian law and any additional standards reasonably required by the CPAF. There shall also be provisions on the Ministry's commitment to duly seek and/or promote with the other relevant state authorities available tax exemptions in relation to the projects covered by the grant from domestic VAT and (for imports of goods or services from outside Georgia) customs duties under Georgian law.

9. Return of Unused/Misused Funds. The PPA or the Agency shall promptly return to the CPAF any grant funds that are unspent at the end of the grant period. The equivalent amount of any funds that have been misused or otherwise used for purposes not contemplated by the management plan shall be promptly refunded by the PPA or the Agency to the CPAF promptly upon the determination of such misuse or such use for other purposes.

10. Future Ineligibility. If grant funds are misused or otherwise used for purposed not contemplated in the Grant Agreement, a PPA shall be ineligible for further grants of PPA for a period to be determined by the Board.

Annex F

Currently Effective Grant Allocation Criteria

Irreplaceability - PPAs that contain globally threatened and restricted-range species. The most irreplaceable PPAs are those that contain the single most viable population and/or greatest genetic diversity of a target species (i.e., a species classified by IUCN's Red Book);

Representativity - PPAs that serve to ensure there is representation of the full spectrum of endemic species and habitats across the protected areas system of the ecoregion;

Urgency - PPAs that represent an immediate conservation opportunity and/or are experiencing severe threats to endemic and/or threatened species and their habitats;

Feasibility - PPAs that exist within a supportive local and regional context, i.e. that can demonstrate local community support; and

Regional importance - PPAs that promote and enhance overall implementation and effectiveness of the Ecoregional Conservation Plan.