

Framework Agreement

between the Caucasus Nature Fund and the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan

This Framework Agreement (the "Agreement") is between the Caucasus Nature Fund ("CNF"), a foundation established under the laws of Hessen, Germany and the Republic of Azerbaijan, represented by the Ministry of Ecology and Natural Resources (the "Ministry").

WHEREAS, one of the primary purposes of CNF is to make grants to support Covered Costs of Priority Protected Areas, each as defined in Annex A hereto, in Azerbaijan;

WHEREAS, CNF 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 on which CNF can fulfill its purpose in Azerbaijan.

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 have the meanings set forth in Annex A.

§ 2. Grants to Support Covered Costs of PPAs.

Grants to fund Covered Costs of a PPA shall be made pursuant to Grant Agreements approved and signed by the Minister and Executive Director of CNF (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 CNF (the "Board") of a grant proposal submitted by the Ministry and the PPA in accordance with Section 2.2 below.

This Framework Agreement shall not obligate CNF to make, nor the Ministry to apply for, any grant. Obligations of CNF to make grants and of the Ministry in relation to grants shall arise only pursuant to Grant Agreements.

2.1. Grant Duration; Co-Funding Requirements. 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.

Grants to fund Covered Costs are subject to the following co-funding requirements being satisfied. The Ministry must (either directly or through non-CNF sources):

(i) fund an amount of Covered Costs at least equal to the amount proposed to be funded by CNF,

(ii) for PPAs that have operated as protected areas for at least one full year prior to the year for which a CNF grant is being requested ("Existing Protected Areas"), maintain (on an inflation adjusted basis) the total annual funding from the Ministry of the PPA's Covered Costs that constitute operating costs at or above the highest of the funding levels of the current year and the two previous years, and

(iii) fund in their entirety the costs specified in the budget for the PPA other than Covered Costs.

2.2. Grant Proposals.

(i) Basic Proposal Requirements. The Grant Proposal for any grant covering a portion of the Covered Costs of a PPA 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 Ministry (and/or other funding sources) and CNF consistent with the principles of Section 2.1 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 PPA and the Ministry to prepare a Management Plan for submission with a renewal grant.

(ii) 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 the Board will use for evaluating Operational Plans, Budgets and Management Plans are set forth in Annexes B, C and D hereto, respectively, and are subject to change by mutual consent.

(iii) Form and Timing. In order to be considered by CNF for possible funding, a proposal for a grant to fund PPA Covered Costs must be submitted by the Ministry on behalf of the PPA concerned in substantially the form for that purpose issued by CNF from time to time. The grant proposal will include elements to be reviewed with and approved by the Ministry such as a Budget and Operational Plan and, following agreement, should be submitted by the Ministry no less than [three] months prior to the date by which the Ministry seeks to have the grant approved by the Board.

With the approval of the Ministry, CNF will review and approve the levels of funding in a Budget and all other elements of the Grant Proposal. If it believes that changes are necessary, CNF will seek to agree such changes with the Ministry. In assessing whether a Grant Proposal meets the requirement of this Section 2.2, CNF 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.

2.3. Grant Agreements. Grant agreements to fund PPA Covered Costs shall include, inter alia, provisions covering reports to CNF, disbursement timing, disbursement conditions, payment mechanics, access, cooperation and other matters as shall be agreed. In connection with the initial grant, CNF and the Ministry shall seek to agree a form of grant agreement that can serve as a model for subsequent agreements. CNF 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 CNF'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 PPA 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".

CNF 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 Ministry must fund, or cause a third party to fund, the balance of the costs.

CNF grants to fund Plan Development Costs shall be made pursuant to Grant Agreements approved and signed by the Executive Director following approval by the Board of the grant proposal submitted by the Ministry on behalf of the PPA and as described in Section 3.2 below.

3.2. Grant Proposals. In order to be considered by CNF for possible funding, the grant proposal must meet the following requirements:

(i) It must be submitted by the Ministry on behalf of the PPA concerned in substantially the form of the Plan Development Costs Grant Proposal Form issued by CNF from time to time;

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

(iii) The terms of reference shall have been sent to at least three possible service providers from the agreed list, and the respective offers shall be included along with the grant proposal.

3.3. Grant Agreements. The grant agreement will be in form and substance satisfactory to CNF and the Ministry and will specify, inter alia,

(i) The overall agreed budget and the percentage of the Plan Development Costs to be borne by the Ministry (and/or by other non-CNF sources) and CNF (with non-CNF sources providing at least 50%); and

(ii) The service provider to be engaged.

§ 4. Allocation of Limited Resources

By a date not later than June 30 of each year beginning after the date of signing this Agreement, CNF will notify the Azerbaijan side of its good faith estimate of the total amount expected to be available for grants in the calendar year beginning six months later. The Ministry will be informed separately of funds available for grants from any donations that are earmarked for use in Azerbaijan. By November 1 of each year, CNF shall notify the Ministry if it has reason to believe its estimates have changed.

In light of its available resources, CNF focuses on a limited number of projects and will seek to agree with the Ministry the projects to be funded and proposals to be submitted on the basis of the criteria set forth in CNF's by-laws which are included in Annex F.

§ 5. Miscellaneous

Supplements and modifications shall be made to this Agreement by mutual consent of the Ministry and CPAF. Such supplements and modifications shall be an integral part of this Agreement and be executed as separate protocols.

Any dispute arising from interpretation and the performance and of this Agreement shall be settled by consultations and correspondence between the Ministry and CNF.

The present Agreement shall enter into force after CNF receive written notification through diplomatic channels by which Azerbaijani side notify about fulfillment of all important procedures, and shall remain in force for an initial term of ten years thereafter.

The validity of the present Agreement shall be prolonged for further five year periods unless the Ministry and CNF notify each other through diplomatic channels, with at least 6 months before the end of this period, about the intention to terminate it.

This Agreement signed in Baku on 05 March 2019 in the Azerbaijani and English languages in two original copies.

All notices and communications hereunder shall be in written form and sent to CNF at:

c/o Nature Trust Alliance GbR
Friedrich-Ebert-Anlage 36
60325 Frankfurt am Main
Germany

And to the Ministry at:

100A Bahram Aghayev Street,
AZ1073, Baku, Azerbaijan

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

CAUCASUS PROTECTED AREAS FUND

By 
Executive Director

MINISTRY OF ECOLOGY AND NATURAL RESOURCES OF AZERBAIJAN

By 
Deputy Minister

Annex A

“Base Year” has the meaning specified in Section 2.2 (i)(a)

“CNF” shall mean the Caucasus Nature Fund.

“**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 PA category are fulfilled. By way of example, Covered Costs include:

- Staff salaries and training costs
- Fuel costs for patrolling and monitoring on a regular basis
- Purchase and replacement of necessary equipment and supplies, and including vehicles for patrolling and monitoring
- Office running costs
- The costs of maintaining existing infrastructure and equipment
- Research relating to PA management activities
- 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.

“Ecoregional Plan” shall mean the document entitled “An Ecoregional Conservation Plan for the Caucasus”, 2012 revision, as such document may be amended and updated from time to time

“Ministry” shall mean the Ministry of Ecology and Natural Resources of Azerbaijan

“Operational Plan” shall have the meaning specified in Section 2.2 (i)(a)

“**PPA**”, or **Priority Protected Area**, means those protected areas in Azerbaijan defined as such in the :

- that are part of a wider Priority Conservation Area as defined in the Ecoregional Plan;
- the activities within which are integrated into the overall land use patterns of the Priority Conservation Area;
- 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

- that CNF board of directors believes are priority protected areas for CNF based on the biological priorities established in the Ecoregional Plan .

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:

- the activities which the PPA administration plans to carry out in the 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; physical and operational plant; equipment and premises; human resources; financial administration; functional organization.
- 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 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)

The revenue budget must distinguish between government budget funding and CNF and other revenue sources.

The 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

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.

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

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 CNF for:

(i) an audit by an independent auditor appointed by CNF and approved by the Azerbaijan side; and

(ii) a technical review by independent experts appointed by CNF and approved by the Azerbaijan side (to be completed and delivered to CNF no later than May 31 of such year. The scope of the review shall be determined by CNF, 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.

The cost of such audit and technical review may be earmarked as a cost to be fully covered by CNF funds. Notwithstanding the foregoing, CNF 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.

As to revenues, the estimated budget must show projected CNF, 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.

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.

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

Requirements for Management and Operational Plans (or equivalent documents) for the Purpose of CNF 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 1.

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 legislation of the Republic of Azerbaijan 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 legislation of the Republic of Azerbaijan 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:

- development of the administration
- conservation of biodiversity in the PPA
- development of sustainable livelihoods in the support zone (where applicable)
- 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:

- 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;
- describes the sources of information which will be used for monitoring;
- 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.

Annex 1: Information to be included in the management plan description

Corporate information

- Location
- Area
- IUCN PA category
- Legal status
- Institutional structure
- Administrative structure

Physical-geographic Information

- Climate
- Hydrology
- Geology

Biological information

- Landscape and habitats
- Flora
- Fauna

Social and cultural Information

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

Historical overview

- Archaeology
- Historical sites

Annex E

Provisions Expected in Grant Agreements

1. Reporting. Detailed written reports on PPA operations to be provided to CNF, certified to CNF by the PPA director, in the case of the Operational Plan and reports thereon, and by the Ministry and the PPA director, in the case of the Budgets and reports thereon, including:

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

(a) new Operational Plan and Budget for the coming year (the "Budget Year"), meeting the requirements of Section 2.2 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.

(ii) 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 budget for such year and audited as provided below, and containing an explanation of any significant variations from the 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. In addition to the budget information consistent with Sections 2 and 3 of the Framework Agreement, the Grant Agreement will detail the aim of the grant and any conditions of the donor other than those outlined below. Unless otherwise agreed, grant disbursement conditions will include, inter alia, conditions based on the following principles:

(i) **First Payment.** CNF shall have received: (a) the required reports under (1) (i) above;

(b) the official budget for the PPA conforming to that in the approved Budget;

(c) the calendar for Ministry funding for the Base/Budget Year;

(d) the calendar for any funding from other non-CNF sources for the Base/Budget Year;

(e) confirmation by the Ministry that (x) the Ministry and any other non-CNF sources have funded all amounts scheduled to be funded by them in the Budget for the Base/Budget and previous year, and (y) all funds provided by CNF in respect of the previous year have been expended; and

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

(ii) Second Payment. CNF shall have received:

(a) the statement of revenues and expenses of the PPA covering the prior year contemplated by 1(ii) above audited by auditors appointed by CNF as provided below and including an audit opinion satisfactory to CNF;

(b) confirmation that the Ministry and any other non-CNF sources have funded all amounts scheduled to be funded by them in the Base/Budget year prior to June 30 and

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

4. The subject of grant. The subject grant is the establishment of the modern infrastructure in the Specially Protected Natural Areas of the Republic of Azerbaijan.

5. Payment Mechanics. [Including whether CNF payments are made directly to the individual PPA (which is possible in cases where the PPA has independent legal status) or whether payments will be made to a separate account of the Ministry to be used exclusively for receiving and disbursing grants from CNF, and be governed by detailed rules to be agreed in the Grant Agreement.] [To be completed following meetings with Ministry]

6. Access. The PPA and the Ministry shall afford reasonable access to CNF representatives (including third parties retained by CNF) to: (i) all relevant financial records of the Ministry and the PPA in order to permit CNF 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.

7. Cooperation. The PPA and Ministry shall cooperate with: (i) auditors appointed by CNF to audit the accounts of the PPA at least annually so that CNF receives audited financial statements of the PPA within 5 months of the end of each year; and (ii) any technical advisers that CNF 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.

Unless otherwise agreed, the fees and costs of such auditors and technical advisors shall be paid from grant funds supplied by CNF and earmarked for such purpose.

8. Return of Unused/Misused Funds. The PPA or the Ministry shall promptly return to CNF 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 refunded by the PPA or the Ministry to CNF upon the determination of such misuse or such use for other purposes.

9. Future Ineligibility. If grant funds are misused or otherwise used for purposes not contemplated in the management 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.