



Eco-Corridor Fund for the Caucasus (ECF)

Partnership for living landscapes

Operations Manual

1 June 2016

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Abbreviations

BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
CauPO	WWF Caucasus Programme Office
CBO	Community-based Organisation
CNF	Caucasus Nature Fund
ECF	Eco-Corridor Fund for the Caucasus
FPA	Financial Participatory Approach
GIZ	Gesellschaft für Internationale Zusammenarbeit (German Technical Cooperation)
KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
M&E	Monitoring and evaluation
NGO	Non-Governmental Organisation
PFI	Partner Financial Institution
PM&E	Participatory monitoring and evaluation
WWF	World Wide Fund for Nature

1. Introduction

1.1. Background of Programme

Caucasus is one of the global biodiversity hotspots due to its location between Europe and Asia, diverse landscape and climate, and the historic connection between its peoples and nature. WWF has been working to protect nature in Caucasus for a quarter of a century. In partnership with the governments of the region and international donors it succeeded to strengthen and expand the network of protected areas in Armenia, Georgia and Azerbaijan and to secure conservation of animal species such as Caucasian leopard and Goitered gazelle.

The South Caucasus countries Armenia, Azerbaijan and Georgia presently have a total of 112 legally established protected areas of different categories. This protected area network is interconnected by a variety of eco-corridors stretching across high biodiversity value landscapes that perform important global and local ecological functions (migration routes, genetic material exchange, large-scale habitats, water regime regulation, erosion prevention, agricultural and forest products, tourism and recreation etc.). Unfortunately, these landscapes in the Caucasus are often threatened by unsustainable land and resource use, fragmentation of habitats, as well as in some cases land abandonment, resulting in deterioration of the ecological functions. To achieve global conservation objectives, it is important to maintain good conservation status not only of protected areas but of wider landscapes including ecological corridors.

The ECF provides financial resources for initiating and putting into practice ecological land use patterns in selected eco-corridors in Georgia, Armenia and Azerbaijan. The purpose of the ECF is that these corridors become integral parts of a regional ecological network. This is to contribute to the conservation and sustainable use of biological diversity in Armenia, Azerbaijan and Georgia without reducing the income of the local rural population.

The pilot phase of the ECF is implemented in three pilot ecoregional corridors through the project “Promotion of Eco-corridors in the southern Caucasus” with funds provided by the German Federal Ministry for Economic Cooperation and Development (BMZ Nr. 2012.3656.1) through KfW Development Bank. During the set up phase (2015-2019) WWF is supported by the implementation consultant team (consortium of GOPA Consultants, DFS and HessenForst) contracted by KfW. The ECF is open to other donors, partners and regions.

1.2. Objective and Methodology of the ECF

The purpose of the Eco-Corridor Fund for the Caucasus (ECF) is to enhance the ecological stability of the Caucasus at the level of landscapes by interlinking the protected areas and securing ecologically sustainable land use through contractual nature conservation. The objective of ECF is to contribute to the conservation and sustainable use of biological diversity without reducing the income of the local rural population. The financial resources provided are to help the local rural population (beneficiaries) of selected eco-corridors to manage their land in an ecologically sound way.

To set the conservation objectives and determine the scope of conservation measures to be funded, long-term land/resource use plans (up to 10 years) are developed with the participation of the beneficiaries. “Conservation Agreements” for specific measures are

then concluded with those managing the land according to the prepared land/resource use plans. The conservation measures (grant categories) which are eligible for funding are detailed in a separate menu or catalogue, including technical scope, funding levels and criteria based on corridor conservation objectives and agreed land use plans. Payments under the Conservation Agreements ensure that the opportunity costs for a biodiversity-focused management of land are covered, and thus that land use practices (including community conservation areas) compatible with the principles of sustainable land use in ecological corridors are applied.

The payments are made in regular rates over a period of several years through local banks, applying the 'Savings Account Approach', which aims at delegating responsibility and increasing ownership by the project beneficiaries as well as establishing the confidence of the rural population in the reliability of payments. Saving accounts are opened in the name of the beneficiaries and the ECF transfers the full amount agreed upon in the Conservation Agreements to the beneficiaries' accounts. The amount transferred depends on the type and extent of the agreed measures, and also takes into account the various natural and socio-economic conditions. The beneficiaries then withdraw money from their saving accounts on a regular basis after having complied with the agreed contractual obligations.

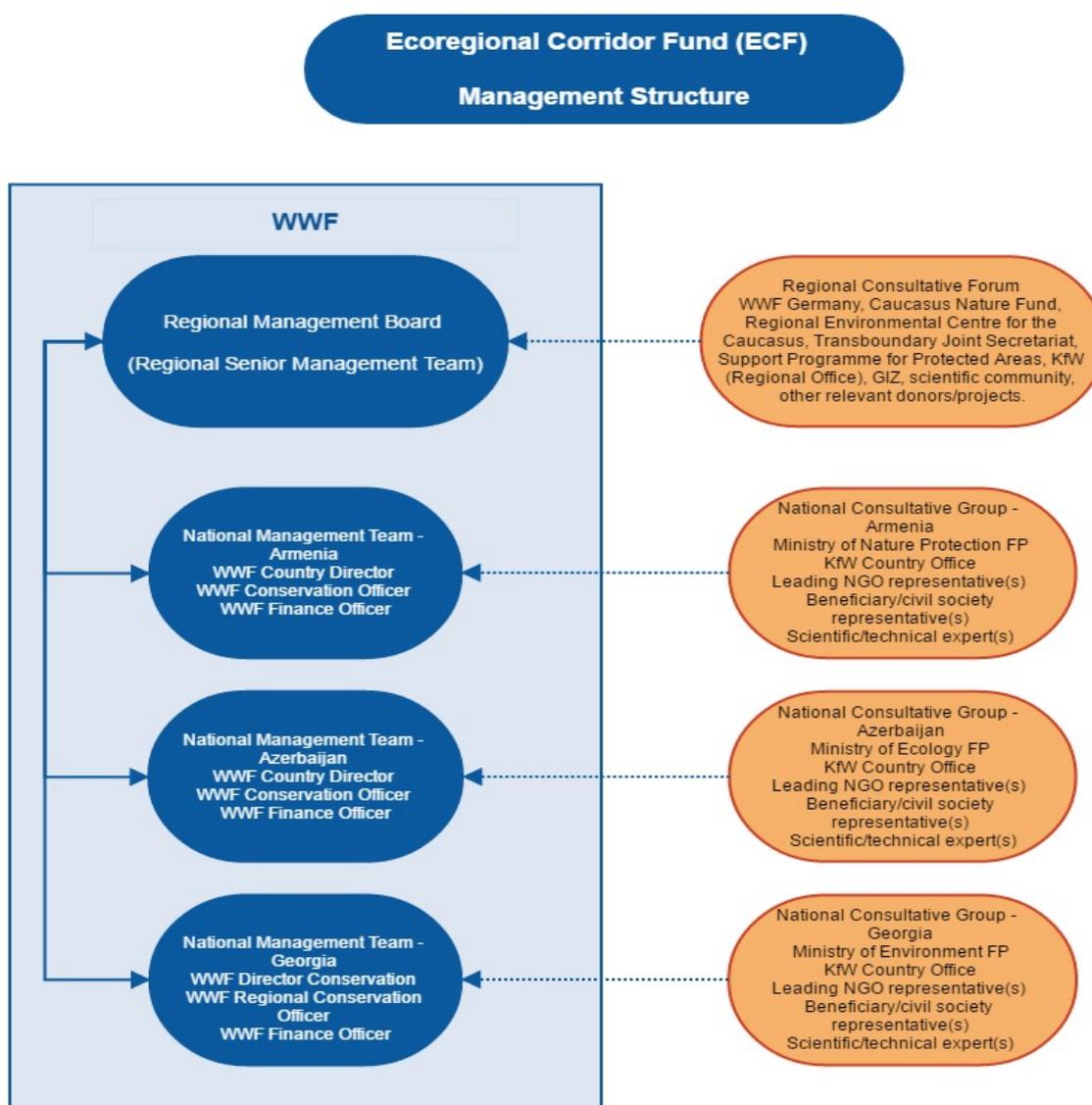
While the Conservation Agreements cover primarily long term measures, they may also include funding for such short-term measures which are needed to implement the sustainable land use plans. These measures are implemented largely autonomously by the local communities involved, taking into account national standards and procedures.

2. Management Structure & Organisation

2.1. Overview

In line with the overall principle that the operation of the ECF is implemented within the existing WWF structures and procedures, the ECF policy, decision making and management responsibilities are assigned accordingly. Currently WWF has a regional programme office in Georgia, which also acts as the WWF country office for Georgia, as well as country offices in Armenia and Azerbaijan.

While WWF is responsible for ECF policy, decision making and management, there is a Consultative Forum at the regional and Consultative Groups at national levels to support and facilitate ECF activities. They advise on funding guidelines, planned activities and technical issues, and represent sectoral stakeholders including other projects, scientific institutes and donors interested in ECF.



2.2. Management and Administration Responsibilities in WWF

2.2.1. ECF Regional Management Board

The senior management of the regional and national offices together forms the regional senior management team. This body also acts as the ECF Regional Management Board. In such capacity it normally meets twice a year. Operational support is provided by WWF staff (during the ECF set up phase this includes the staff of the implementation consultant).

Members of the Regional Senior Management Team / ECF Regional Management Board are:

- Giorgi Sanadiradze – Director of WWF Caucasus Programme Office - Chairman
- Nugzar Zazanashvili – Conservation Director of WWF Caucasus Programme Office
- Karen Manvelyan – Director of WWF branch in Armenia
- Elshad Askerov – Director of WWF branch in the Republic of Azerbaijan
- Tamaz Gamkrelidze – Operations Director of WWF Caucasus Programme Office (ECF Regional Coordinator)

The roles and responsibilities of the ECF Regional Management Board are as follows:

- a) Provide overall strategic direction for the ECF.
- b) Review, comment on and approve baseline studies, land use plans and other technical documents produced by the programme team.
- c) Approve the conservation objectives for each corridor, the menu of conservation measures and respective funding levels, the eligibility criteria for participating groups (beneficiaries), the standard conservation agreements and other guidelines/formats as required (subject to no-objection by KfW Germany).
- d) Approve selection of banks to hold ECF savings accounts and framework agreements, based on the assessment of potential bank partners, the recommendations of the programme team and the respective account conditions offered by these banks.
- e) Approve conservation agreements, funding levels and fund transfers to respective savings accounts.
- f) Review and approve the independent verification of performance for a sample of agreements.
- g) Meet with the Regional Consultative Group at least bi-annually and additionally as required. Review proposals and advice of the group and follow up as required.
- h) Review audit reports from each country and monitor follow-up by the National Management Teams on possible findings.
- i) Approve the annual ECF operational plan and progress report.
- j) Coordinate activities with other projects and programmes at the regional level.
- k) Carry out lobbying and advocacy for the ECF, and undertake fund raising efforts at the regional level.

2.2.2. ECF National Management Team

ECF National Management Teams are set up in each of the three countries. The subsidiarity principle shall apply, such that decisions not explicitly reserved for the Regional Management Board shall be made at the national level. The teams shall meet as often as required.

The members in each country are:

Armenia	Azerbaijan	Georgia
<ul style="list-style-type: none"> • WWF Country Director • WWF Conservation Officer • WWF Finance Officer 	<ul style="list-style-type: none"> • WWF Country Director • WWF Conservation Officer • WWF Finance Officer 	<ul style="list-style-type: none"> • WWF Conservation Director • WWF Conservation Officer • WWF Finance Officer

(During the ECF set up phase these include the respective staff of the implementation consultant in each country.)

The roles and responsibilities of the ECF National Management Teams for their respective countries are as follows:

- a) Responsible for operational management within the country.
- b) Review, comment on and pre-approve national baseline studies, land use plans and other technical documents produced by the programme team.
- c) Review, comment on and pre-approve the conservation objectives for the national corridor(s), the menu of conservation measures and respective funding levels, the eligibility criteria for participating groups (beneficiaries), the standard conservation agreements and other guidelines/formats as required.
- d) Provide guidance and comments on the assessment of potential bank partners within the country, the recommendations of the programme team and the respective account conditions offered by these banks.
- e) Pre-approve framework agreements with banks selected to hold ECF savings accounts and approved by the Regional Management Board.
- f) Pre-approve conservation agreements, funding levels and fund transfers to respective savings accounts.
- g) Ensure appropriate administration and disbursement of funds.
- h) Ensure monitoring of compliance with conservation contracts.
- i) Arrange for independent verification of performance for a sample of agreements by a suitable third party.
- j) Meet with National Consultative Group at least half-yearly and additionally as required.
- k) Prepare the annual ECF operational plan and progress report for the country.

- l) Coordinate activities with other projects and programmes at the national level.
- m) Carry out lobbying and advocacy for the ECF, and undertake fund raising efforts at the national level.

2.3. Consultative Bodies

2.3.1. Regional Consultative Forum

The members of the Regional Consultative Forum are representatives from:

- WWF Germany
- Director of Caucasus Nature Fund
- Regional Environmental Centre for the Caucasus
- Transboundary Joint Secretariat
- KfW Regional office
- GIZ Regional programme
- Other relevant donors/projects
- Scientists, NGOs and representatives of local communities

Each organisation/project selects its own representative. Scientists, NGOs and representatives of local communities will be invited to meetings according to needs and as proposed by the Forum members.

The Forum should have no more than 15 members and meet at least bi-annually (additionally as required) with the position of chairperson selected by the forum from among the members. ECF shall provide each organisation/project with regular progress reports, as well as latest updates at least 2 weeks before a Forum meeting.

The roles and responsibilities of the Regional Consultative Forum are as follows:

- a) Advise on conservation areas, environmental issues and applicable policies.
- b) Advise on the management and enhancement of overall ECF policies, guidelines and practices.
- c) Provide information and advice on regional projects/programmes which may be relevant for ECF activities.
- d) Advise on issues related to the long-term sustainability of ECF measures.
- e) Promote wider regional awareness on ECF policies and activities.
- f) Provide support in international fundraising.

2.3.2. National Consultative Group

The members of the National Consultative Group are:

- The respective focal point in the responsible ministry in each country:
 - Ministry of Nature protection Armenia
 - Ministry of Ecology and Natural Resources Azerbaijan
 - Ministry of Environment Georgia
- KfW local offices

- Support Programme for Protected Areas
- GIZ project(s)
- Leading NGO representative(s)
- Beneficiary/civil society representative(s)
- Other relevant ministries in each country
- Other relevant actors

The relevant Ministries officially appoint their focal points. The NGOs and stakeholders in each country decide on the appointment of the NGO and beneficiary/civil society representatives. Scientists will be invited to meetings according to needs and as proposed by Group members.

The Group should have no more than 6 members and meet at least half-yearly (additionally as required) with the position of chairperson elected by members. ECF shall provide each organisation/member with regular progress reports, as well as latest updates at least 2 weeks before a Group meeting.

The roles and responsibilities of the ECF National Consultative Group are as follows:

- a) Advise on conservation areas, environmental features and applicable policies.
- b) Advise on the conservation objectives for national corridors and the menu of conservation measures.
- c) Advise on the management and enhancement of national ECF guidelines and practices.
- d) Advise on coordination with other projects and programmes at the national level which may be relevant for ECF activities.
- e) Provide advice on issues related to the long-term sustainability of ECF measures.
- f) Promote wider national awareness on ECF policies and activities.
- g) Provide support in national and international fundraising.

2.4. Operations

The ECF operation is performed within the WWF CauPO structures and procedures. WWF ensures sufficient staffing capacity to maintain the smooth and effective operation of the ECF (including involvement of the implementation consultant during the ECF set up phase).

WWF offices in Georgia, Armenia and Azerbaijan are operating separately, ensuring a good cooperation with national stakeholders and satisfying the legal requirements of each country. Local administration and disbursement are used for the ECF, meaning that from the point of view of countries, each WWF office operates a separate national funding window by a separate team. Under the overall WWF management and accounting framework, the national WWF offices implement the following administrative tasks of the ECF in their respective countries:

- a) Identify and develop conservation areas, environmental features and applicable policies.
- b) Prepare overall ECF policies, guidelines and practices.

- c) Prepare national baseline studies, land use plans and other technical documents.
- d) Prepare the conservation objectives for each national corridor, the menu of conservation measures and respective funding levels, the eligibility criteria for participating groups (beneficiaries), the standard conservation agreements and other guidelines/formats as required.
- e) Assess potential bank partners within the country, and the respective account conditions offered by these banks.
- f) Negotiate conservation contracts.
- g) Administration and disbursement of funds.
- h) Monitor compliance with conservation contracts.
- i) Impact monitoring.
- j) Communication with relevant government institutions

2.5. Communications with Relevant Government Institutions

While the ECF does not formally have any government counterpart, it is important for the practical operations of the ECF and hence for its overall success to develop and maintain cooperative working relationships with relevant government institutions in each country. These include primarily the respective ministries/departments responsible for the environment and natural resources, but may also include others, such as ministries/departments responsible for agriculture, livestock, forestry, territorial administration, etc.

The basis for cooperation is given by a Memorandum of Understanding (MoU) or similar instrument, to be drawn up between WWF and the respective responsible ministry/department. This would summarise the objectives, structure and methodological approach of the ECF and formalise the acknowledgement and support of the government in each country. The primary means of communication will be through the focal points assigned by these and through their participation in the National Consultative Groups.

3. Legal Framework

For the successful implementation of the ECF, legislation and regulations concerning several key issues are relevant:

a) Classification of type of land.

Land may be classified as forest, pasture, agricultural, watershed, wetland, protected area, etc. according to the specific categories described in the relevant laws of the respective countries, with associated limitations on usage.

b) Land ownership and tenure.

Land may be owned publicly, privately, or by the local community, while tenure may be by means of a documented lease contract or de facto usage. There are significant differences between countries on this aspect. For example, in Georgia uncertain land tenure rights are a key issue, where many users, who have traditionally been using common pastures or forests, have no legally valid documentation to prove their rights, while in Armenia land tenure is much better documented.

c) Types of legal entities that can be a contracting party for the ECF.

The most likely type of entity that would be a contracting party for the ECF in terms of being non-profit would be cooperative, foundation, association, or NGO, with the selection depending on which of these are provided for by the applicable laws in each country, and which are most appropriate for the given situation, considering also tax implications.

d) Types of contracts which can be concluded.

There are two main types of contract which would be concluded with beneficiaries, being grant contract or service contract with the selection depending on applicable laws in each country, and which are most appropriate for the given situation, considering also tax implications.

e) Relevant tax laws.

There are potentially many different types of taxes that may apply to Beneficiaries, depending on their legal status and specific activities, such as land tax, property tax, income tax, value added tax and others. Different countries have different applicable exemptions which would need to be considered to minimise the applicable tax burden for Beneficiaries with respect to ECF grants.

A detailed analysis has been prepared by local experts for each country, which would serve as the reference point for these issues.

4. Selection of Target Areas and Groups/Participants

4.1. Selection of Eligible Ecocorridor Regions

“Ecological Corridors” between established protected areas provide important ecological functions (migration routes, genetic material exchange, large-scale habitats). Unfortunately, areas occupied by ecological corridors in the Caucasus are often used unsustainably, resulting in reduction of these ecological functions (core problem). The main negative impact is caused by overgrazing, collection of firewood and NTFPs (non-timber forest products), unsustainable use of environmentally important areas (especially watersheds, wetlands, river banks, water basins, alpine meadows), poaching and, partially, unregulated tourism as well as large infrastructure development projects. The main cause for the core problem lies in the economic condition of the rural population, whose poverty leads to extensive utilization of natural resources.

The conservation of corridors needs to be secured in partnership with local population through application of landscape-wide approaches.

The initially selected ecological corridors are:

- South Eastern Lesser Caucasus Corridor in Armenia located in the south of the country, between the Khosrov State Reserve in the north and the Zangezur and Khustup State Sanctuaries, Shikahogh reserves, Arevik National Park and other protected areas in the very south of Armenia.
- East Greater Caucasus Corridor in Azerbaijan which interconnects the eastern part of the Greater Caucasus Mountain Range, between the Zagatala Strict Nature Reserve, Ilisu Strict Nature Reserve and Shakhdagh National Park.
- Western Lesser Caucasus Corridor in Georgia, between the western border of Borjomi-Kharagauli National Park and the borders of Kintrishi, Mtirala Protected Areas and Machakhela National Park.

Additional ecoregional corridor regions may be selected in future based on recognised biodiversity and conservation priorities.

4.2. Selection of Eligible Areas/Villages

Within the corridor regions, the specific areas and villages where measures are to be implemented are selected based on the following criteria:

- Biodiversity conservation objectives (in this case mainly the preservation and increase of target species populations).
- Willingness of the local population to engage in long term contract conservation either as individuals or local organisations (including the need to build individual and institutional capacity).
- Willingness of the local authorities to cooperate with the programme and facilitate relevant administrative issues.
- Clarification of land use rights.
- Feasibility and sustainability of implementation.

4.3. Identification and Selection of Potential Beneficiaries

To be eligible for selection as beneficiaries of the programme, members of the local population should meet the following criteria:

- Willingness to participate in preparatory steps such as land use planning and capacity building in the case of organisations.
- Having the capacity and land use rights needed to implement the planned conservation measures.
- Willingness to engage in long term contract conservation either as individuals, or as members of local community-based organisations (CBOs).

4.4. Eligible Legal Forms of Beneficiary Groups

Where a number of members of the local population decide to participate in the programme, they may form a CBO. Such CBOs may have any legal forms meeting the following requirements:

- Ability to open and maintain a bank account in the name of the CBO.
- Transparent decision making process within the CBO in line with national legislation.

CBOs should be formed by means of self-selection among the participants and they should themselves agree on issues such as management, organisation and responsibilities. However ECF will provide support for external facilitation and capacity building.

5. Selection of Measures to be Financed

5.1. Criteria for Eligible Conservation Measures

The specific measures financed by the ECF are detailed in the separate 'Menu of Measures' specific to each country, including scope of measures, technical details, basis for calculation and level of financial support, performance criteria and monitoring indicators. Based on the situation in the respective corridors, the Menu of Measures may include short-term measures (investments), long-term measures (up to 10 year conservation agreements), capacity building activities and technical support, or a combination of these.

Long-term measures which may be selected as eligible for support by the ECF should meet the following criteria:

- Directly contributing to conservation, such as sustainable/conservation management of forests, pastures, wildlife, wetlands, water courses or integrated community conservation.
- Directly contributing to sustainable land use.
- Do not require unsustainable use of natural resources.
- Not being funded from other sources.
- Do not have negative influence on local social structure and economy.

An important part of the long term measures would entail some sort of steward/ranger service making sure that the land use plans are implemented and providing deterrent to poaching, illegal logging, overgrazing and other threats.

Short-term measures in contrast are direct investments which are needed to implement the sustainable land use plans. They are one-off interventions with a direct long term positive impact on biodiversity conservation (for example building an access road or water supply to a pasture that would reduce the pressure of cattle on important habitats) and/or investments required to enable the implementation of long term measures (purchase of equipment or building of infrastructure needed). Short-term measures are implemented largely autonomously by the local communities involved, taking into account national standards and procedures.

Criteria for eligible short-term measures include:

- these measures are provided for in the land/resource use plans that will be developed;
- there is a clear direct link to achieving conservation objectives;
- performance indicators are set in a similar way as for long term measures;
- they are listed in the catalogue of measures of the ECF;
- they are implemented by the beneficiary/ies that will be responsible for long term measures in the area.

Potential direct investments should be well substantiated and either meeting the above criteria on their own, or part of a long term conservation agreement. Short-term measures that are only indirectly linked to conservation objectives, such as socio-economic measures, should be excluded.

In case of local activities compatible with the objectives of ECF but not requiring or eligible for its funding, local communities may be assisted via capacity building and upon request by technical support, even to the level of preparing applications to other funding mechanisms.

5.2. Developing Performance Criteria

A key element to ensure the successful implementation of the ECF is that payments are made based on compliance with the agreed obligations under the respective Conservation Agreements. This in turn is dependent on effective monitoring of work and activities carried out. In order for such monitoring to be effective, the performance criteria to be evaluated need to be objectively verifiable

The 'Menu of Measures' will detail the performance criteria and targets. The first step is to find indicators that adequately capture each element being assessed. Finding indicators that will be both valid and feasible to measure given logistical and resource constraints is often the most challenging design issue in a monitoring system or evaluation.

An indicator is an

- objectively verifiable measurement which
- reflects the activity, assumption, or effect being measured and
- allows for comparisons both between different populations or individuals and between measures of the same population or individual at different points in time.

Selected indicators for performance monitoring should preferably include output and result based indicators. Input indicators should only be used together with output and result indicators. They may be used alone only where output and result indicators are not feasible or when there is a well established relation between inputs, outputs and results.

5.3. Framework for Financing Conditions of Conservation Measures

The approach followed by the ECF is to base the payments on the costs of measures and the levels of support are assessed on the basis of clear quantitative indicators of input. At the same time, other existing monetary and non-monetary revenues of the local communities are taken into account. The aim is:

- to pay a fair amount for a clearly defined service (output), covering at least the opportunity costs resulting from the land-/ resource use restrictions in order to tip the balance while not reducing the income of the beneficiary and
- to clearly link the payment to conservation/ to securing the ecosystem service (result).

5.4. Technical Support for Conservation Measures

Technical support for local communities engaged in long-term conservation measures is an important aspect contributing to the success of the respective measures. The programme can provide the following types of technical support:

- Advice by experts contracted to provide services to the programme.
- Formal and informal trainings for applicants/beneficiaries on specific topics.
- Study tours and field visits to other areas within the countries or in the region.
- Preparation of feasibility studies, business plans etc.

- Legal services/advice related to land tenure or establishment of legal entities.
- Logistical support as appropriate in support of above measures.

The conditions to receive technical support are as follows:

- They are requested by local authorities or CBOs meeting the eligibility criteria for ECF beneficiaries.
- Meet the general Criteria for Eligible Conservation Measures of ECF.
- Are deemed to be appropriate and required in the context of the specific conservation measures involved.

6. Conservation Agreements

6.1. Overview of ECF Standard Conservation Agreements

The ECF Conservation Agreement forms the basis of cooperation between WWF/ECF and the respective local individual or CBO. It sets out the details of the responsibilities of both sides, including:

- Specific site where conservation measures are to be implemented.
- Scope of conservation measures to be implemented.
- Relevant technical specifications
- Time period of implementation.
- Indicators of implementation progress and performance.
- Total amount of funding provided by ECF.
- Rate and interval of fund withdrawal.
- Milestones and indicators to be achieved for each withdrawal.
- Other support provided by the programme if applicable.

The template for the ECF Conservation Agreement is given in Annex I.

6.2. Concluding Conservation Agreements with Beneficiaries

The conclusion of a conservation agreement with a participating individual/CBO comes after the following processes have been completed:

- Financial Participatory Approach (FPA) measures
- Land use planning including ecosystem service valuation.
- Habitat suitability analysis for the target species
- Formation and registration of CBO if applicable and capacity building measures
- Detailed discussions about conservation measures to be implemented and respective responsibilities.
- Approval of the contract by the ECF Regional Management Board

Once conservation agreements for a particular village or group of villages are ready to be signed, a meeting is called of all individuals/CBO members who will be involved in the agreements, as well as village or local leaders and authorities as far as appropriate. The individuals/members briefly present the main points about the agreement they will be entering into, which serves to increase responsibility and commitment of those involved. The agreements are then signed by the ECF representatives and the local parties, with one original copy for each.

6.3. Legal Basis and Validity of Agreements

The conservation agreements should fulfil the respective legal requirements in each country (see also Section 3).

6.4. Taxes and Fees on Conservation Agreements

The conservation agreements may be subject to taxes and fees in accordance with local laws and regulations (see also Section 3).

6.5. No-Objection from Donors

All conservation agreements should be submitted for non-objection to the respective donor.

Additionally, significant changes to either the content of the conservation agreement template or to the overall method of implementation will be submitted to all donors for non-objection.

6.6. Dispute Resolution Mechanism

Each conservation agreement is signed only after the completion of the preparatory processes detailed above which are participatory in nature, as well as several rounds of discussions and explanations. As such it is not expected that there would be any disputes. This also holds true with regard to payments, i.e. withdrawals from savings accounts. Where agreed targets or technical specifications are not met, the priority of the ECF is on supporting participating individuals/CBOs to take corrective action, rather than on penalties.

Nevertheless, if cases do exceptionally arise where a mutually agreeable solution can not be reached after discussions, an external, independent third party acceptable to and respected by both sides, would be called on to mediate.

7. Operation of Savings Accounts

7.1. Overview of Savings Account Approach

The 'Savings Account Approach' has been applied in forestry and natural resource management projects funded through German Financial Cooperation for many years and has proved to be a practical instrument. In such projects, payments are usually made to project target groups to i) cover costs involved in participating in project activities, ii) compensate for the usual lack of revenue in the early years of such projects, and iii) provide incentives to engage in protection and conservation practices. Such payments are made by means of savings accounts.

Savings accounts are opened at appropriate financial institutions (see below) in the name of the respective individuals, or more commonly, eligible local organisations formed by those individuals. The total amount of the payments (calculated according to project criteria and specified by the conservation agreement) for the entire project period is deposited up front in the account. The account holders are then allowed to make regular withdrawals upon confirmation of the pre-defined performance criteria. The frequency and amount of withdrawals is based upon the activity plan agreed with the participants.

The principal advantage of the savings account modality is that it acts as a confidence-building measure to convince the project target groups of the reliability of payments, as they can observe the balance in their accounts. It is also a way of delegating the payments and establishing a mechanism independent of the project administration, while generating additional funds for the beneficiaries in form of interest.

7.2. Selection of Partner Financial Institution(s) and Concluding Framework Contracts

The Savings Account Approach necessitates the identification of and cooperation with Partner Financial Institutions (PFIs) in the programme regions. The savings accounts of the beneficiaries are opened at these PFIs, ECF funds transferred to them and withdrawals made from them according to the conditions of the respective conservation agreements.

A suitable PFI should meet a number of conditions:

- Have branches in the respective region that are easily accessible by beneficiaries.
- Serve the rural population as part of its regular business.
- Be willing to cooperate with the ECF.
- Offer favourable conditions to the accounts funded by the ECF (low or no fees, market rate of interest, limited administrative complexity).

The WWF/ECF signs a framework contract with PFIs that meet these conditions and agrees to a cooperation, in which the details of cooperation and procedures pertaining to the accounts are specified. These include the funds flow within the bank, interest to be paid by the bank on the accounts and reporting to be done by the bank. A sample contract is given in Annex III.

Regarding the funds flow within the bank, different PFIs may have different procedures. Some may require ECF to transfer the funds for the savings accounts to their head office first and transfer them internally to the respective branch, while others may accept WWF/ECF to transfer the funds directly to the respective regional office or branch.

7.3. Preliminary Conditions Required for Opening Savings Accounts

When WWF/ECF has signed a framework contract with a financial institution, preparations are made to open savings accounts for the participating individuals/CBOs by compiling relevant details and ensuring that all documentation required has been finalised.

The documents required for approval of account opening are as follows:

- In case of an individual, identity papers.
- In case of a CBO, relevant legal registration documents.
- Approved conservation agreement with the respective individuals/CBO.

For each account to be opened, all relevant documentation is compiled and submitted to the ECF National Management Team for pre-approval and then the ECF Regional Management Board for final approval and fund transfer authorisation.

7.4. Opening and Fund Transfer to Savings Accounts

On approval of savings account opening, the details of the account holder(s) are sent to the respective PFI according to the procedures given in the framework agreement using the account opening request form template given in Annex IV. This provides the details and amount of the account as well as the applicable use and withdrawal conditions. The PFI should set the appropriate restrictions on the operation of the account according to these conditions, so that withdrawals cannot be made except as specified.

Once the PFI has confirmed the opening of the account and provided the account number, the respective funds will be transferred from the ECF's account to the PFI (in Euros where possible to maintain the value) for crediting to the savings account. The PFI will provide an account statement to ECF within 10 working days (counted from the date it received the funds) to confirm the account balance.

Subsequently, WWF staff should arrange a mutually convenient time with the respective account-holder(s) to visit the PFI branch holding the account to receive an account passbook (i.e. a book of recorded transactions, in which deposits, withdrawals and interest are entered or other equivalent form of authorisation for the access to the account) which the account-holder(s) should keep safely.

At that time, the method of account operation should be explained to the account holder(s) by WWF and bank staff jointly.

7.5. Withdrawal Procedures from Savings Accounts

Each conservation agreement details the rate and amount of allowed withdrawals from savings accounts, based upon the achievement of the respective performance criteria. Implementation progress of the agreed conservation measures is regularly monitored (details in the next section) and checked against the values in the conservation agreement. If the agreed criteria for the specific period have been met or exceeded, the account holder is able to withdraw the specified amount from the savings account (in national currency). Of course the account holder(s) may select to withdraw only a portion of the possible amount and keep the rest in the account.

Thus the account balance will gradually decrease over time according to the conditions of fund withdrawal detailed in the conservation agreement. The last withdrawal will include any interest accumulated on the account. At the time of the last withdrawal, the account holder(s) will decide if they want to keep the account for their continued use. If so, they are able to use the account freely and without the previously imposed withdrawal restrictions. Otherwise the account will be closed at the same time as the last withdrawal.

7.6. Suspension and Closure of Accounts in Case of Non-Compliance

The right of fund withdrawal is dependent on the achievement of targets as measured by the performance criteria in the respective conservation agreements. Assuming these are met, the withdrawals can be made according to the schedule and conditions set on the each account.

In case any participating individuals/CBO doesn't fulfill the obligations and requirements as stipulated by the conservation agreement, then the reasons are investigated by WWF staff (see also section 8.5). A report is made to the ECF National Management Team which will determine if there are any external mitigating/restricting factors. It may also exceptionally deem the target reached if the actual value of the respective indicator is within 15% of the agreed value.

If the ECF National Management Team decides that there are no mitigating/restricting factors, or if corrective action is not effective, account withdrawals are temporarily suspended, although this should be a last resort. The PFI is then informed of the suspension with an official letter at least 5 working days prior to the due time of withdrawal.

The temporary suspension is lifted when the account holder(s) satisfies the conservation targets, as confirmed by WWF staff. The PFI is then informed that withdrawals may continue according to the defined schedule. However, at the time the suspension is lifted, the account holder(s) may immediately withdraw the specified amount due prior to the suspension.

The longest duration of temporary suspension is 12 months. When this period has elapsed, WWF staff will assess the situation, have discussions with the participating individuals/CBOs and report to the ECF National Management Team. If it is decided that there is no chance of any continued progress on the agreed conservation measures, even with external technical support, the conservation agreement is cancelled.

In such cases, ECF will inform the PFI with an official letter to close the account. Any remaining funds in the account shall then be transferred back to the ECF account within 10 working days.

Figure 1: Summary of Steps for Opening of Savings Accounts

Sequence of Procedures	Requirements
<i>Step 1: Selection of target areas and beneficiaries</i>	<i>Based on ECF criteria, completed FPA measures, completed habitat suitability analysis for the target species and land-use plans.</i>
<i>Step 2: Information meetings</i>	<i>Providing details of aims, conditions & procedures to potential beneficiaries.</i>
<i>Step 3: Formation of community groups/CBOs</i>	<i>Provision of relevant documents. Legal registration of the CBOs according to local laws.</i>
<i>Step 4: Preparation of conservation agreements</i>	<i>Completing required details (Annex I) and explanation to beneficiaries. Includes calculation of savings account amount as per cost norms in the menu of measures.</i>
<i>Step 5: Registration/notarisation of conservation agreements</i>	<i>Legal registration of the agreements according to local laws and for tax purposes.</i>
<i>Step 6: Approval of Savings account opening</i>	<i>Conservation agreements and relevant documentation submitted to ECF national and regional management teams for approval and fund transfer authorisation.</i>
<i>Step 7: Submit details to PFI</i>	<i>Details of the account holder(s) sent to the respective PFI with request for account opening (Annex IV).</i>
<i>Step 8: Opening of Savings accounts and transfer funds</i>	<i>When opening is confirmed by PFI, transfer of funds for crediting to the accounts.</i>
<i>Step 9: Issue of account passbook</i>	<i>Account passbook collected from PFI by account-holder(s) together with WWF staff and method of account operation explained.</i>

8. Monitoring and Support of Conservation Activities

8.1. Monitoring Performance and Overall Contract Compliance

A key element to ensure the successful implementation of the ECF is effective monitoring of work and activities carried out to determine compliance with the agreed obligations under the respective conservation agreements.

Regular monitoring is carried out by WWF staff at least yearly in site visits. However there will also be additional levels of monitoring as detailed below.

8.2. Participatory Group-Based Monitoring

Conventionally, monitoring and evaluation involves project staff or outside experts coming in to measure performance against pre-set indicators. Participatory monitoring and evaluation (PM&E) differs from more conventional approaches in that it seeks to engage local beneficiaries and stakeholders more actively in reflecting and assessing the progress of their activities and in particular the achievement of results. They thus become active participants – not just sources of information.

In this approach, the focus is on building stakeholder capacity for analysis and problem-solving. The process empowers local people and builds commitment to achieving the desired results and implementing any required corrective actions. It thereby becomes an important supportive element to 'regular' monitoring by the ECF (WWF staff).

PM&E involves getting the programme participants to reflect on their own priorities, apart from the ECF's objectives, although there may of course be more or less overlap between the two. The type of questions they would ask are: "What changes do we expect from the programme?" (What do we hope to achieve?) and "What changes do we fear from the programme?" (What do we want to avoid?)

At the initial stage, the stakeholders (supported as required by support organisations and through FPA activities) must define the objectives of the PM&E, including what will be monitored, how and by whom. The planning stage requires a process of discussion, negotiation and collaborative decision-making among the stakeholders. Identifying objectives and monitoring indicators can be the most difficult part of planning the PM&E process. Applying the principles outlined in section 5.2, the facilitators should assist the stakeholders in keeping these at a manageable level of complexity. Whatever is agreed should be documented and accessible to everyone involved.

Subsequently the individual observers or the "observation team" nominated will keep track of the agreed indicators and report to the group at regular intervals. When the WWF monitoring team visits the area, it should then also build in discussion of the PM&E outcomes as part of its tasks.

8.3. Monitoring by Support Organisations

In cases where ECF works together with local support organisations, primarily NGOs, these should be actively involved in the monitoring system. Such organisations should be fully aware of the ECF's objectives and monitoring indicators and assist in the monitoring process as far as possible and appropriate. They should also be aware of the PM&E process and work with

the local groups to support it. Some training may be required if the organisations have limited experience of involvement with such programmes or with the principles of effective monitoring.

8.4. Independent Spot Checking

Apart from the regular monitoring by WWF staff, each year a sample of conservation agreements would be selected for independent verification of performance by a third party. Such verification would also be required in each case when performance is considered inadequate, before a formal decision of non-approval is taken.

Such third parties may be independent experts or NGOs that are not involved in the programme. They would be remunerated by the ECF.

8.5. Procedure in Case of Non-Compliance

8.5.1. Case of Technical Issues and Support Measures

During monitoring it may be determined that certain targets as measured by the performance indicators in the respective conservation agreements have not been achieved. In such cases the reasons are investigated by WWF staff. It is in the interests of the ECF and the participating local people to identify possible corrective action, rather than focus on penalties. The suspension of account withdrawals should be seen as a last resort if no other measures are effective.

In particular it may be the case that the targets could not be achieved due to specific technical difficulties, such as lack of or breakdown of required machinery, low quality inputs, unintended methodological errors, etc. In such cases, WWF staff will make all efforts to resolve the problems, providing technical support as required, to get activities back on track. If the corrective action is or seems likely to be successful, the individual/CBO involved will be allowed to make their account withdrawal as scheduled.

8.5.2. Case of Force Majeure or Unforeseen Events and Support Measures

A different type of reason for non-achievement of targets may be external, affecting just one or several participants (e.g. illness, pests) or everyone in a certain area (e.g. severe weather). In such cases suspension of account withdrawals would clearly be counterproductive and instead all possible efforts should be made and support provided to resolve the situation and get activities back on track, or to develop an alternative set of activities in the same location meeting ECF objectives.

8.5.3. Case of Non-Resolution

If it becomes clear that there are no mitigating/restricting factors to explain non-achievement of targets, or if corrective action is not effective, account withdrawals are temporarily suspended, although this should be a last resort. If, after a period of ___ months, it is decided that there is no chance of any continued progress on the agreed conservation measures, even with external technical support, the conservation agreement is terminated.

9. Reporting and Auditing

9.1. Reporting by Support Organisations

In cases where ECF works together with local support organisations such as NGOs, these provide half-yearly reports on their activities and monitoring results to the respective national team. These reports should be synchronised with the ECF reporting schedule.

9.2. Reporting by Partner Financial Institutions

Each PFI provides half-yearly reports to the respective national team, covering all of its branches which are holding ECF funded savings accounts. These reports should be synchronised with the ECF reporting schedule. The format to be used is provided in Annex III.

9.3. Reporting by WWF Country Offices

WWF Country Offices provide half-yearly reports on their activities and monitoring results to the regional office. These reports should be synchronised with the ECF reporting schedule.

9.4. Reporting to Donors

WWF/ECF prepares a comprehensive annual report for distribution among all of its donors, which will include summary financial information and audit results.

In addition, WWF/ECF reports regularly to individual donors as required under the respective financing agreements.

9.5. Accounting and Auditing

ECF accounting is carried out through the existing accounting system of WWF, but with separate books to ensure transparency. There is also a separate ECF bank account.

An annual audit is carried out according to “International Financial Reporting Standards” by an accredited independent national or regional auditing firm identified through a tender process. The audit will include the records of the PFIs, as well as a sample of conservation agreements. Sample terms of reference are given in Annex V.

Annex I
ECF Grant Agreement Template

WWF CAUCASUS
SOUTHERN CAUCASUS ECO-CORRIDOR FUND FOR THE CAUCAUS(ECF)
Grant Agreement

Between the _____ Branch of the World Wildlife Fund for Nature
represented by _____

(hereinafter referred to as “WWF”) and

(hereinafter referred to as “the Beneficiary”)

Together hereinafter referred to as “the Parties”.

* * * * *

In consideration of the facts that:

- WWF has been assigned to manage the Southern Caucasus Eco-Corridor Fund for the Caucasus (hereinafter referred to as “the ECF”).
- The purpose of the ECF is to contribute to the conservation of biological diversity and ecologically sustainable land and resource use in selected eco-corridors in the southern Caucasus region by financing and supporting specified conservation activities and projects.

The Parties enter into this agreement as follows:

1. Agreement Purpose and Amount

- 1.1. The purpose of the Project is to provide financial resources to promote ecologically sustainable land use.
- 1.2. WWF will provide to the Beneficiary a long-term grant funded by the ECF as an incentive for and to cover the related costs of the implementation of specified long-term conservation measures and short-term investment measures (together hereinafter referred to as “the Measures”) by the Beneficiary.
- 1.3. The total amount of the grant shall be _____, of which _____ shall be for long-term conservation measures and _____ for short-term investment measures.

1.4. The detailed description of the Measures to be implemented by the Beneficiary within the framework of this agreement, including the land plot on which the respective Measures should be implemented, the targets and milestones to be achieved as a result of implementing the Measures, and the respective performance criteria shall be determined in the separate Conservation Agreement.

2. Disbursement

- 2.1. The grant to the Beneficiary for short-term measures will be provided directly to the Beneficiary upon approval of the respective measure by WWF.
- 2.2. The grant to the Beneficiary for long-term conservation measures will be provided by means of a savings account at a conveniently accessible bank branch.
- 2.3. The total amount of the grant for long-term conservation measures for the entire implementation period will be deposited in the account upon conclusion of this agreement.
- 2.4. The Beneficiary will then be allowed to make regular withdrawals of specified amounts from the account upon confirmation of pre-defined performance milestones.
- 2.5. Any credit interest shall be understood as part of the grant and used for the conservation measures.
- 2.6. The calculation of the grant amount, as well as the frequency and amount of the allowable withdrawals from the savings account and name and address of the bank and branch at which the account is held shall be determined in the separate Conservation Agreement.

3. Suspension of Disbursements and Repayment

- 3.1. WWF may not suspend disbursements unless:
 - 3.1.1. Obligations under this Agreement or under the separate Conservation Agreement have been violated.
 - 3.1.2. Extraordinary circumstances arise that preclude or seriously jeopardize the implementation, the operation, or the purpose of the specified conservation measures.
- 3.2. If any of the situations specified in Article 3.1 have occurred and have not been eliminated within a period of _____ months, WWF may temporarily suspend the withdrawals from the savings account by the Beneficiary.
- 3.3. If any of the situations specified in Article 3.1 have occurred and have not been eliminated within a period of _____ months subsequent to a suspension of

withdrawals, WWF may terminate this agreement prematurely and recover any funds provided under this agreement remaining in the savings account of the Beneficiary.

4. Obligations of the Beneficiary

4.1. The Beneficiary shall be obliged to:

- 4.1.1. Implement the conservation measures detailed in the separate Conservation Agreement properly and conscientiously in order to reach the respective performance targets and milestones.
- 4.1.2. Keep records of and regularly report on the results of the implemented conservation measures to WWF in consideration of the respective performance targets and milestones as determined in the separate Conservation Agreement.
- 4.1.3. Allow monitoring to be conducted by representatives of WWF and local support organisations engaged for this purpose by WWF and facilitate access to the respective land plots where the conservation measures are being implemented.
- 4.1.4. Provide explanations and/or justifications to representatives of WWF and/or local support organisations in case of not reaching the specified milestones.

5. Entry into Force, Modification and Termination of the Agreement

- 5.1. This agreement shall enter into force from the date of its signing and remain in force for the period of up to 10 (ten) years.
- 5.2. This agreement can be modified upon mutual consent of the Parties.
- 5.3. This agreement may be terminated upon mutual consent of the Parties. In this case neither of the Parties shall be entitled to any claims as a result of the termination.
- 5.4. WWF shall be entitled to early unanimously terminate this agreement by notifying in writing the Beneficiary thereon in the case envisaged under Article 3.3 hereof.

6. Governing Law and Settlement of Disputes

6.1. For the purpose of notifications pertaining to this agreement, the address of each party is as follows:

For WWF:	WWF Caucasus Programme Office
	11 Aleksidze St.
	0193 Tbilisi
	Georgia
	Fax: +995 32 223-75-01

For the Beneficiary:

6.2. The Beneficiary may not assign or transfer, pledge or mortgage any claims from this Agreement.

6.3. This agreement shall be governed by the law of _____.

6.4. Any dispute arising out of or related to this agreement shall be settled by the Parties amicably through negotiation. The Parties may refer to a mutually agreed mediator for the purpose of reconciliation. Should the Parties fail to reach a settlement, the dispute shall be referred to the court at _____.

7. Miscellaneous Provisions

7.1. In the event that any of the terms or provisions of this agreement is determined to be, or becomes, invalid, illegal, in conflict with any official regulations or rulings or otherwise unenforceable, then all other provisions of this agreement shall remain valid, binding and enforceable. The Parties agree that a provision which is determined to be or which becomes invalid, illegal, or unenforceable, shall be substituted by another suitable provision which shall maintain the purposes and the intentions of the Parties.

7.2. This agreement is made in the _____ language in 2 (two) authentic copies, one copy to be deposited with each Party.

Date:

Signed:

WWF

Beneficiary

Annex II
ECF Conservation Agreement Template

WWF CAUCASUS
SOUTHERN CAUCASUS ECO-CORRIDOR FUND FOR THE CAUCAUS(ECF)

Conservation Agreement

Between the _____ Branch of the World Wildlife Fund for Nature
represented by _____

(hereinafter referred to as "WWF") and

(hereinafter referred to as "the Beneficiary")

Together hereinafter referred to as "the Parties".

* * * * *

Whereas the Parties have signed a Grant Agreement dated _____ funded from the Southern Caucasus Eco-Corridor Fund for the Caucaus(hereinafter referred to as "the ECF").

The Parties enter into this agreement as follows:

1. Agreement Purpose

- 1.1. The purpose of this Agreement is to provide a detailed description of the conservation measures to be implemented by the Beneficiary within the framework of the Grant Agreement, including the land plot on which the respective conservation measures should be implemented, the targets and milestones to be achieved as a result of implementing the measures, and the respective performance criteria.
- 1.2. This Agreement furthermore details the calculation of the grant amount, as well as the frequency and amount of the allowable withdrawals from the savings account into which the grant shall be deposited and the name and address of the bank and branch at which the account is held.

2. Details of the Conservation Measures

2.1. Objective of conservation measures:

.....
.....
.....

2.2. Applicable resource/land use plan (title and date):

.....
(attached as Annex 2).

2.3. Location for conservation measures (map attached as Annex 3):

.....
.....

2.4. Summary of long-term conservation measures to be carried out:

.....
.....
.....
.....
.....

2.5. Performance criteria of long-term conservation measures:

.....
.....
.....
.....
.....

2.6. Time schedule of long-term conservation measures:

.....
.....

2.7. Summary of short-term measures to be carried out:

.....
.....
.....

2.8. Time Schedule of short-term measures:

.....
.....

3. Grant and Withdrawal Details

3.1. Grant for short-term measures.

3.1.1. Total grant amount provided for short-term measures:

3.1.2. The grant to the Beneficiary for short-term measures will be provided directly to the Beneficiary upon approval of the respective measure by WWF.

3.2. Grant for long-term measures.

3.2.1. Total grant amount provided for long-term conservation measures:

3.2.2. The grant to the Beneficiary for long-term conservation measures will be provided by means of a savings account at a conveniently accessible bank branch. The total amount of the grant for long-term conservation measures for the entire implementation period will be deposited in the account upon conclusion of this agreement.

3.2.3. Basis of calculation:

3.2.4.

3.2.5.

3.2.6. Withdrawal frequency:

3.2.7. Withdrawal amount per time period:

3.2.8. Bank and branch name and address:

3.2.9. An overview of the withdrawal conditions and schedule is given in Annex 1.

4. Reporting

4.1. The Beneficiary shall provide _____ reports to WWF regarding activities carried out and progress made, reaching of milestones, and all circumstances that might jeopardize the achievement of the overall objective as given in Article 2.1.

4.2. The sample format to be used for such reports is given in Annex 4.

5. Monitoring

- 5.1. Within the framework of this agreement, monitoring is conducted through visits by representatives of WWF and local support organisations engaged for this purpose by WWF to the land plot(s) where the conservation measures are being implemented by the Beneficiary.
- 5.2. During such visits the representatives of WWF and/or local support organisations shall observe the current situation and status of implementation of the conservation measures and record the respective results.
- 5.3. The days and hours of visits for the purpose of monitoring within the framework of this agreement are not subject to preliminary agreement with the Beneficiary.

6. Mitigating Factors

- 6.1. In case the Beneficiary has not reached the performance milestones of the respective period then the reasons for this shall be investigated by the representatives of WWF and/or local support organisations to determine if there are any mitigating or restricting factors accounting for this situation.
- 6.2. For the purposes of this agreement the following circumstances shall be considered as mitigating or restricting factors:
 - Illness of persons involved in activities pertaining to the conservation measures, or their family members.
 - Illness of livestock owned by persons involved in activities pertaining to the conservation measures.
 - Force-majeure events such as extreme weather conditions, natural catastrophes or local emergency event(s).
 - Others as accepted by WWF.
- 6.3. In case if any of the mitigating factors in Article 6.2 are found to apply for the respective period, the performance milestones will be deemed achieved in case the Beneficiary has reached at least _____ per cent of the performance milestones of the respective period.
- 6.4. WWF and/or local support organisations may provide the Beneficiary with technical support as deemed appropriate by WWF.
- 6.5. In case of force-majeure events, the obligations of the Beneficiary under this agreement shall be delayed, without any penalty imposed, for so long as the event(s) obstructs their implementation.

- 6.6. If it becomes obvious that the event(s) of force-majeure will continue for more than 3 (three) months, then WWF may develop an alternative set of conservation measures in the same location meeting ECF objectives and modify this agreement accordingly. Each of the Parties shall nevertheless have the right to take action as envisaged under article 5.3 of the Grant Agreement.
- 6.7. In case if none of the abovementioned mitigating or restricting factors are found to apply for the respective period and if corrective action by the Beneficiary is not effective for achieving the respective performance milestones, then WWF shall be entitled to take action as envisaged under point 3.2 of the Grant Agreement. Such temporary suspension from the savings account by the Beneficiary shall be lifted upon satisfaction of the respective performance milestones as confirmed by monitoring conducted by representatives of WWF and/or local support organisations.
- 6.8. In any case, the longest duration of temporary suspension of the withdrawals from the savings account shall be for successive ___ months. Upon expiration of that period the Parties shall organize a meeting to discuss the potential and probability of further progress in implementing the conservation measures. If as a result of such meeting the representatives of WWF consider that further implementation of the conservation measures is not possible or feasible, WWF shall be entitled to take action as envisaged under point 3.3 of the Grant Agreement.

7. Other Provisions

- 7.1. The above provisions may be amended or modified at any time by mutual consent if this should appear useful for the implementation of the conservation measures or the execution of the Grant Agreement. In all other respects, the provisions of the Grant Agreement shall apply to this Agreement accordingly.
- 7.2. This agreement is made in the _____ language in 2 (two) authentic copies, one copy to be deposited with each Party.

Date:

Signed:

WWF

Beneficiary

Annex 1: Withdrawal Conditions and Schedule

Nr.	Date	Activities to be carried out	Milestones (indicators of results)	Amount for withdrawal
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

Annex 2: Approved Land/Resource Use Plan

Annex 3: Location Map

Annex 4: Reporting Format for Beneficiary

Annex III
Bank Framework Contract Template

Contract

Between

WWF CAUCASUS

and

_____ **Bank**

Ref: Opening and Management of Savings Accounts

***funded by the Southern Caucasus Eco-Corridor Fund for the Caucaus(ECF)
for Participating Individuals/Community-based Organisations (CBOs)***

Based on:

- Operational regulations of the Southern Caucasus Eco-Corridor Fund for the Caucaus (ECF), being managed by WWF;
- Regulations on organization and operation of _____ Bank;

The two parties agreed to sign the contract with the following articles:

Article I. Contract Purpose, Target Area and Target Population

1. _____ Bank (hereinafter called 'the Bank') will open and manage the Savings Accounts of participating individuals/CBOs of the Southern Caucasus Eco-Corridor Fund for the Caucaus (hereinafter called 'ECF') at its local branches.
2. The Savings Accounts are the means for the ECF to provide financial support to the participating individuals/CBOs to implement specified conservation measures detailed in written Conservation Agreements.
3. Savings Account holders are allowed to make withdrawals of the amount and frequency detailed in the Conservation Agreements subject to satisfying the conditions specified therein, as determined by WWF.

Article II. Transfer of Money and Opening of Savings Accounts

4. Based on the relevant Conservation Agreements, WWF will send the Bank a 'Request for Savings Account Opening' which provides the details and amount of the account as well as the applicable use and withdrawal conditions. On receipt of this request, the Bank will open the account at the specified branch and set the appropriate restrictions on the

operation of the account according to the conditions specified in the request, so that withdrawals cannot be made except as specified.

5. When the Bank has confirmed the opening of the account and provided the account number to WWF, the respective funds will be transferred from the ECF account to the Bank in local currency for crediting to the savings account at the specified branch. The Bank will provide an account statement to WWF within 10 working days (counted from the date it received the funds) to confirm the account balance.
6. Subsequently, WWF staff will visit the specified branch with the respective account-holder(s) to receive an account passbook (i.e. a book of recorded transactions, in which deposits, withdrawals and interest are entered) which the account-holder(s) will keep safely. At this time the WWF and bank staff will jointly explain the method of account operation to the account holder(s).
7. Further stipulations:
 - a) Each participating individual/CBO has the right to hold only one Savings Account.
 - b) During the opening of Savings Accounts, the bank will take all due care to avoid errors or mistakes in the name or other details of account holders.
 - c) The 'Request for Savings Account Opening' will include a copy of the ID card of the account holder(s). At the time of collection of the account passbook, the account holder(s) will present their original ID card(s).

Article III. Savings Account Interest and Fees

8. The interest rate applied to ECF Savings Accounts shall be the most beneficial one for the type of account and shall be calculated from the respective date of opening the accounts.
9. The bank shall not levy any fee to ECF for internal transfers of funds to the relevant branches where the Savings Accounts are opened.
10. The bank shall not levy any fee to account holder(s) for any service or procedure in relation to the opening and withdrawal of money from Savings Accounts.

Article IV. Regulation on Withdrawal Progress from Savings Accounts

11. The amount and frequency of withdrawals is specified in the 'Request for Savings Account Opening' and the Bank will set the appropriate restrictions on the operation of the account according to these conditions, so that withdrawals can only be made up to the maximum amount specified.
12. If the account holder(s) withdraw less than the maximum amount specified, the balance of the allowed withdrawal can be withdrawn at any time.

Article V. Suspension and Closure of Savings Accounts

13. The right of withdrawal is dependent on the fulfilment of the obligations of the account holder(s) as specified in their Conservation Agreements. In case the participating individual/CBO doesn't fulfil these obligations, then the right of withdrawal from the Savings Account of the participating individual/CBO concerned shall be temporarily

suspended. WWF will inform the Bank of such suspension with an official letter at least 5 working days prior to the due time of withdrawal. On receiving a written notice on the temporary suspension of an account, the Bank shall allow no further withdrawals.

14. Once the participating individual/CBO has fulfilled its obligations, the suspension is lifted. WWF will inform the Bank accordingly to allow resumption of withdrawals as specified.
15. The longest duration of temporary suspension is 12 months. When this period has elapsed, WWF staff will assess the situation. If it is decided that there is no chance of any continued progress on the agreed conservation measures, the conservation agreement is cancelled. WWF will inform the Bank with an official letter to close the specified Savings Account. In such a case, the Bank shall close the account and transfer the remaining fund balance in this account back to the account of the ECF within 10 working days.
16. If there is no notice of suspension, the Bank shall normally allow account holder(s) to make withdrawals as specified in the conditions in the 'Request for Savings Account Opening'. The balance of the Savings Accounts will then gradually decrease over time according to the specified withdrawals. At the time of the last withdrawal the account holder(s) will have the option of keeping their Savings Accounts for their own personal unrestricted use.

Article VI. Reporting

17. The Bank shall provide a branch-wise half-yearly report to WWF concerning all Savings Accounts of participating individuals/ CBOs using the format attached to this contract.

Article VII. Responsibilities of Parties

A. RESPONSIBILITIES OF WWF

18. WWF will ensure the accuracy of all details in the 'Request for Savings Account Opening' provided to the Bank.
19. WWF will inform the Bank in a timely manner regarding the suspension (at least 5 working days prior to the withdrawal date) or permanent closure of a Savings Account.

B. RESPONSIBILITIES OF _____ Bank

20. The Bank will ensure the timely opening of Savings Accounts at the appropriate branches on receipt of the relevant 'Request for Savings Account Opening'.
21. The Bank will open and manage the Savings Accounts and allow withdrawals by account holder(s) in compliance with the conditions stated in this contract and the respective 'Request for Savings Account Opening'.
22. The Bank will direct its respective branches to responsibly carry out all matters related to the Savings Accounts and provide the relevant data as required.
23. The Bank will make compensation for damages caused by any non-compliance with the responsibilities stated in this contract.

Article VIII. Disputes and Settlement of Disputes

- 24. Any dispute arising between two parties shall be settled through friendly negotiation on the basis of the contents of this contract, as well as any amendment and/or supplement signed later by the Parties. If such dispute is not settled or the result does not meet the demand of either or both the Parties, it shall be referred to _____ for settlement.
- 25. Contractual conflicts will be settled according to the prevailing law of _____.

Article IX. Correspondence

- 26. All correspondence required or permitted to be given under this contract shall be delivered personally or sent to the other party by registered letter or fax and addressed as follows (or to any other address that may have been officially notified by the addressee to the other party):

WWF

_____ **Bank**

Article X. Miscellaneous

- 27. Any amendments or additions to this contract are valid only after both parties have reached a mutual consent in writing.
- 28. In the event of any provision of this contract being invalid, this shall not affect the validity of the remaining provisions. Any gap in consequence thereof shall be filled by a provision consistent with the purpose of this contract, agreed by both parties in writing.
- 29. This contract will take effect upon the signing date.
- 30. This contract is made in _____ copies of original in _____ language.

Date:

Signed:

WWF

Individual/ CBO signatories

WWF CAUCASUS
SOUTHERN CAUCASUS ECO-CORRIDOR FUND FOR THE CAUCAUS (ECF)

Summary Quarterly Report on Savings Accounts

Bank: _____ **Branch:** _____

Period: _____

Items	Carried from Previous Period	Current Period	Balance at End of Current Period
1. Total nr. of opened Savings Accounts			
2. Total balance in opened Savings Accounts			
3. Annual interest rate			
4. Total amount eligible for withdrawal from Savings Accounts			
5. Total amount actually withdrawn from Savings Accounts			
6. Total nr. of temporarily suspended Savings Accounts			
7. Total amount temporarily suspended			
8. Total nr. of closed Savings Accounts			
9. Total amount in closed Savings Accounts			

Prepared by

Confirmed by

Date:

Date:

Signed:.....
Manager of _____ ***Branch***

Signed:.....
 _____, ***Head Office***

Annex IV
Account Opening Request Form Template

WWF CAUCASUS
SOUTHERN CAUCASUS ECO-CORRIDOR FUND FOR THE CAUCAUS (ECF)

Request for Savings Account Opening

To:

The Manager

_____ **Bank**

Ref: Opening and Management of Savings Account

As per the contract between the WWF/ECF and _____ Bank dated _____ we hereby request the opening of a Savings Account as follows:

Branch:

Individual

Name:

ID nr.:

Address:

Sample signature:

CBO

Name:

Address:

Names of signatories:

Name	ID Nr.	Position	Sample signature

Account Details

Total initial amount:

Period of Conservation Agreement:

Withdrawal amount:

Withdrawal frequency:

Withdrawal schedule:

Nr.	Date	Amount	Note
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

Note:

A copy of the ID card(s) of the account holder(s) is attached. At the time of collection of the account passbook, the account holder(s) will present their original ID card(s).

Date:

Signed:

Annex V
Sample Audit Terms of Reference

WWF CAUCASUS
SOUTHERN CAUCASUS ECO-CORRIDOR FUND FOR THE CAUCAUS (ECF)

Terms of Reference

External Audit

1. Context

The Eco-Corridor Fund for the Caucasus (ECF) was set up within the WWF Caucasus Office, initially with funding from the German Government through the German Development Bank (KfW).

An agreement between WWF and KfW was signed in _____ and implementation started in _____. WWF is fully responsible for the operation and management of the ECF.

The purpose of the ECF is to introduce funding for ecologically sustainable land use in selected eco-corridors in the Caucasus and thus contribute to interlinking protected areas and enhancing their ecological stability.

The initially selected ecological corridors are:

- South Eastern Lesser Caucasus Corridor in Armenia.
- Greater Caucasus Corridor in Azerbaijan.
- Western Lesser Caucasus Corridor in Georgia.

The objective of ECF is to contribute to the conservation and sustainable use of biological diversity without reducing the income of the local rural population. “Conservation Agreements” for specific measures are concluded with those managing the land according to long-term land/resource use plans. Payments under these agreements ensure that opportunity costs for a biodiversity-focused management of land are covered, and thus that land use practices (including community conservation areas) compatible with the principles of sustainable land use in ecological corridors are applied.

The payments are made in regular rates over a period of several years through local banks. Saving accounts are opened in the name of the beneficiaries and the ECF transfers the full amount agreed upon in the Conservation Agreements to the beneficiaries’ accounts. The beneficiaries then withdraw money from their saving accounts on a regular basis after having complied with the agreed contractual obligations.

2. Objective and Scope of the Audit

The objective of the external audit of the ECF is to enable the Auditor to express a professional opinion on the appropriate application of donor funds, whether the operational procedures defined by the ECF have been followed and whether the reporting and monitoring of the use of funds is adequate and correct.

In addition, the Auditor should comment on the accounting records, systems, and controls that were examined during the audit, as well as general management issues and any other matters identified during the audit that might significantly affect the future implementation of the ECF.

As part of the audit process, the Auditor should visit WWF offices, as well as the respective branches of the Partner Financial Institutions (PFIs) in each country.

For the purposes of testing, the Auditor is also required to visit a representative number of account holders in each country.

The external audit is carried out in accordance with the International Financial Reporting Standards to the extent applicable and will include such tests and controls as the Auditor considers necessary under the circumstances.

The audit shall be carried out annually.

3. Key Audit Areas

The audit is carried out at four levels: the WWF Caucasus Programme Office, the WWF country offices, related branches of the PFIs and participating individuals/community-based organisations (CBOs).

a) WWF Caucasus Programme Office and Country Offices

Apart from financial auditing, the Auditor shall:

- verify that transfers to PFIs for opening Savings Accounts are based on properly completed Conservation Agreements with participating individuals/CBOs and that the amounts for each account have been correctly calculated from the cost norms defined in the respective 'Menu of Measures';
- comment on accounting records, systems, and controls that were examined during the audit, including but not limited to adherence to policies and procedures in the ECF Operations Manual;
- recommend improvements where specific weaknesses are identified in any of the above systems and controls;
- communicate any other matters identified during the audit that might significantly affect the future implementation of the ECF, or that the auditor considers pertinent.

b) PFI Branches

Apart from financial auditing, the Auditor shall:

- verify that the bank has overall fulfilled its responsibilities according to the framework contract with the ECF;
- verify the existence of all Savings Accounts, the names of the account holders and the sum of each account according to the details provided to the bank by the ECF;
- verify adherence to provisions on the management of Savings Accounts provided to the bank in the 'Request for Savings Account Opening', in particular provisions regarding timeliness of accounts opening and fund transfers, interest rate on the accounts, charges/fees to account holders and withdrawal limits;

- verify that the bank has carried out the suspension of money withdrawal from accounts for which a written notice of temporary suspension has been sent by the ECF;
- verify that the bank has closed accounts for which a written notice of closure has been sent by the ECF and any remaining funds returned to the ECF;
- comment on accounting records, systems, and controls that were examined during the audit;
- comment on general management issues as appropriate;
- recommend improvements where specific weaknesses are identified in any of the above systems and controls;
- communicate any other matters identified during the audit that might significantly affect the future implementation of the Savings Accounts, or that the auditor considers pertinent.

c) Participating Individuals/CBOs

The Auditor shall visit a sample of the participating individuals/CBOs to reconcile their records with those of the respective PFI branches. The Auditor should select a sample for review at the PFI branch and with information from the bank's records visit the account holders, for verification that transactions have been recorded correctly. The Auditor checks the following information against the information contained in the bank's records:

- Existence of account passbook
- Name of account holder(s)
- Original amount transferred to the account
- Withdrawals – how many, how much, any missed?
- Interest received
- Any charges paid
- Account suspension and any subsequent withdrawals
- Account closure

The auditor should also check the above information against the signed Conservation Agreements and respective monitoring reports.

4. Outputs

The Auditor shall prepare a full report on his findings, including financial, management and organizational issues and any other matters identified during the audit that might significantly affect the future implementation of the ECF and Savings Accounts, or that the Auditor considers pertinent.