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## The Caucasus Protected Areas Fund

The World Wide Fund for Nature (WWF), Conservation International, and the German Ministry of Economic Development and Cooperation (BMZ) through the German International Development Bank (KfW), are currently collaborating to establish a Trust Fund which will **provide long-term financial sustainability for priority protected areas in Georgia, Azerbaijan and Armenia**. More than 100 scientific experts and protected area managers from the Caucasus countries, together with international scientific experts, have collaborated over a 2-year period to identify the most biologically important conservation areas in the Caucasus “eco-region”. Additionally they have calculated the basic operating costs for each of the highest priority protected areas.



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**The Caucasus ecoregion has the greatest biological diversity of any temperate forest region in the world, and contains large areas of primary “old growth” forests.** Due to the severe economic and political crises in the Caucasus region during the 15 years since the disintegration of the former Soviet Union, the amount of government budgetary support for managing protected areas has declined by around 90% compared to Soviet times. In order to prevent this threatened and irreplaceable biodiversity from being lost due to lack of money to protect and conserve it, the **Caucasus Protected Areas Fund is being created. It will provide up to 50% of the basic annual operating costs of the**

**protected areas which have been identified as having the highest biodiversity,** on condition that the three countries’ governments will provide the other 50% of these annual operating costs.

**The estimated total annual cost** of providing such support is surprisingly small--- **1.7 million Euro per year for 77 of the highest priority protected areas in the three countries.**<sup>1</sup> It is vitally important, however, to provide this support in the form of long-term sustainable funding, in contrast to most international donor-funded conservation projects that only last for a few years, after which there may be no more money to pay salaries, to maintain basic physical infrastructure, or to carry out essential management functions such as patrolling against illegal activities in the parks, or scientifically monitoring (and responding to) changes in wildlife populations.

Financial investments in protected areas also have **direct impacts on local employment and regional development** (including development of a tourism industry) in remote and impoverished areas.

In order to provide this basic but critical funding of 1.7 million Euro/year over a period of at least the next 15 years, it is estimated that the Caucasus Protected Areas Fund will need to raise **a core endowment of around 44 million Euro from international donors**<sup>2</sup>. This endowment will be invested by a competitively selected international asset management firm whose target will be **to earn an average gross rate of return of 5% per annum.**<sup>3</sup>

<sup>1</sup> It is expected that additional protected areas will be established in the three Caucasus countries which will become eligible to be supported by the trust fund, increasing the total annual costs.

<sup>2</sup> This is based on estimating the average gross rate of return, the investment management costs, and an adjustment for the rate of inflation.

<sup>3</sup> This is actually quite conservative when compared to the 8% annual rate of return (over a 10-year period) that was recently found to be the average for the endowments of the 700 largest U.S. charitable organizations (such as private universities, museums, hospitals, and civic organizations).

# The Caucasus Protected Areas Fund

## Structure of the Fund

The Caucasus Protected Areas Fund **will be legally established as a tax-exempt charitable foundation in a Western European country. Its Board of Directors will be composed of international donors and international conservation NGOs.**

Each of **the 3 countries' ministries for environment and nature conservation will annually submit a series of proposals to the Fund** to finance specific costs of particular protected areas that have been identified as having high biological priority in the **20-year Ecoregional Conservation Plan<sup>4</sup>** that was prepared under the guidance of WWF and approved by the Governments of each of the Caucasus countries.

The **“Regional Council for Biodiversity Conservation and Sustainable Use in the Caucasus”**---which has already been operating for several years and is composed of scientists, NGOs and government representatives from all the Caucasus countries---**will review and comment on the scientific and technical aspects** of each funding proposal. This provides an important form of **national stakeholder participation**. The Fund's **Board of Directors will then decide** on whether to fund each proposal, and on what specific terms and conditions.

The Fund will have an “umbrella structure” consisting of **a core endowment for all 3 Caucasus countries**, as well as **national sub-accounts** for contributions from donors that only want to support protected areas in one particular country. In addition, donors whose regulations or policies do not permit them to contribute to endowments could instead have their contributions allocated to **sub-accounts which are treated as “sinking funds”**, i.e. which are completely spent within a fixed period of time. For example, a donor's contributions could be specifically allocated to only pay for the Fund's first 2 years of start-up costs, or for the Fund's 5 years of grants to protected areas. During that time, other donors' contributions could remain invested in order to increase the size of the Fund's endowment and thereby generate more income for the Fund to make grants to protected areas later on.

**The Fund's administrative costs will be kept to a minimum**, so that once the trust fund is fully capitalized at least 90% of the Fund's annual budget can be spent

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<sup>4</sup>The Caucasus Ecoregional Conservation Plan (coordinated by WWF in 2005) and the Caucasus Ecoregional Profile (coordinated by WWF for Conservation International in 2003) represent a comprehensive strategy for actions to conserve and restore the Caucasus' biodiversity at the ecoregional level, national level and site level.

directly on grants to protected areas.<sup>5</sup> **The small staff's main function will be to monitor** the expenditure of grant funds **and evaluate** grantees' performance of the activities that are being funded. **Grants will be disbursed in tranches, conditioned on successful achievement of specific performance indicators** that have been agreed upon in advance. Grantees will be required to provide regular reports and to keep detailed records. The Fund will publish an **annual report** giving the details of its operations, investments and grants, and will be **audited annually by an independent external accounting firm.**

## Next Steps

The Caucasus Protected Areas Fund will be legally established by early 2006, and publicly launched at the **Ministerial Conference on “Nature Protection in the Caucasus”** which will be hosted by Germany's Minister of Economic Development and Cooperation (BMZ) **from March 9 to 11, 2006 in Berlin**, and attended by the Ministers of Environment and Nature Conservation of Armenia, Azerbaijan, Georgia and the other three Caucasus countries.

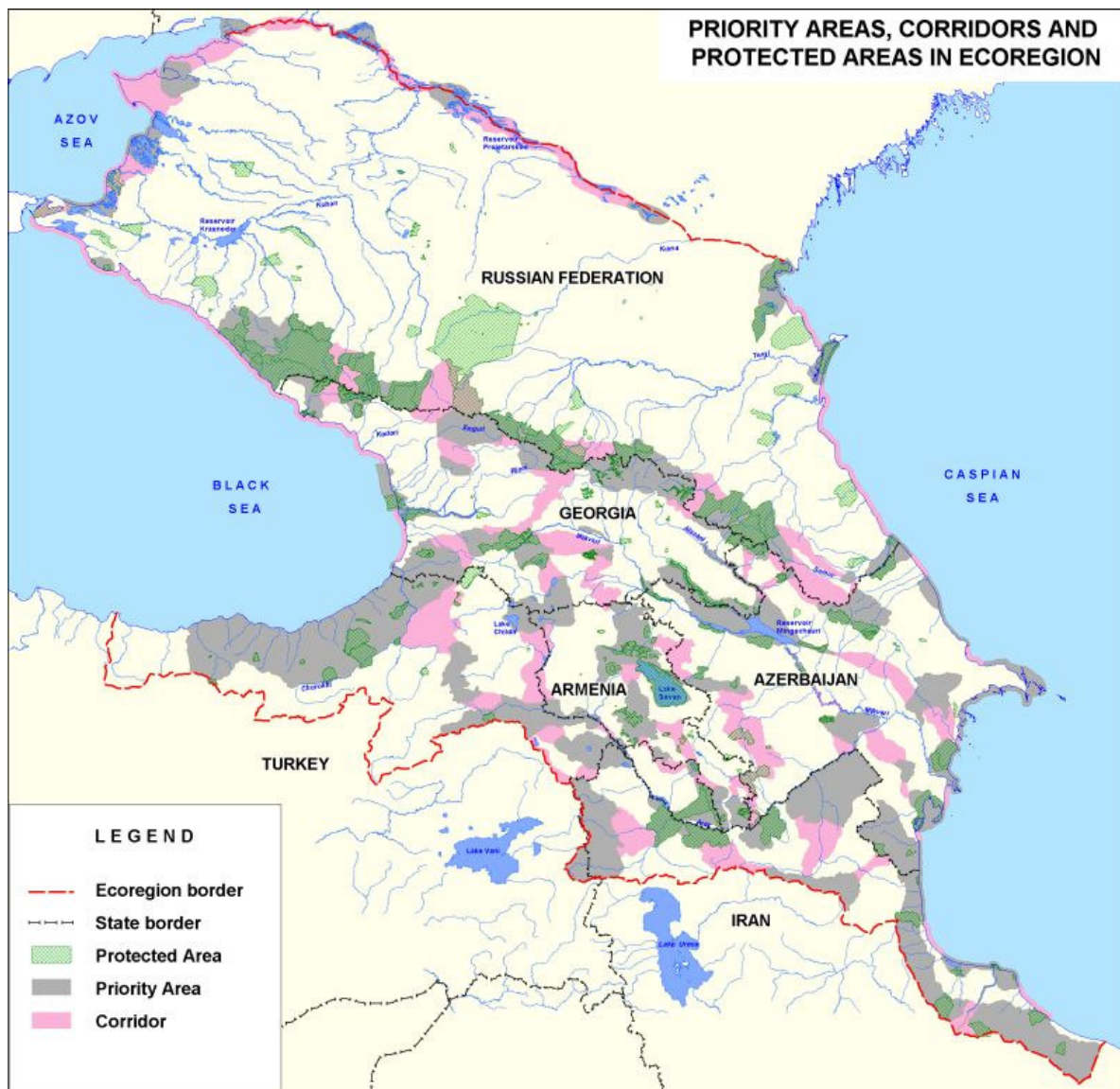
**WWF, Conservational International, KfW, and the governments of Armenia, Azerbaijan and Georgia** – are pleased to **invite international donor agencies to join in contributing to the Fund** and finalizing the Fund's design. Donor agencies contributing to the Fund will be invited to be present at the Ministerial Conference in Berlin in March of 2006, and be publicly recognized for their contributions

*Further discussion of the proposed structure and administration of the Fund can be found in the over 100 pages-long **Caucasus Protected Areas Fund Feasibility Study** that was prepared by WWF-Germany at the request of KfW, and is available on the web at: [http://www.wwf.de/imperia/md/content/pdf/waelder/nutzungneu/Caucasus\\_FeasibilityStudie\\_0305.pdf](http://www.wwf.de/imperia/md/content/pdf/waelder/nutzungneu/Caucasus_FeasibilityStudie_0305.pdf).*

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<sup>5</sup> Start-up costs may result in a higher percentage of the Fund's budget being used for administrative costs during its first 3 years.

## APPENDIX 1: Priority Biodiversity Conservation Areas in the Caucasus



## APPENDIX 2: Rationale for an Eco-regional Approach in the Caucasus

For the following reasons it is necessary to treat Armenia, Azerbaijan and Georgia, (along with small parts of Russia, Turkey and Iran) as a **single biological unit**:

- Many of the **most important protected areas are located along national boundaries**;
- Many endangered species of **wildlife need to cross national boundaries** in order to migrate between summer and winter feeding areas, **and to maintain viable breeding populations and genetic diversity**; and
- Failure to adequately conserve species and natural habitats in any one of the Caucasus countries makes it much more difficult (or even

impossible) to conserve those species in the neighboring countries.

A comprehensive discussion of the scientific reasons for a regional (rather than a country-by-country) approach can be found in the *Caucasus Ecoregional Profile* (July 2003) and the Ecoregional Conservation Plan (2005, in preparation) coordinated by WWF.

An ecoregional approach may also contribute to **peaceful and friendly cooperation** between the Caucasus countries for the purpose of preserving their shared natural environment, and thereby **indirectly contribute to reducing the potential for conflict**. During the past 15 years since the war in Nagorno-Karabakh, **environmental protection has been practically the only field of on-going cross-border cooperation** between Armenia, Azerbaijan and Georgia.

## APPENDIX 3: Biological Importance of the Caucasus Ecoregion

The “Caucasus Eco-region” consists of the isthmus between the Black Sea and Caspian seas, covering a total area of 580,000 km<sup>2</sup>. It includes the entire territory of **Armenia, Azerbaijan and Georgia**, as well as small parts of Russia, Turkey and Iran. The Caucasus Eco-region is classified by Conservation International as **one of the globe’s 25 most diverse and endangered “biodiversity hotspots”**, and is listed by WWF as **one of the “Global 200 [most biologically diverse] Ecoregions”**.

The Caucasus is located at a **biological crossroads**, where species from Central and Northern Europe, Central Asia, the Middle East and North Africa mingle with endemics found nowhere else. Within a relatively small area, the altitude ranges from **Europe’s highest mountains (over 5000 meters) to below sea-level areas along the shores of the Caspian Sea**. As a result of such tremendous variations in altitude, the Caucasus ecoregion **includes 9 of the world’s 11 major climatic zones, from arctic to subtropical**. Precipitation varies from more than 4 meters per year (which is as high as any tropical rainforest) along the Black Sea coast of south-western Georgia and north-eastern Turkey, to less than 200 mm a year in the desert regions of Azerbaijan. The unique geology and terrain, consisting of 3 major mountain chains separated by valleys and plains, permit a variety of different microclimate, soil and vegetative conditions, resulting in a broad range of landscapes and **unusually high levels of species diversity for the Temperate Zone**.

The 2002 IUCN Red List identifies **51 species of globally threatened animals in the Caucasus**, including 11 species of large herbivores, as well as 5 large carnivores.

- Over **400 species of birds** are found in the Caucasus, whose lakes and seas are **important stop-over sites for millions of migrating birds** which fly between northern Europe and Russia and their winter homes.
- **22 of the 77 reptiles** in the Caucasus are **endemic** to the region.
- **14 species of amphibians** are found in the region, of which **4 are endemics**.
- At least **153 mammals** inhabit the Caucasus, including the **leopard, lynx, brown bear, striped hyena, Caucasian tur, and bezoar goat**.
- **One fifth of the mammals** found in the Caucasus are **endemic** to the region.
- More than **200 species of fish** are found in the rivers and seas of the region, more than **a third of which are found nowhere else**.
- More than 6,500 species of vascular **plants** are found in the Caucasus, of which one fourth are found nowhere else on Earth - **the highest level of endemism in any of the world’s temperate zones**.<sup>6</sup>

<sup>6</sup> For further details, see [www.wwf.de/kaukasus](http://www.wwf.de/kaukasus)