

The Bangladesh Tropical Forest Conservation Fund

Preventing and Arresting Accelerating Species Loss in Bangladesh

Task Order under the Biodiversity & Sustainable Forestry IQC (BIOFOR)

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ACRONYMS

A&F	Administration and Finance
ADB	Asian Development Bank
BIOFOR	Biodiversity and Sustainable Forestry IQC
BTFCF	Bangladesh Tropical Forest Conservation Foundation
CIDA	Canadian International Development Agency
COP	Chief of party
CPF	Contributory Provident Fund
CTO	Compensatory Time Off
DoF	Department of Forests
EF	Environmental Fund
GOB	Government of Bangladesh
ICDP	Integrated Conservation and Development Program
IME	Increment on Merit Enhancement
IQC	Indefinite Quantity Contract
MoEF	Ministry of Environment and Forests
NGO	Nongovernmental Organization
OTA	Overtime allowance
PA	Protected area
RFP	Request for Proposal
TA	Travel Allowance
TFCA	Tropical Forest Conservation Act
TOR	Terms of Reference
USAID	U.S. Agency for International Development

Executive Summary

Chemonics International Inc. is pleased to present this task order report documenting our efforts to help create the Bangladesh Tropical Forest Conservation Foundation, and to help create the business procedures for the operation of the foundation. The USAID/Bangladesh task order is issued under USAID's Biodiversity and Sustainable Forestry IQC No. LAG-I-00-99-00014-00.

In fulfillment of the tasks and deliverables specified in the task order, we have organized our report to address the following:

- Procedures for the establishment of the Bangladesh Tropical Forest Conservation Foundation (Section II)
- Design of the staffing pattern and position descriptions (Section III)
- Investment plan of the trust fund that will ensure a real rate of return (Section IV)
- Financial and administrative procedures for providing grants to NGOs and for BTFCF management (Section V)
- Procedures for annual audits, work plans, and reports (Section VI)
- Bylaws and administrative procedures (Section VII)

Each of these areas is discussed in detail in our report in Sections II-VII. Section I provides background and a context for the recommendations and procedures developed for each area. Highlights of each section are presented below.

Procedures for the Establishment of the Bangladesh Tropical Forest Conservation Foundation

Bangladesh is in imminent danger of losing its forest-based biodiversity assets. Outside the Sundarbans, only tiny patches of forests remain. If current trends continue, these will be gone in 10 to 15 years.

Given the dire deforestation situation in the country, the U.S. and Bangladesh governments signed an agreement to establish the Bangladesh Tropical Forest Conservation Fund (BTFCF), to be funded with local currency provided through a debt reduction program on interest payments. In assessing how to set up this foundation under Bangladesh law, the design team identified several options.

Under the first option, over the short term, the sponsors delay formally registering the BTFCF as a legal entity under Bangladesh's current non-profit registration acts. Instead, they concentrate their immediate efforts on setting up the BTFCF as a bilateral project between the U.S. and Bangladesh governments based on the Tropical Forest Conservation Act (TFCA) Agreement signed between the two countries. This allows development of a project that can be initiated swiftly, avoids legal complications associated with registration of the entity, will result in additional implementation flexibility, and ensures that it becomes aligned with the appropriate

Government of Bangladesh agencies. After several years of operations experience, the BTFCF will make a transition from a project framework to a legal entity established through an act of the Bangladesh Parliament. In this way, the foundation, a unique entity in Bangladesh, will be endowed with the precise legal definition it requires for long-term success.

The “project” model initially operates on a modest scale financed primarily by debt reduction funds. But over five years, it develops a significant permanent endowment (from \$10-25 million contributed by the private sector, the U.S. government, and other donor sources), and additional project funds. At this point, the BTFCF will finance its operations and grant making through income earned from its endowment rather than being directly financed by debt reduction funds generated by the TFCA Agreement.

To initiate the project model, the Ministry of Environment and Forests will prepare a project implementation document with assistance from USAID that includes goals, objectives, operations procedures, a provisional first annual plan, and any other details needed to establish a bilateral project in Bangladesh. The project document includes, by reference, all elements of the TFCA Agreement. A BTFCF project board is established, and the Governments of Bangladesh and the United States declare the project underway.

The second option is to immediately register the BTFCF as a legal entity for its initial five-year period. If this option is selected, the team recommends registration under the Non-Profit Companies Act because it can be accomplished quickly, and because the act’s provisions are reasonably aligned with the needs and purposes of the BTFCF. A number of interested, qualified observers have raised the concern that such registration would create a disincentive for transition later to an entity created by an act of the Bangladesh Parliament, a development supported by 80 percent of the people interviewed by the team on this issue. They also pointed out the disestablishment of a registered entity is more difficult than is generally thought.

The procedures associated with registration under the Non-Profit Companies Act are straightforward. The sponsors identify a board of directors that applies for registration. The registration includes bylaws, articles of association, and any other provisions needed for the smooth operation of the BTFCF. Once the registration is complete, activities can commence.

For either option, the TFCA Agreement should be incorporated by reference into the entity’s bylaws as they constitute the understanding between the Bangladesh and U.S. governments regarding creation of the BTFCF. Doing so will avoid confusion over precedence.

For both options, the team recommends implementation of a parallel but independent BTFCF support project funded by the U.S. government. The 24-month project will provide a technical advisor to the BTFCF to assist the board and executive director on small foundation operations, tropical forest conservation, grant making and monitoring, strategic and annual planning, and fundraising. The technical advisor will bring lessons learned from other environmental foundations so the BTFCF can benefit from their experience.

Section II further details our strategy and steps for creating the BTFCF.

Design of the Staffing Pattern and Position Descriptions

The five-member board outlined in the Tropical Forest Conservation Act Agreement will direct the BTFCF. Selection of appropriate board members is critical to success. The board will hire an executive director to coordinate and execute with board guidance all necessary actions required for its adequate functioning, including the hiring of necessary support staff with board approval.

The key management issues facing the BTFCF include the following:

- Establishing transparent processes for developing program priorities and selection of project activities
- Establishing efficient structures and processes that meet management objectives within a constrained budget (usually a percentage of the fund's assets or returns)
- Developing reliable sources of technical expertise for managing assets, planning and administering programs, raising funds, and selecting and supervising projects
- Monitoring performance of the investment portfolio and the program portfolio, and incorporating lessons to improve future management

Underlying these issues is the question of leadership in a small initiative such as the BTFCF. In many cases, early success of environmental foundations is attributed largely to a single individual. This is commonly the executive director or board chairman. In the best circumstances, this person's personal attributes (i.e., standing in the community, influence with key constituencies), and commitment to the goals and purposes of the new entity make it possible for diverse stakeholders to agree to a program of action, and for the foundation itself to exercise discipline in carrying that program out. The question of management and staffing is as much an issue of who can exercise this kind of leadership as it is an issue of what skills and disciplines to emphasize in recruitment.

A management unit headed by an executive director appointed by and responsible to the board will carry out day-to-day management and administration of BTFCF activities. The unit is responsible for:

- Preparation of annual work plans and budgets
- Development and implementation of systems for recruiting, receiving, reviewing, and selecting proposals
- Development and implementation of systems for financial management and administration, and supervision of project activities
- Identification of needs for capacity building, and development of strategies to meet those needs

- Audits and other transparent systems for financial accountability
- Regular reporting to the board on program and project implementation
- Development and implementation (in conjunction with the board) of strategies for fund raising

The BTFCF will recruit locally for technically qualified professional and support staff, striking an appropriate balance between paying enough to attract good people and creating conditions in which their own staff exhibit dedication and commitment commensurate with that of their grantees.

The percentage of assets available for administrative costs is very limited. Therefore, the BTFCF management unit will be kept lean, initially an executive director, a part-time financial manager, one project/technical officer, a secretary, a driver, and an office cleaner. This will likely lead to a preference for short-term and consultant expertise, and especially, developing expertise within other national organizations that can be contracted to provide services, over building permanent staff for the foundation. Some functions of staff positions mentioned above may be contracted out to other organizations but caution is advised as EF experience with doing so has been mixed.

The BTFCF should keep their operating expenses in the 25-30 percent range (in line with international EF experience), but this will likely come at some cost to the foundation as an institution, particularly in its ability to develop technical expertise. In general, the smaller the endowment or budget, the more difficult it is to stay within operating cost ceilings.

Finally, the BTFCF will benefit from a full-time technical advisor placed within it (supported by an external donor) for the first two years of operations to help with developing an effective team, implementing project selection and oversight, start-up, and foundation development. This support activity, which will run “parallel” with BTFCF startup, is described in more detail in Section II, as well as additional staffing details.

See Section III for the detailed position descriptions and more staffing discussion. A proposed personnel policy geared to Bangladesh conditions is provided in Annex K.

Investment Plan of the Trust Fund that Will Ensure a Real Rate of Return

According to BTFCF objectives as set out in the task order, the fund seeks to make prudent investments and achieve a positive real rate of return. In the absence of other constraints, these objectives typically would dictate a split between safe fixed-income instruments and equities. Important constraints disclosed since the task order for BTFCF include the following:

- At present there is no endowment fund to be invested. The TFCA Agreement provides for incremental payments to the BTFCF over 19 years. If invested incrementally, there will be little money realized for operations or grant making. Instead, we recommend the first 2-5 years of BTFCF operations be financed by the incremental payments made available through the TFCA Agreement, and used as a self-liquidating fund. To the extent

that additional funds are raised for an endowment or to finance operations, the TFCA Agreement incremental payments can be protected or invested so that interest income can be realized and used.

- While the TFCA permits conversion of local currency to U.S. dollars for investment purposes, no one consulted in Bangladesh viewed this as feasible. Thus, investment will likely be made in local currency in Bangladesh, which represents an investment risk beyond that recommended by foundation investment advisors.

To shed light on options, the team's investment advisor developed four scenarios for consideration. These hypothetical scenarios range from investing the TFCA incremental payments to establish an endowment fund to supplementing incremental payments with \$25 million so sufficient investment income for grant making and basic operations is realized.

The first scenario is to invest the TFCA Agreement debt relief funds to develop an endowment. This scenario demonstrates that income realized is insufficient for the BTFCF to operate given reasonable assumptions. In the first year, \$36,000 is available; \$9,500 is available the second year, and \$82,500 for the third after modest expenses for grants. (Thus our recommendation for our suggestion to finance BTFCF operations from debt relief capital for the first 2-5 years, and not to treat these funds as an endowment for investment.)

For scenario 2, debt relief funds are invested, an additional \$5 million is available for endowment investment, and staff size is minimized to cover due diligence. Under scenario 2, approximately \$240,000 will be available annually in years 2 through 5.

In scenario 3, debt capital is spent the first two years, and then invested at year 3. The assumption is that operating and grant-making funds are donated from year 3 onward, while debt capital is protected. This will provide the BTFCF with approximately \$1.1 million in year 1 for grants, \$676,000 in year 2, but \$0 in year 3, and about \$50,000 in years 4 and 5.

Scenario 4 is based on an estimate of the funds needed to establish a permanent foundation with enough resources to achieve important biodiversity conservation objectives into the foreseeable future. The team determined the size of the endowment required, approximately \$25 million. Obviously, a very significant inflow of endowment funds would be needed. Over five years, approximately \$1 million would be available for grants.

Instead of investing the TFCA Agreement's debt relief funds, the team recommends using the funds to cover start-up expenses, operations costs, and grant making until other funds become available to endow the BTFCF, or to protect debt relief funds that can then be invested. This recommendation means that an average of \$800,000 will be available over the first five years of BTFCF operations.

Under any scenario, the BTFCF will need a qualified fiscal agent, although finding one at this time in Bangladesh is reportedly difficult. For the short term, we suggest naming an international bank such as Standard Chartered Grindlays as primary bank until a local fiscal agent is hired.

This relationship with an international bank will allow the appointment of an international fiscal agent to assist BTFCF.

Our detailed investment policy statement is presented in Section IV. The statement applies to the assets held in trust with respect to the BTFCF and contains investment objectives, investment guidelines, and monitoring procedures.

Financial and Administrative Procedures for Providing Grants to NGOs and for BTFCF Management

Final authority for making grants rests with the BTFCF board, which reviews all proposals found to be within the foundation's mandate. The board will meet quarterly to act on grant requests after the staff has carefully reviewed proposals. As a general rule, F&A procedures should allow an applicant to hear the board's decision within 90 days from the time the proposal is received.

Grant-making F&A procedures are influenced by the BTFCF's own strategy, the purposes and size of grants, the nature of outcomes desired, the type of synergy needed among grantees to establish working partnerships, and due diligence requirements. The minimum staff configuration includes four functions: grant making, grantee assistance, accounting, and monitoring.

The greatest challenge for new environmental foundations is to keep their grant making focused geographically and strategically. Many environmental fund portfolios are weighted down with a large number of very small projects spread over an entire country that have little or no connection. The level of effort to manage such a portfolio is high and therefore costly, and grant impact is marginalized because there is no synergy.

Section V describes the RFP process, grant criteria, organizational capacity criteria, the proposal format, the grant review and approval cycle, accounting procedures, and a monitoring and reporting system.

The section also describes the elements and practices necessary to allow BTFCF officers to manage assets and resources in an efficient, trustworthy, and prudent manner, and provide accountability in financial management. It reviews six software packages so the foundation can adopt computer-based systems and overcome the weaknesses associated with low budget overheads.

Procedures for Annual Audits, Work Plans, and Reports

Internal control systems are an essential prerequisite to efficient and effective management of any organization. Thus, a primary responsibility of BTFCF accounting staff will be to establish and maintain an adequate system of internal controls appropriate to the size and nature of the entity. Before undertaking a detailed verification of the transactions, an auditor carries out a review of relevant internal controls in the organization. As a result of this review, the auditor can determine the degree of reliance that he can place on the various systems and procedures.

This section describes the procedures necessary to ensure that the BTFCF will operate with an adequate system of internal controls. By establishing such controls, the BTFCF will be confident that: transactions are executed in accordance with management's authorization; all transactions are promptly recorded in an appropriate manner to permit the preparation of financial information and to maintain accountability for assets; assets are safeguarded from unauthorized access, use, or disposition; and assets are verified at reasonable intervals and appropriate action is taken with regard to discrepancies.

Section VI presents our blueprint for establishing audit controls and procedures appropriate for an entity such as the BTFCF.

Proposed Bylaws and Administrative Procedures

This section presents the team's suggestion for establishing bylaws that incorporate essential sections of the TFCA Agreement and essential features of conservation foundations. The bylaws can be used as articles of association for registration under the Non-Profit Companies Act, or as rules of procedure for a project if the decision is made not to immediately register the BTFCF.

The design team assumes the BTFCF board will amend the proposed bylaws.

Section VII presents a detailed set of guidance that describes the basis for the BTFCF; the objectives and means of the foundation; its activities, powers, and duties; operating principles; and governance.

Lessons Learned

Many of the team's conclusions and recommendations identified during the design of the BTFCF are consistent with expensive lessons learned elsewhere. The Chemonics BIOFOR team therefore has sought to elucidate these recommendations in the context of the BTFCF for the benefit of other environmental trust fund developers in, "The Ten Commandments of Conservation Trust Funds" (see Annex A).

SECTION I

Background and Context

To help design the Bangladesh Tropical Forest Conservation Foundation as described in the USAID/Bangladesh BIOFOR task order, a four-person Bangladeshi-international team worked in Bangladesh for seven weeks during November-December 2000. The team, composed of an organizational development specialist, an endowment advisor, a financial management system specialist, and an environmental attorney conducted some 115 interviews with key stakeholders (see Annex J) to gather information on forest biodiversity conservation needs, and current strengths, weaknesses, and opportunities the BTFCF might address.

The interviews revealed that the GOB, along with the local/international conservation communities, perceives a biodiversity loss of emergency proportions in Bangladesh. The great majority of interviewees recommended that the BTFCF position itself to play a significant role in initiating, coordinating, and supporting coalitions of organizations to implement strategic conservation programs at remaining forest fragment sites in Bangladesh. The team learned that BTFCF faces significant constraints in taking on this role, and that the outcome — even if all goes well — will not be able to known for at least 10 years.

Before laying out our approach for creating the foundation and proposed procedures under which it would operate, we first briefly highlight some findings from this assessment, including the *condition of forests in Bangladesh*, the *status of biodiversity conservation*, the *dynamics of biodiversity loss* in the country, and *grant portfolio considerations for the BTFCF*. These topics are summarized in the following paragraphs and extensively presented in Annexes C-F at the end of this report.

Please also see Annex B for the original terms of reference for the design team, Annex G for a discussion of conservation fund development, Annex H for a summary of the Tropical Forest Conservation Act, Annex I for the full text of the Tropical Forest Conservation Act Agreement negotiated between Bangladesh and the United States, Annex J for highlights of the team's findings from 115 interviews, Annex K for a proposed personnel policy, and Annex L for a table of information on new environmental foundations.

A. The Condition of Forests in Bangladesh

The last 10-year trend reveals a serious decline of “natural” forest habitat due to land-use changes for agriculture, settlement, development, and unsustainable forest product harvests — both legal and illegal. Outside the Sundarbans, only tiny patches of forests remain, and these are under severe fragmentation pressure. These patches house what remains of a biologically viable representative population of Bangladesh's biodiversity, likely a total area less than 300 km². Sundarban trends are very discouraging in spite of its designation as a World Heritage Site, international and local NGO conservation support, and multilateral-funded project assistance. Though a current natural forest inventory is unavailable, satellite imagery indicates that forest cover has been reduced more than 50 percent since the 1970s. Estimates in 1990 revealed that

Bangladesh had less than 0.02 ha of forestland per person — the lowest forest-to-population ratios in the world.

Inventories show an overall depletion in forest stocks in all the major forests. About half of the land area controlled by the DoF lacks tree cover. The major direct cause of deforestation is land clearing for agriculture, principally through shifting cultivation in the hill forests, and felling for the timber industry related to the current building boom in Dhaka. Other causes include land-use changes related to social forestry projects, forestland encroachments, grazing, fire, uncontrolled commercial logging, illegal felling, and fuel wood collection.

Bangladesh's low land-area-per-capita ratios illustrate the intensive competition for the very limited land resources. While existing forest cover is lost on a large scale, there are very small gains by afforestation of denuded areas and newly accreted land, but these gains are far less than are needed to protect vital environmental services, and they do not significantly enhance biodiversity conservation. Local wood supply cannot keep up with the demand for raw materials resulting in shortages and increased use of imports. Biomass fuels are predominantly used in household cooking. Outdated, inefficient technology is evident in forest resource harvesting and manufacturing, resulting in unnecessary waste.

See Annex C for a detailed discussion of the condition of forests in Bangladesh.

B. Status of Forest Biodiversity Conservation

The 15 formally protected areas (PAs) in Bangladesh occupy an area of 110,223 ha, or about .75 percent of the land area of the country. This is well below the target of 5 percent established by the Wildlife Task Force in 1986 and the target of 12 percent recommended by the world Commission on Environment and Development.

Two sanctuaries account for 54 percent of the total protected area and one of these, Pablakhali, the largest in the country, is of questionable biodiversity value. Several national parks were established for historical and recreation value and have little conservation value. Three protected areas are less than 1,000 ha in size. No systematic field evaluation of any of the protected areas has been done in more than 10 years. As a result, little current information exists on the state of forest cover, wildlife populations, or human activity.

Administration of the existing protected areas in Bangladesh is nominally under the administrative jurisdiction of the Forest Department. However, no staff has ever been identified as responsible for protected areas. This function was generally considered to be a role of the Wildlife Circle, an interagency group that was abolished in 1983. Since then, no department or agency has had the mandate or capability to properly manage or protect any of these protected areas. No headquarters or divisional staff is assigned to this task.

At the field level, protected areas are administered as part of the regular duties of range officers and forest guards. In general, the protected area is considered part of the reserve forest. The administration of protected areas is hampered because boundaries often do not coincide with Forest Department boundaries of ranges, compartments, and blocks.

Four of the protected areas in Bangladesh are to some degree protected and serving the purposes for which they were created. These are the three Sundarbans wildlife sanctuaries and Bhawal National Park, all of which have forest guards stationed within them who provide limited protection. Unfortunately, this situation is quickly changing as pressure mounts from poaching, logging, and land conversion for shrimp farming.

Annex D provides additional detail on the status of forest biodiversity conservation in Bangladesh.

C. Dynamics of Biodiversity Loss

Based on current trends, the best descriptor for Bangladesh's environmental status in 2000 is "overshoot" — going beyond limits inadvertently, without intending to do so. Absent changes in current trends, Bangladesh will have joined the hotspot ranks. There are three main causes of overshoot in Bangladesh. The first is unprecedented, rapid change. The most significant of these are: population growth, political transformation, and greatly accelerated harvesting activities by extractive industries in advance of improved GOB environmental management capacity. Accelerating change is outstripping Bangladesh's management capacity, even as it grows, overwhelming its nascent political institutions, and leading to extensive breakdowns of the ecological systems on which Bangladesh's biodiversity and economy depend.

The second overshoot factor is poor understanding or regard for the limits or barriers beyond which change should not go. Several regions are extracting water at twice the recharge rate, causing chronic drought in several hundred villages. In general, the carrying capacity and limits of Bangladesh's ecosystems to deliver environmental services remain poorly understood, and any concern about it has had little discernable impact on national development activities.

The third overshoot factor is difficulty in controlling the impacts of rapid change in Bangladesh because of inattention, faulty data, delayed feedback, inadequate information, slow response, or simple momentum. Change is too fast and signals are late, incomplete, distorted, ignored, or denied. All these factors play a significant role in environmental decline, but progress in grasping their impact is being made. Small groups of "systems thinkers" from the natural, social, political, and economic sciences are studying the patterns of interconnection that cause growth, decline, oscillation, and overshoot in the system, looking for connectivity among driving forces. Their work is very recent here, and the analytic frameworks needed to successfully bridge disciplines remain to be developed. Environmental journalists play a significant role in this process.

See Annex E for a detailed discussion of the dynamics of biodiversity loss in Bangladesh.

D. BTFCF Grant Portfolio Considerations

Given the condition of forests and forest-associated biodiversity in Bangladesh as described above (see Annexes C-E), the question must turn to what can be done about it, especially given other donor's large investments in the forest and biodiversity conservation sectors. When asked for suggestions, the answer most frequently given by interviewees was that the Bangladesh Tropical Forest Conservation Foundation should adopt integrated conservation and development (ICDP) approaches to forest protection.

The design team’s findings suggest that any forest and biodiversity conservation in Bangladesh will have to be integrated with local community development to have any chance of success. We conclude that such an approach will be a major part of the public discussions associated with BTFCF set up and operations. Although the design team agrees that ICDPs are a necessary approach to addressing forest and biodiversity conservation issues in Bangladesh, such approaches are complicated to design and implement. There will be many examples that can inform the BTFCF’s likely initiatives in this arena. But other activities should be considered so there is an appropriate fit between the BTFCF objectives and capacity.

Given the limited success so far of protected areas (PAs) and ICDPs in other countries, the GOB should consider other, more radical models to create conservation incentives. The GOB might consider inviting tenders for the management of individual PAs, as follows. GOB would commit to taking whatever steps were necessary to protect a particular PA — perhaps for 25 years — while allowing independent monitoring. Interested parties (such as development agencies, NGOs, and private-sector organizations) would then bid the amount they would be prepared to pay to secure this PA, payable over the full term of the agreement as long as the GOB continued to live up to their protection commitment. If adequate offers of international funds were not forthcoming, the GOB could then decide whether to finance conservation domestically (perhaps based on an assessment of watershed protection, tourism potential, or other national economic benefits) or to turn the PA over to other uses. Such an approach could help to sharpen the currently vague discussion on the level of financial resources that richer nations should transfer to developing countries to support biodiversity conservation in the global interest.

Clearly, one of BTFCF’s important roles will be to bring innovative conservation experience and mechanisms to Bangladesh.

See Annex F for a more detailed review of BTFCF grant portfolio issues.

E. Conservation Fund Development, USAID Experience, and the BTFCF

Conservation foundations are maturing into dynamic focal points for conservation. These are places where talented people and organizations can develop strategic (holistic in Bangladesh) approaches to conservation that cut across traditional political, administrative, and cultural boundaries. Having resources to act quickly, the funds can respond to emergencies, opportunities, and long-term problems. Even so, weaknesses, especially at startup, are apparent.

Overall, conservation funds are not achieving many high-level conservation objectives, especially in the area of biodiversity conservation. In this context, “high-level” means that a biologically significant representative sample of the host country’s biodiversity assets is effectively conserved. Most funds are immature organizationally and are challenged by the following:

- Weak conservation strategies
- Inability to deal with powerful special interests
- Insufficient government support
- Inadequately trained staff

- Inappropriate donor interference
- Demand-driven, unfocused grant making
- Poor board performance
- Lack of enabling bureaucracy
- Financial mismanagement and malfeasance
- Lower-than-expected endowment returns
- Inability to meet expanding demand for services
- Too much investment in models
- Insufficient capacity to support integrated conservation and development projects
- Poor appreciation for the complex nature of integrated conservation and development approaches to biodiversity conservation
- Insufficient appreciation of organizational development and lifecycles

To achieve truly significant conservation objectives, conservation funds must engage in communication, coordination, cooperation, and partnership with existing organizations. In doing so, a new fund will dramatically reduce its learning curve and prevent the common problem of slipping into isolation. With well-planned partnerships built into the organizational design, the impact of the issues described above can be dramatically reduced.

The most successful conservation funds employ a simple but effective strategy: finance and support responsible individuals and entities working together in high-priority areas to perform and monitor essential private and public conservation functions that *must* be performed on time and at the appropriate level of quality if conservation objectives are going to be achieved.

For Bangladesh, the BTFCF will ask, what are these essential conservation activities, and who is or is not doing them? What help do they need to dependably perform these essential activities, and how can they get it? What must the organizational landscape look like five years from now to achieve significant conservation objectives? What resources and incentives are needed to make it happen? Finally, who is monitoring the “total” tropical forest conservation effort so that synergy among conservation investments can be realized?

These are critical questions the BTFCF will consider as it develops its objectives, strategy, and structure.

Annex G provides additional detail about conservation foundation development, USAID experience with endowed funds, and the BTFCF.

SECTION II

Procedures for the Establishment of the Bangladesh Tropical Forest Conservation Foundation

A. The Tropical Forest Conservation Act and the Agreement

Because of their mutual concern for the decline in Bangladesh's tropical forests and its biodiversity, the governments of Bangladesh (GOB) and the United States agreed to establish the Bangladesh Tropical Forest Conservation Fund (BTFCF), to be funded with local currency provided through a debt reduction program on interest payments. Approximately \$7 million in local currency is available over 19 years on a declining payment schedule. Bangladesh is the first country to benefit from the innovative debt-for-nature swaps authorized under the 1998 Tropical Forest Conservation Act (TCFA). The act provides for debt relief in selected countries, with the local currency equivalent to be used for tropical forest and associated biodiversity conservation.

Under the 1998 law, two agreements have been negotiated with the Government of Bangladesh. One agreement treats the outstanding debt with debt relief, and the other, the TFCA "Agreement" (see Annex I for the full text) establishes a conservation fund entity, the Tropical Forest Conservation Fund, and an administering board to promote activities designed to conserve, maintain, or restore the tropical forests of Bangladesh.

When the United States and Bangladesh signed the TCFA Agreement, they incorporated key provisions from the 1998 law into the Agreement. The team recommends that the language of the act, as expressed in the bilateral TFCA Agreement, be the basis for BTFCF's goals, purposes, objectives, grant criteria, articles of association, governance, and operations. High priority essential additions can be made in a bilateral Memorandum of BTFCF Project Implementation or in a registered entity's bylaws. The most relevant sections of the TFCA influencing BTFCF design are excerpted in the box on the following page.

B. Background and Legal Issues

The TFCA Agreement provides guidance on setting up the BTFCF. It describes board constitution and operations, purposes, and other covenants related to fund operations. The team initially assumed that the BTFCF would be registered under one of four Bangladesh nonprofit entity registration acts. However, following interviews with key stakeholders and other organizations that have established foundations in Bangladesh, we recommend that an interim entity be established for several years.

The primary reason is that the nonprofit registration acts all have activity and/or organizational structure limitations that may conflict with the TFCA Agreement. The BTFCF will require an unusual level of flexibility and protection to achieve its potential, and we believe this can be best accomplished through an act of the Bangladesh Parliament. Several other foundation-like mechanisms have been established in this way, with good results because the acts provide for their specific needs.

TCFA Language Incorporated in the TCFA Agreement

Administering Body

“(1) *In general.* Amounts disbursed from the Fund in each beneficiary country shall be administered by a body constituted under the laws of that country.

(2) *Composition.*

(A) *In general.* The administering body shall consist of:

- (i) one or more individuals appointed by the United States Government;
- (ii) one or more individuals appointed by the government of the beneficiary country; and
- (iii) individuals who represent a broad range of:
 - (I) environmental nongovernmental organizations of, or active in, the beneficiary country;
 - (II) local community development nongovernmental organizations of the beneficiary country; and
 - (III) scientific, academic, or forestry organizations of the beneficiary country.

(B) *Additional requirement.* A majority of the members of the administering body shall be individuals described in subparagraph (A)(iii)” (NGOs)

“(d) *Eligible Activities.* Amounts deposited in a Fund shall be used only to provide grants to conserve, maintain, and restore the tropical forests in the beneficiary country, through one or more of the following activities:

- (1) Establishment, restoration, protection, and maintenance of parks, protected areas, and reserves.
- (2) Development and implementation of scientifically sound systems of natural resource management, including land and ecosystem management practices.
- (3) Training programs to increase the scientific, technical, and managerial capacities of individuals and organizations involved in conservation efforts.
- (4) Restoration, protection, or sustainable use of diverse animal and plant species.
- (5) Research and identification of medicinal uses of tropical forest plant life to treat human diseases, illnesses, and health related concerns
- (6) Development and support of the livelihoods of individuals living in or near a tropical forest in a manner consistent with protecting such tropical forest.

“(e) *Grant Recipients.*

(1) *In general.* Grants made from a Fund shall be made to:

- (A) nongovernmental environmental, forestry, conservation, and indigenous peoples organizations of, or active in, the beneficiary country;
- (B) other appropriate local or regional entities of, or active in, the beneficiary country; or
- (C) in exceptional circumstances, the government of the beneficiary country.

(2) *Priority.* In providing grants under paragraph (1), priority shall be given to projects that are run by nongovernmental organizations and other private entities and that involve local communities in their planning and execution.

“(f) *Review of Larger Grants.* Any grant of more than \$100,000 from a Fund shall be subject to veto by the Government of the United States or the government of the beneficiary country.”

The team recognizes that differences of opinion exist among legal advisors in Bangladesh on this issue, but the weight of evidence supports offering the option.

B1. Legal Options for Setting Up the BTFCF

In assessing how to set up the foundation under Bangladesh law, the design team identified several options.

Option 1 — Project model. First, over the short term, the sponsors delay formally registering the BTFCF as a legal entity under Bangladesh’s current non-profit registration acts. Instead, they concentrate their immediate efforts setting up the BTFCF as a bilateral project between the U.S. and Bangladesh governments based on the TFCA Agreement signed between the two countries. This allows development of a project that can be initiated swiftly, avoids possible legal

complications associated with registration of the entity, will result in additional implementation flexibility, and ensures that the foundation becomes aligned with the appropriate Government of Bangladesh agencies.

After several years of operations experience, the BTFCF will make a transition from a project framework to a legal entity established through an act of the Bangladesh Parliament. In this way, the BTFCF, a unique entity in Bangladesh, will be endowed with the precise legal definition it requires for long term success.

The “project” model initially operates on a modest scale financed primarily by debt reduction funds. But over five years, it develops a significant permanent endowment (from \$10-25 million contributed by the private sector, the U.S. government, and other donor sources), and additional project funds. At this point, the BTFCF will finance its operations and grant-making through income earned from its endowment rather than being directly financed by debt reduction funds generated by the TFCA Agreement.

To initiate the project model, the Ministry of Environment and Forests will prepare a project implementation document with assistance from USAID that includes goals, objectives, operations procedures, a provisional first annual plan, and any other details needed to establish a bilateral project in Bangladesh. The project document includes, by reference, all elements of the TFCA Agreement. A BTFCF project board is established, and the governments of Bangladesh and the United States declare the project underway.

It may be necessary for the BTFCF to be registered under existing non-profit registration acts, primarily because it is familiar and because of the need for speed. Environmental foundation experience in other countries suggests that speed and ease of process may come at a high price through time. If the EF becomes involved in controversial activities, its establishing documents and legal limitations are studied carefully by those offended by the controversy.

Option 2 — Immediate registration. The second option is to immediately register the BTFCF as a legal entity for its initial five-year period. If this option is selected, the team recommends registration under the Non-Profit Companies Act because it can be accomplished quickly, and because the act’s provisions are reasonably aligned with the needs and purposes of the BTFCF. Several concerns about this option were raised by interested, qualified observers who stated that such registration would create a disincentive for transition later to an entity created by an Act of the Bangladesh Parliament, an objective supported by 80 percent of the people interviewed by the team on this issue. They also pointed out the disestablishment of a registered entity is more difficult than is generally thought.

The procedures associated with registration under the Non-Profit Companies Act are straightforward. The sponsors identify a board of directors that make application for registration. The registration includes bylaws, articles of association, and any other provisions needed for the smooth operation of the BTFCF. Once the registration is complete, activities can commence.

If option 2 is selected, the bylaws will have to include stipulations regarding how funds donated by private parties will be dealt with in the event that the BTFCF is dissolved for any reason. The

Non-Profit Companies Act calls for their division among the company “owners” or, in this case, the board. This provision might be a disincentive to donors who, if they donate large amounts of money, will likely want unspent portions returned in the event of BTFCF closure.

For either option, the TFCA Agreement should be incorporated by reference into the entity’s bylaws as they constitute the understanding between the Bangladesh and U.S. governments regarding creation and basic operations of the BTFCF. Doing so will avoid confusion over precedence.

B2. Parallel Support Project

For both options, the team recommends implementation of a parallel but separate BTFCF support project funded by the U.S. government. The 24-month project will provide a technical advisor to the BTFCF to help the board and executive director with foundation operations, tropical forest conservation, grant making and monitoring, strategic and annual planning, and fundraising. The technical advisor will bring lessons learned from other environmental foundations so the BTFCF can benefit from their experience and will be a primary source of information on conservation mechanism innovations around the world.

C. Constraints to Implementing the TFCA Agreement

The original TOR for the design team (see Annex B) included an assumption that the BTFCF would be registered as a trust, nonprofit company, or foundation. Upon review of the laws of Bangladesh related to setting up the entity, it became clear that synchronizing the Tropical Forest Conservation Act, the bilateral Tropical Forest Conservation Act Agreement, and registration requirements for these entity types will be very difficult. This conclusion was supported by the Canadian International Development Agency (CIDA), which has five years of experience setting up a government-associated foundation in Bangladesh. CIDA’s study concluded that setting up its foundation through an act of the Bangladesh Parliament was the best way to satisfy various interests. Overall, legal advisors expressed the view that limitations associated with all forms of NGO-type registration would unnecessarily constrain the BTFCF and make it difficult to conform to the TFCA Agreement. After consultations with organizations setting up analogous funds, foundations, and lending facilities, the design team agrees with this view.

This is why the BTFCF design team recommends that sponsors temporarily abandon formally registering the BTFCF in the interest of initiating a project modeled on the Agreement as soon as possible. In summary, the TCFA Agreement would become the basis for a project description to initiate BTFCF activities as a project for the first several years. The description would include all elements necessary to expand the covenants included in the original TFCA Agreement. To formally authorize this approach, the project description would become a “Memorandum of Understanding on Implementation of the BTFCF” between the GOB and U.S. government. It would include a two-year implementation plan, budget, governance procedures, and the option to establish a permanent foundation at a future time with agreement from the sponsors.

This approach simplifies set up considerably. The sponsors simply declare the BTFCF established under the existing agreement. There is extensive precedent for this under other

bilateral agreements that set up projects, such as the MACH. The concept avoids the hazards of registration as a trust or as a non-profit company.

In addition, the BTFCF project description would align the proper GOB entities with the initiative — the Ministry of Environment and Forests, in particular. The ministry would initiate the BTFCF project description via a project development consultation with the Mission. If other types of entity registration were to be done, the initiative would technically be under the authority of the Ministries of Commerce or Social Affairs.

D. Strategic Options: Role and Function of a Permanent Foundation

The core BTFCF strategy is to fund or cofinance implementation of an integrated set of forest biodiversity protection interventions and services at high-priority forest fragment sites, most of which are designated as protected areas. Projects are to be implemented by coalitions of NGO and government entities. In addition, the fund will advocate for the implementation of needed interventions by other agencies by providing decision and design-support information and strategic guidelines for conservation investments that, in total, address the constraints to effective conservation. Some constraints are not site specific, such as inadequate legal systems, but these will have to be addressed as well.

D1. Models and Approaches

Given the dire deforestation situation in the country, a large-impact entity that can take on complex conservation strategies involving legal reform, upgrading enforcement, creating alternative livelihood options, changing resource use practices, and modifying the behavior of powerful interests is clearly called for. The budget and human resources needed are well beyond the scope of any discussions held during the design process. But considering what may be possible to accomplish under the circumstances, a small, well-run entity that can strategically concentrate human and financial resources on forest biodiversity conservation *at high priority field sites* may have a higher chance of success. The team came up with two approaches for the latter model, as follows:

1. Establish a limited scope, self-liquidating, grant-providing institution, whose funding remains constrained to the GOB's debt repayment schedule. Significant work could be done in one geographic area by a staff sized to exercise due diligence. Impact on Bangladesh's forest biodiversity emergency would be limited but effective and at least one high-priority site might be saved. The BTFCF operates as a grant-maker and monitor. The main benefit of this approach is speed. But while speed is essential, organizational capacity to help deal with the situation is needed as well, both in terms of human *and* financial resources. Indeed, resources under this approach will simply be too small and time too short to bridge the significant gaps in forest conservation policy and practice. Half of the forest patch candidate sites will be lost within five years, and the others in 10-15. These periods are tiny in conservation terms and are barely adequate. A bridge between speed of response and longer term capacity is needed.
2. Create a more strategic player on the Bangladesh forest conservation scene that initially operates on a modest scale financed by debt reduction funds and donations. Over five

years, it develops a significant permanent endowment (from \$10-25 million contributed by the private sector, the U.S. government, and other donor sources), additional project funds, and top quality local staff. This entity establishes a strategic approach to priority forest and biodiversity conservation sites in Bangladesh, with impacts more likely to be significant relative to current negative trends. The BTFCF would operate as grant maker, catalyst, coalition builder, monitor, and essential conservation services provider.

The consultant team recommends that the BTFCF take on the role and function described in second option. Such a “big picture” approach is required to arrest rapid forest biodiversity loss, and none of the organizations interviewed is taking this approach. This approach better incorporates the original intent of the TCFA under which debt restructuring was originally provided. There is a sufficient pool of talented, committed Bangladeshi’s who could organize and implement the option. Finally, the option addresses the need for quick and significant action, without which the issue of forest biodiversity conservation in Bangladesh will be moot.

In either case, grant focus should be on an *integrated* set of grants at high priority sites, even if some of the work is not site specific such as forest conservation policy implementation planning. If this focus is lost, the BTFCF grant portfolio will not be strategic and will lose its potential for significant impact.

D2. Option 2 Implementation

Under option 2 described on the previous page, the BTFCF uses its own debt-reduction funds for the initial two to five years of the program. Operations begin within six months after the sponsoring governments establish the BTFCF program through joint development of a project paper that becomes a “Memorandum of Understanding on BTFCF Implementation.” All implementation details regarding activities, governance, and performance will be included in a project plan developed in a style familiar to governmental and nongovernmental organizations in Bangladesh. It will include forward plans on the conditions under which the BTFCF would become a foundation. Immediately after approval by the GOB and U.S. government, grants and contracts can be awarded for forest status assessment, biodiversity inventories, threats and intervention opportunity analysis, site-based strategic plan development, and coalition building. Alternatively, the BTFCF could be registered under the Non-Profit Companies Act with the caveats described above.

Phased implementation. Implementation of the BTFCF under Option 2 is envisioned in two phases. In *Phase I*, it is recommended that the BTFCF be supported by a parallel support project developed by USAID and the U.S. government with the support of the BTFCF board and the MoEF. The parallel project would provide a full-time advisor for two years. The total parallel budget is estimated at \$700,000.

Based on its initial two-to-five year record of operations and impact, well-established need, and donor interest, the BTFCF in *Phase II* will be established as a foundation, expand its program, and become a significant player in long-term forest biodiversity conservation. The objective would be an endowment fund of \$25 million. To the extent that other donors contribute funds, the BTFCF’s capital funds can be protected for an endowment fund. Additional grant-making

and operations support funds may be available from USAID through DA and 416 B, and from four potential donors that have expressed interest in the BTFCF's proposed program.

Geographic scope. An initial activity of the fund would be to identify tropical forests with sufficient biodiversity assets to make them worth a large investment of human and financial resources. This need not be a major time-consuming inventory effort. It is essential that qualified foresters study the viability of remaining forest patches so that BTFCF grants are not wasted in areas that are already too degraded to save. The geographic areas tentatively eligible for grants and services are Lawacharra National Park (Satchari), Roghu Nandan Wildlife Sanctuary, Rema-Kalenga Wildlife Sanctuary, Madhupur National Park, Chunati Wildlife Sanctuary, Teknaf Game Reserve, Sundarban Reserve Forests, Sangu Matamuhari Reserve Forest in the CHT, and other areas of the CHT to be identified.

Governance. The five-member board outlined in the GOB/USG Tropical Forest Conservation Fund agreement will direct the BTFCF. Selection of appropriate board members is critical to success, and criteria are offered in Section III of our report. The GOB and the U.S. government would retain veto power over grant decisions over \$100,000 during Phase I. In Phase II, the board would be expanded to nine members to allow wider representation from the nongovernmental sector and to strengthen the board's technical capacity.

E. Next Steps

A small BTFCF working group should be established immediately to follow up on tasks. Membership would be roughly along the same lines as board membership. Depending on the circumstances, members should be compensated. One member of the group should be the designated spokesperson for the BTFCF initiative, and therefore senior, well respected, and articulate.

If resources permit, a short-term organizational development/biodiversity specialist should be employed to help the setup working group. Following are some key activities and actions that need to be addressed:

- Hold a series of orientation consultations with key stakeholders to refine the BTFCF concept, and to engender local ownership and interest in submitting proposals.
- Employ a top quality manager who is not a candidate to 1) recruit for key BTFCF positions, 2) select financial and grant management management software and initiate customization, and 3) identify and negotiate for office space, vehicle lease, and all the administrative services required to establish the Foundation. This person will be the general assistant to the setup team.
- Appoint board of directors. Invest heavily in attracting the very best board members possible, even under time pressure, as they will set the tone and "energy" level of the Fund.

- Conduct a preliminary search for the executive director and finance manager. Narrow the field to three candidates so the new board can immediately initiate the selection process as its first order of business.
- From the material made available in this report and additional consultations, develop a BTFCF Project Paper with the DoF that it can use it to initiate the BTFCF project or register the BTFCF under the Non-Profit Companies Act.
- Employ executive director and finance officer under temporary contracts so they can initiate setup activities
- Complete development of USAID-financed parallel BTFCF support project that will provide a technical advisor to the BTFCF
- Circulate a tentative two-year work plan that details the first RFPs that will be made. Identify a possible pool of organizations and contractors qualified to undertake the tasks required under the RFPs.
- Identify and select members of a biodiversity consultative group that will advise and support the BTFCF; seek their participation and commitment; and host a series of information, orientation, and feedback meetings.
- Declare the BTFCF established.
- Officially hire key staff under annual contracts.
- Select a short-list of high priority sites for which grants will be made. Outline a grant strategy for the sites.
- Arrange to have BTFCF technical advisor arrive on site.
- Release approved RFPs.
- Receive and review grant proposals.
- Award first-round grants.

F. Risks

There are significant risks associated with this initiative. The public administration environment in Bangladesh is complex, and many failures of implementation intention are well known. Without a cooperative and enabling bureaucracy, the foundation's purpose may not be realized, especially if forest protection does not recognize the issue of powerful special interests whose influence on forest conservation outcomes is so significant. These interests are very significantly represented at each potential conservation site identified by the team.

Illegal rents offered by special interests wishing to unsustainably use forest and forest biodiversity resources neutralize the best-intended conservation initiatives. This is a problem throughout the world, and the BTFCF will have to consider it when developing its strategy.

Conservation sometimes involves conflict, and hard choices that have to be made among stakeholders. This conflict can easily get out of control, with people injured and/or organizations using any means to block essential conservation activities. Depending on the nature and intensity of conflict, significant conservation activities may be halted, or only “no-conflict” activities implemented. If only non-controversial projects are implemented, conservation values are usually minimized.

Given our findings, the design team believes that the BTFCF is desperately needed, but that it must be judged a high-risk venture. The momentum behind the forest biodiversity loss problem in Bangladesh is enormous, and the public and private administration environments in which it exists are ineffective and therefore key elements of the problem.

The best way to mitigate these risks is through broad-based participation in forest and forest biodiversity conservation strategy, and ensuring that the grants made by the BTFCF support a site-based strategy. The strategy supports performance of essential conservation activities and functions. If work at a policy level is required, it should be based on the issues encountered at high priority sites.

SECTION III

Staffing Pattern and Position Descriptions

The five-member board outlined in the Tropical Forest Conservation Act Agreement will direct the BTFCF. Selection of appropriate board members is critical to success, and criteria are offered below. Hasty selection of board members usually results in locked, ineffective boards.

The team suggests that the board be expanded to at least nine members as soon as possible. The five-member board is too small to create necessary working committees, and the influence of individual board members is too great. Finally, broader representation of technical expertise on the board will improve decision-making.

A. Qualifications of Board Members

- Demonstrated commitment to forest and forest biodiversity conservation in Bangladesh as demonstrated through employment, publications, presentations, research, board membership, teaching experience, or other similar activities. BTFCF board members must have interests, knowledge, and experience related to conservation of biodiversity and tropical forests.
- Proven effective board experience as demonstrated through membership and accomplishments on previous boards. Board members must have demonstrated a devotion to public service.
- Demonstrated abilities in senior management areas such as strategic planning, modern financial management, adaptive management, objectives achievement, staff evaluation and motivation, grant proposal review, and grant evaluation.
- Demonstrated organizational development skills such as fund raising, priority setting, managing organizational growth, advanced information management, and donor proposal development and review.
- Proven skills in public presentation, meeting management, coordination and liaison, and conflict management.

<p style="text-align: center;">What Makes a Successful Board Member?</p> <p>A board member's success is determined not only by business skills and experience, but by personality traits and character.</p> <ul style="list-style-type: none">• They are honest.• They are enthusiastic.• They keep an open mind.• They are team players.• They tackle complex problems with relish.• They take an orderly approach to decision-making.• They are competent.• They have a sense of humor. <p>Personality traits in "problem" board members may include:</p> <ul style="list-style-type: none">• Obsession with a single issue• Always taking the "contrarian" view, just for show• Expounding on strongly held opinions that are rarely backed up by fact or research• "Board hopping," or sitting on many boards, but serving none well

- Reputation for public spiritedness, honesty in financial and personal spheres, strategic mindset, fairness in decision-making based in facts, nonpartisan in matters related to conservation priorities, and commitment to problem solving.

B. Primary Responsibilities of the Board of Directors

- Determine the organization's mission and purpose
- Select the executive
- Support the executive and review his or her performance
- Ensure effective organizational planning
- Ensure adequate resources
- Manage resources effectively
- Determine and monitor the organization's programs and services
- Enhance the organization's public image
- Serve as a court of appeal
- Assess its own performance

The key management issues facing the BTFCF board include:

- Establishing transparent processes for developing program priorities and selection of project activities
- Establishing efficient structures and processes that meet management objectives within a constrained budget (likely a percentage of the foundation's assets, returns, or budget)
- Developing reliable sources of technical expertise for managing assets, planning and administering programs, raising funds, and selecting and supervising projects
- Monitoring performance of the investment portfolio and the program portfolio, and incorporating lessons to improve future management

Underlying these issues is the overarching question of leadership in a small initiative such as the BTFCF. In many cases, early success of environmental foundations is attributed largely to a single individual. This is commonly the executive director or board chairman. In the best circumstances, this person's personal attributes (e.g., standing in the community, influence with key constituencies), and commitment to the goals and purposes of the new entity make it possible for diverse stakeholders to agree to a program of action, and for the foundation itself to exercise discipline in carrying that program out.

The question of board development and staffing is as much an issue of who can exercise this kind of leadership as it is an issue of what skills and disciplines to emphasize in recruitment. It is very important that the first BTFCF executive director is the "right person at the right time," and the same is true of the board. No effort should be spared in recruiting the best board and executive director possible.

C. Staffing Pattern Considerations

Day-to-day management and administration of the BTFCF activities will be carried out by a management unit headed by an executive director appointed by and responsible to the board. Other members of the management unit include a part-time financial manager, an accounts computer operator, one technical/monitoring officer, a secretary, a driver, and an office cleaner. Some of the functions can be contracted until a full time position is required. The unit is responsible for:

- Preparation of annual work plans and budgets
- Development and implementation of systems for recruiting, receiving, reviewing, and selecting proposals
- Development and implementation of systems for financial management and administration, and monitoring of project activities
- Identification of needs for capacity building for the BTFCF and for grantees, and development of strategies to meet those needs
- Audits and other transparent systems for financial accountability
- Regular reporting to the board on program and project implementation
- Development and implementation (in conjunction with the board) of strategies for fund raising

The BTFCF will recruit locally for technically qualified professional and support staff, striking an appropriate balance between paying enough to attract good people and creating conditions in which their own staff exhibit dedication and commitment commensurate with that of their grantees. A compensation survey should be conducted to determine appropriate compensation levels.

The BTFCF management unit will be kept lean because the percentage of assets available for administrative costs is very limited. The BTFCF should keep its operating expenses in the 25-30 percent range (in line with international environmental fund experience), but this will likely come at some cost to the foundation as an institution, particularly in its ability to develop technical expertise. In general, the smaller the endowment or budget, the more difficult it is to stay within operating cost ceilings.

This situation will likely lead to a preference for short-term and consultant expertise, and especially, developing expertise within other national organizations that can be contracted to provide services, over building permanent staff for the foundation. Some of the functions of staff positions mentioned above may be contracted out to other organizations but caution is advised as environmental fund experience with doing so has been mixed. Contracting out diminishes the

opportunity to create a true BTFCF team that will make sure operations run well, and that will make any extra effort needed for success.

D. Staffing Pattern — The Management Unit

The basic management unit in most new conservation foundations programming \$500,000 and 12 grants per year consists of a managing (executive) director appointed by the board, a full- or part-time director of finance and accounting, an accounting assistant, a technical/monitoring officer, a secretary, a driver/physical plant manager, and an office cleaner/errand position. As the dollar amount and number of grants increases, each management unit position is redefined and additional staff are hired or contracted.

For the design recommendations made by the team, one management unit or equivalent contractor supported is required during start up though the twenty-fourth month of operations. As the BTFCF moves toward an endowed status, additional management units are required, and several new positions added. These include human resources director, investment manager, and a fundraiser.

The smallest possible staff complement is an executive director and a secretary who together supervise contractors performing the functions outlined under the position function descriptions outlined below.

Brief position function descriptions for a management unit are as follows:

D1. Executive Director

The BTFCF is a new entity. Its first executive director will play a significant role in establishing the structure, operation systems, and traditions of the new foundation. Most important, the executive director will most often represent the foundation to its constituencies, thereby building its reputation for effectiveness, innovation, efficiency, fairness, determination to succeed, and transparency. The executive director will be expected to develop, in association with the board and other relevant bodies, a plan for the most strategic use of the fund's resources at the sites selected for BTFCF activities that will result in effective conservation. The BTFCF's first executive director must be a catalytic presence that makes the foundation work

The executive director's responsibilities include implementing procedures for all regular operations. These include budgeting; budget supervision; reporting; fundraising; staff supervision; calls for proposals, proposal review, and project selection; administrative procedures; requirements for financial and technical reporting by grantees; procedures for supervision and monitoring and relations with the board and advisory committees; public relations. More specifically, the executive director's responsibilities are to:

- Develop a strategy and implementation plan for each site selected for BTFCF grants and activities
- Oversee quality assurance for all foundation products, including publications, consultant reports, and activities

- Foster a healthy organizational culture and to encourage teamwork and collaboration
- Coordinate all activities with appropriate constituencies
- Develop a communications and media strategy
- Represent and act as a spokesperson for the BTFCF
- Identify and resolve/management conflicts as they arise
- Oversee the BTFCF's day-to-day operations
- Oversee the execution of all programs and projects
- Prepare annual work plans and budgets
- Refine and implement systems for recruiting, receiving, reviewing, and selecting proposals
- Recruit, hire, supervise, and dismiss if necessary, BTFCF staff and consultants
- Build an effective BTFCF staff team
- Implement computer-assisted systems for financial management and administration, and supervision of project activities
- Identify needs for capacity building, and development of strategies to meet those needs
- Ensure audits and other transparent systems for financial accountability
- Regularly report to the board on program and project implementation
- Develop and implement (in conjunction with the board) strategies for fund development
- Facilitate refinement of the BTFCF's strategy and implementation of programs, collaborations, and partnerships

The executive director reports to the board. (S)he directly supervises the performance of the director of finance and accounting and the technical/monitoring officer, and indirectly all other staff and contractors.

D2. Director of Finance and Accounting (full or part time, based on need)

The director of finance and accounting is charged with the following responsibilities:

- Control, monitor, guide, supervise, and be responsible for all functions related to financial control and accounting

- Supervise the maintenance of proper reporting on project accounts and submission of MIS reports
- Implement computer-assisted financial and grant accounting system
- Supervise and maintain general accounts, bill accounts, project accounts, fund accounts, and budget and finance accounts
- Sign checks and letters for transfer of funds jointly with other officers
- Review the draft audit reports submitted by the auditors, and perform internal audit functions
- Supervise the tender process
- Supervise the release of funds and follow up expenditures with budgetary control
- Draft annual budget
- Supervise the foundation's management information system

The director of finance and accounting reports to the executive director, and supervises the accounting assistant, the secretary, driver, and office maintenance personnel.

D3. Accounting Assistant

The accounting assistant is charged with the following responsibilities:

- Receive and verify monthly trial balance of the foundation
- Scrutinize this trial balance and record remarks, if any
- Prepare consolidated trial balance, particularly at the end of the financial year
- Prepare trading, profit and loss account, and balance sheet with proper analysis
- Pass along adjustment/transfer vouchers for the purpose of final accounts
- Liaise with auditors and furnish them with documentation as required
- Reconcile running accounts between bank balances and balances shown by the books of accounts of the foundation
- Arrange annual physical verification of assets and review such physical verification reports

- Ensure adjustment and recovery of loans and advances
- Check and approve all invoices, including for monthly salary, travel, contractors and suppliers, and miscellaneous items
- Computer maintenance
- Purchasing agent

D4. Office Secretary

The office secretary is responsible for the following:

- Reception
- Appointment coordination
- Data entry and computer operation
- Photostat machine operator
- MIS assistant
- Preparation of materials for BTFCF board consideration
- Assistant purchasing agent

D5. Driver/Physical Plant Manager

The driver/physical plant manager performs the following duties:

- Drives for BTFCF staff
- Maintains vehicle
- Runs errands
- Performs light office maintenance
- Arranges for physical plant repair

D6. Office Cleaner/Watchman

The office cleaner/watchman is charged with the following duties:

- Cleans office
- Performs errands
- Arranges for guest refreshments

E. Personnel Policies

Personnel policies in Bangladesh are complicated. Developing one for the BTFCF will take time and expense. The personnel policy suggested in this report (see Annex K) was adapted from the MACH project and it has proved effective. It can be amended based on the BTFCF's needs, but it is essential that the BTFCF have a policy in place at start up, even if the number of employees is very small.

SECTION IV

BTFCF Investment Plan

This section presents a suggested investment plan to guide investment managers in line with the Bangladesh Tropical Forest Conservation Fund’s objectives to achieve a positive real rate of return, and in accordance with the realities of the capital markets. We begin with a discussion of constraints to the development of the BTFCF. This is followed by the detailed policy statement, including investment objectives and guidelines, and monitoring procedures; recommendations and practical procedures to ensure the most effective application of the policy guidelines; and alternative investment scenarios.

A. Constraints

According to BTFCF objectives as set out in the task order, the fund seeks to make prudent investments and achieve a positive real rate of return. In the absence of other constraints, these objectives typically would dictate a split between fixed-income instruments and equities. Constraints disclosed since the task order for BTFCF include the relatively small sizes of the initial fund, spending requirements of BTFCF, and the desire to invest the initial fund only in Bangladesh markets.

The Government of Bangladesh (GOB) requires that all monies from the 2000 debt reduction agreement be invested in Bangladesh. This constraint is particularly problematic in that it requires investments in a market that is fragile and underdeveloped and prevents deployment of capital into 99.9 percent of the world’s capital markets. By conventional and accepted standards, this requirement precludes prudent investment and is a major impediment to the viable development of the BTFCF. These constraints suggest that the initial fund be deployed only in high-quality Bangladesh fixed-income securities until these and other important questions affecting BTFCF are resolved.

The design team has advised USAID of the currency and investment risks associated with the policy requiring investment inside Bangladesh. To counter such risks, the GOB has agreed to ensure that the value of the deposits in the fund is maintained in terms of an agreed price index (Article II (7)). Monies from other sources may be invested internationally outside of Bangladesh.

B. Policy Statement

B1. Overview

This investment policy statement (“the statement”) applies to the assets held in trust with respect to the Bangladesh Tropical Forest Conservation Fund (“the BTFCF”). It contains investment objectives, investment guidelines, and monitoring procedures. BTFCF assets (“the fund”) are managed in accordance with all legal requirements, if applicable, notwithstanding any indication to the contrary that might be construed from the statement.

Glossary

Fund Source: Agreement between the Government of the United States and the Government of the People's Republic of Bangladesh for the sale of Agricultural Commodities dated January 13, 1978. Over 19 years, the quarterly interest payments total US\$8.5 million. In addition, monies from other sources may be deposited into the fund, Article II (3).

Investment Policy: Investment policy is the explicit linkage between the client's long-term investment objectives and the daily work of the investment manager.

Money Managers: Individuals or financial institutions managing funds for investors.

Normal Portfolio: The normal portfolio represents the manager's neutral investment position. The manager may deviate from the neutral position at any given time but he must stay within the minimum and maximum ranges. When comparing a manager's performance against such a customized index, the question implicitly being asked is, "What value was added by those active decisions?"

Investment Grade: Bond rated BBB and above or BAA and above. Lower rated bonds as classified as speculative grade or junk bonds.

Asset Allocation: Choosing among broad asset classes such as stocks versus bonds.

Fixed Income: A security such as a bond that pays a specified cash flow over a specific period.

Derivatives: Securities whose underlying value depend on values of other assets.

Short-Term Investments: Short-term, highly liquid securities.

Benchmark Portfolio: A benchmark should be thought of as representing a feasible alternative to the managed portfolio under study. Often, an investor's wishes are communicated to the manager by assigning the manager a benchmark against which performance will be compared. The most commonly used benchmarks are market indexes such as the Dow, the S&P 500, and the Salomon Brothers Broad Investment Grade Bond Index.

Currency Risk: The chance that returns will be affected by changes in rates of exchange.

Investment Risk: The risk of doing worse than expected as a result of investing all funds in an underdeveloped market.

B2. Fund Administration Responsibilities

The responsibility for administration and management of the fund (Article IV (1)) lies with the BTFCF's Board ("the board").

The board may delegate some of its responsibilities with respect to the investment and disbursement of the fund to fiscal agents (Article II (5)). In particular, the services of a custodian ("the custodian") of one or more banking institutions ("the banks") and of one or more money managers ("the manager") are retained (Article IV, (1)). The board maintains an active role (Article IV, (1)) with respect to the following:

- Formulation of the statement and manager mandates
- Appointment and monitoring of fiscal agents
- Evaluation of performance

Any person to whom the board delegates responsibilities with respect to the investment of the fund must adhere to the provisions of the statement.

B3. List of Services of Custodian

- Settling trades with broker
- Safekeeping of securities
- Collecting dividends, interest, and other income

- Notifying you of redemptions, offerings, splits, conversions, and upcoming maturities
- Reporting of holdings and transactions via regular statements
- Organizing tax cost information and issuing year-end tax statements
- Dealing with shareholder communication and corporate changes according to your instructions
- Disbursing income to you directly or to a bank account of your choice
- Maintenance of accounts in both U.S. and Canadian currency

B4. Conflicts of Interest

A conflict of interest is deemed to exist when a BTFCF fiduciary has an interest of sufficient substance and proximity to his or her duties and powers with respect to the fund to impair his or her ability give unbiased advice or to make unbiased decisions affecting the fund. A BTFCF fiduciary must disclose any actual or perceived conflict of interest in writing as soon as possible along with all relevant details to the board. The manager must disclose any material interest he may have in any of the investments or proposed transactions of the fund.

B5. Fund Objectives

Invest the capital as deemed appropriate by the board to provide a positive real rate of return.

The objective of the fund manager is to manage the deposits so performance is consistent with recognized benchmarks.

B6. Asset Allocation

The foundation anticipates the fund will contain contributions from two different sources, each of which is likely to require specific investment practices. They are as follows:

Bangladesh Assets				
Asset Class	Market Value of Fund			Benchmark
	Min	Neutral	Max	
Taka short-term investments (cash)	50%	60%	90%	U.S. Treasury bills
Bangladesh Government Bonds (1-7 yrs)	10%	40%	50%	Lehman Bros. Government bond index
Total cash and bonds	100%			
U.S.-Denominated Assets				
Asset Class	Market Value of Fund			Benchmark
	Min	Neutral	Max	
Short-term investments (cash)	20%	50%	80%	3-month Treasury bills
World bonds	20%	50%	80%	J.P. Morgan World
Total cash and bonds	100%			

The asset allocation has been determined to meet fund objectives. It reflects a risk/return tradeoff taking into account the fund's ability to provide for grants, cost of operations, and inflation.

The limits within which the asset allocation is to be maintained have been determined with the objective of restricting moves away from the neutral position to control the level of risk assumed by the fund without incurring undue transaction costs, while providing reasonable discretion to exploit temporary disequilibria in the markets.

Should the asset allocation move beyond these limits, the board is advised and action is taken to correct the situation as soon as possible, taking into account the best interests of the fund.

B7. Security Selection

Dhaka Fund. The target universe for the BTFCF's Bangladesh portfolio will be securities considered of the highest quality available.

Non Dhaka Fund. The target universe for the BTFCF's hard currency fixed-income portfolio will be securities considered of investment grade by either of the main credit agencies, Moody's or Standard and Poor.

The investment manager may not invest more than 12 percent of the total market value of the portfolio in any one issue. Investments in the U.S. government or its agencies are exempted from this limit. Investments in Bangladesh are exempted from this limit.

B8. Fund Investments

The fund may invest in the following asset categories:

- Cash
- Demand or term deposits
- Short-term notes
- Treasury bills
- Bankers acceptances
- Commercial paper
- Investment certificates issued by banks, insurance companies, or trust companies
- Bonds and nonconvertible debentures
- Bangladesh government bonds
- Mortgages and other asset-backed securities
- Pooled funds invested in any or all of the above asset categories
- Index funds

The fund does not engage in the following:

- Purchase of securities on margin
- Loans to individuals
- Short sales
- Real estate

Borrowing is not permitted. BTFCF assets are not used to guarantee any borrowing.

B9. Currency Exposure

The currency exposure of the portfolio may be actively managed from the base currency of the U.S. dollar. Third-currency hedging is permitted.

Derivatives (e.g., forwards, futures, swaps, options) may be used at all times or as circumstances warrant to hedge against exchange rate risks.

B10. Monitoring

The fiscal agent will provide quarterly reports on the market value of the fund.

The fiscal agent will evaluate fund performance at the end of each quarter. The fiscal agent will incorporate a recognized benchmark, e.g., U.S. Treasury Bill, to accomplish this objective.

B11. Fiscal Agent Qualifications

- Investment management experience
- Not a broker
- Has worked with foundations
- Has a firm knowledge of currency risks
- Performed a similar role in other portfolios
- Graduate degree in finance, business, or economics

B12. Fiscal Agent Services

- Monitor overall investment strategy
- Monitor benchmark performance
- Benchmarking currency values
- Reporting of valuations on a quarterly basis
- Monitor bank relationships
- Monitoring bank transfers and disbursements

B13. Review

The investment policy statement is reviewed at least annually.

Material changes in the following may cause a revision:

- Long-term risk/return tradeoff in the capital markets
- Risk tolerance
- Legislative environment
- Increased funding
- Funding from offshore sources

C. Recommendations and Practical Procedures

1. Prior to following the investment plan, we recommend that the BTFCF hire the fiscal agent. The fiscal agent should come from an asset management background and have knowledge of performance monitoring and of currency exposure management. His fee is usually neutralized by cost savings realized through good fund management.
2. For the Taka-denominated portfolio, we recommend using Standard Chartered Grindlays if a local fiscal agent cannot be hired.
3. Once a local fiscal agent is hired, we recommend using the Central Bank of Bangladesh first, and if that fails, any of the following local banks: Prime Bank and the South East Bank for the Taka-denominated portfolio.
4. Spending decisions should be governed by the investment results, which follow from investment policies. Spending decisions should not influence investment decisions. For example, the board should not insist on higher income to make up for operating deficits.
5. For the U.S.-denominated portfolio, we recommend using mutual funds for the short-term until the portfolio is of a larger size.
6. The foundation should expect U.S. investment management fees to be in the area of 1 percent to 1½ percent.
7. We recommend using an audit firm with international affiliations. Two firms that are recommended are Rahman Rahman Huq and S.F. Ahmed.
8. The benchmark portfolio for monitoring currency value should be in U.S. dollars.
9. For the Taka tranche, minimize the number of accounts.
10. In the early years, the portfolio suffers from a lack of money. We suggest using capital during the start-up period that can be repaid at a later date.

D. Conclusion

The general consensus that all monies resulting from the 2000 debt restructuring agreement be invested inside Bangladesh is a major impediment to the viable development of the BTFCF. In addition, appointing a fiscal agent from Bangladesh is not easily accomplished at this time. However, the role of a fiscal agent is of the utmost importance to the BTFCF. Monitoring the benchmark portfolio in U.S. dollars is a critical monitoring service. For the short term, we suggest naming an international bank such as Standard Chartered Grindlays as primary bank until a local fiscal agent is hired. This relationship with an international bank will allow the appointment of an international fiscal agent to assist BTFCF.

E. Bangladesh Tropical Forest Conservation Fund Alternative Investment Scenarios

According to BTFCF objectives as set out in the task order, the foundation seeks to make prudent investments and achieve a positive real rate of return. In the absence of other constraints, these objectives typically would dictate a split between safe fixed-income instruments and equities. Important constraints disclosed since the task order for BTFCF include:

- At present there is no endowment fund to be invested. The TFCA Agreement provides for incremental payments to the BTFCF over 19 years of approximately \$7 million. If invested incrementally, there will be little money realized for operations or grant making. Instead, we recommend the first 2-5 years of BTFCF operations be financed by the incremental payments made available through the TFCA Agreement, and used as a self-liquidating fund. To the extent that additional funds are raised for an endowment or to finance operations, the TFCA Agreement incremental payments can be protected or invested so that interest income can be realized and used.
- While the TFCA permits conversion of local currency to U.S. dollars for investment purposes, no one consulted in Bangladesh viewed this as feasible. Thus, investment will likely be made in local currency in Bangladesh, which represents an investment risk beyond that recommended by foundation investment advisors.

To shed light on options, the team's investment advisor developed four scenarios for consideration. These hypothetical scenarios range from investing the TFCA incremental payments to establish an endowment fund to supplementing incremental payments with \$25 million so sufficient investment income for grant-making and basic operations is realized.

The first scenario is to invest the TFCA Agreement debt relief funds to develop an endowment. This scenario demonstrates that income realized is insufficient for the BTFCF to operate given reasonable assumptions. In the first year, \$36,000 is available; \$9,500 is available for the second year, and \$82,500 for the third after modest expenses for grants. (Thus our recommendation for our suggestion to finance BTFCF operations from debt relief capital for the first 2-5 years, and not to treat these funds as an endowment for investment.)

For scenario 2, debt relief funds are invested, an additional \$5 million is available for endowment investment, and staff size is minimized to cover due diligence. Under scenario 2, approximately \$240,000 will be available annually in years 2 through 5.

In scenario 3, debt capital is spent the first two years, then invested at year 3. The assumption is that operating and grant-making funds are donated from year 3 onward, while debt capital is protected. This will provide the BTFCF with approximately \$1.1 million in year 1 for grants, \$676,000 in year 2, but \$0 in year 3, and about \$50,000 in years 4 and 5.

Scenario 4 is based on an estimate of the funds needed to establish a permanent foundation with enough resources to achieve important biodiversity conservation objectives into the foreseeable future. The team determined the size of the endowment required, approximately \$25 million. Obviously, a very significant inflow of endowment funds would be needed. Over 5 years, approximately \$1 million would be available for grants.

The team concluded that the foundation should be financed from TFAC Agreement funds and additional donations for the first 2-5 years. During this period, a \$25 million capital endowment fund is raised and invested, as suggested above.

The team's recommendation is not to invest the TFCA Agreement's debt relief funds, but to use them to cover start-up expenses, operations costs, and grant making until other funds become available to endow the BTFCF, or to protect debt relief funds that can then be invested. This recommendation means that an average of \$800,000 will be available over the first 5 years of BTFCF operations.

Under any scenario, the BTFCF will need a qualified fiscal agent, although finding one at this time in Bangladesh is reportedly difficult. For the short term, we suggest naming an international bank such as Standard Chartered Grindlays as primary bank until a local fiscal agent is hired. This relationship with an international bank will allow the appointment of an international fiscal agent to assist BTFCF.

Each of the four scenarios is detailed on the following pages.

E1. Scenario One

In this scenario, debt funds are invested. The BTFCF is essentially a volunteer organization that purchases monitoring and part-time accounting services, and makes two very small grants per year. Debt capital is protected and no additional funds are available.

	Estimated Fund Growth				
	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Capital Inflows</i>					
Debt Relief	\$1,300,000	\$2,100,000	\$2,900,000	\$3,600,000	\$4,200,000
TOTAL CAPITAL	\$1,300,000	\$2,100,000	\$2,900,000	\$3,600,000	\$4,200,000
Income Net 5%	\$ 65,000	\$105,000	\$ 145,000	\$ 180,000	\$ 210,000
Taxes (10%)	\$ 6,500	\$ 10,500	\$ 14,500	\$ 18,000	\$ 21,000
Estimated Expenses	\$ 22,000	\$ 35,000	\$ 48,000	\$ 60,000	\$ 70,000
GRANT PROGRAM	\$ 36,500	\$ 9,500	\$ 82,500	\$ 102,000	\$ 119,000

E2. Scenario Two

In this scenario, debt funds are invested, an additional \$5 million is available for endowment investment, and staff size is minimized to cover due diligence. Debt capital is protected.

Estimated Fund Growth

	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Capital Inflows</i>					
Debt Relief	\$1,300,000	\$2,100,000	\$7,900,000	\$8,600,000	\$9,200,000
Other Deposits	0	\$5,000,000	0	0	0
TOTAL CAPITAL	\$1,300,000	\$7,100,000	\$7,900,000	\$8,600,000	\$9,200,000
Income Net 5%	\$ 65,000	\$ 355,000	\$ 395,000	\$ 430,000	\$ 460,000
Taxes (10%)	\$ 6,500	\$ 35,500	\$ 39,500	\$ 43,000	\$ 46,000
Estimated Office Expenses	\$ 58,500	\$ 117,000	\$ 130,000	\$ 140,000	\$ 150,000
GRANT PROGRAM	\$ 0	\$ 202,500	\$ 225,500	\$ 247,000	\$ 264,000

E3. Scenario Three

In this scenario, debt capital is spent the first two years, then invested at year 3. The assumption is that operating and grant-making funds are donated from year 3 onwards, while debt capital is protected.

	Estimated Fund Growth				
	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Capital Inflows</i>					
Debt Relief	\$1,300,000	\$800,000	\$800,000	\$1,500,000	\$2,100,000
TOTAL CAPITAL	\$1,300,000	\$800,000	\$800,000	\$1,500,000	\$2,100,000
Income Net 5%	\$ 65,000	\$ 40,000	\$ 40,000	\$ 75,000	\$ 105,000
Taxes (10%)	\$ 6,500	\$ 4,000	\$ 4,000	\$ 7,500	\$ 10,500
Total Funds Available For Disbursements	\$1,358,500	\$836,000	\$ 36,000	\$ 67,500	\$ 94,500
Start-Up Costs	\$ 150,000	\$ 60,000	-	-	-
Estimated Expenses	\$ 100,000	\$100,000	\$ 36,000	\$ 25,000	\$ 35,000
GRANT PROGRAM	\$1,108,500	\$676,000	\$ 0	\$ 4 2,500	\$ 59,500
Value of Fund at Year-End	\$ 0	\$ 0	\$800,000	\$1,500,000	\$ 2,100,000

E4. Scenario Four

This scenario is based on an estimate of the funds needed to establish a permanent foundation with enough resources to achieve important biodiversity conservation objectives. The team determined the size of the endowment required. The “real” debt capital fund is included under “Local.”

	Year 1	Year 2	Year 3	Year 4	Year 5
Required Capitalization (8 months)					
Local	\$14,400,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
USAID	1,800,000	2,500,000	2,500,000	2,500,000	2,500,000
Other	1,800,000	2,500,000	2,500,000	2,500,000	2,500,000
TOTAL	\$18,000,000	\$25,000,000	\$25,000,000	\$25,000,000	\$25,000,000
Total Income (U.S. Interest of 5%)	900,000	1,250,000	1,250,000	1,250,000	1,250,000
Start-Up	150,800	60,000			
Operating Costs	140,400	223,100	223,100	223,100	223,100
Grants and Activities	570,000	980,000	850,000	900,000	1,000,000
TOTAL COSTS (ex start-up)	\$ 710,400	\$ 1,203,100	\$ 1,073,100	\$ 1,123,100	\$ 1,223,100
TOTAL COSTS	\$ 861,200	\$ 1,263,100	\$ 0	\$ 0	\$ 0

SECTION V

Financial and Administrative Procedures

A. Accounting and Financial Management Practices in Bangladesh

Experience has shown that organizations can significantly improve their efficiency and effectiveness by introducing well-designed financial management control systems and practices. Such an accounting system will help the BTFCF institute the kind of reliable financial management practices it needs to carry out its role.

In Bangladesh, the prevailing accounting systems maintained by organizations are complicated and contain many redundant procedures and instructions. Payment vouchers frequently are not verified nor properly supported.

In government organizations, accounts are maintained on a cash basis and no accrual is taken into account. As a result, outstanding expenditures are not recorded and a full picture of the accounts is not reflected. Because of the lack of control mechanisms, expenses incurred may exceed budgeted amounts.

In addition, mid-level and lower-level officers usually are not aware of financial performance and trends because the flow of information within the organization is upward oriented.

Another weakness in Bangladeshi accounting systems is that they do not provide sufficient and adequate information on financial performance for any given time. Accounting systems that are maintained manually are slow, offer more opportunities for overwriting (cheating), are cluttered and time consuming, are difficult to accurately maintain, and cannot be presented and shared in an effective manner.

<p style="text-align: center;">What is Financial Accountability?</p> <ul style="list-style-type: none">• <i>Financial and accounting</i> — The responsibility to ensure that accounts are reliable and that all transactions are genuine, above suspicion, and in accordance with prevailing laws and regulations• <i>Management</i> — The responsibility to ensure efficient utilization of resources, emphasizing prudence to avoid waste• <i>Program</i> — The responsibility to ensure that each program has been planned, implemented, and achieved the objectives set in terms of costs and options.

To overcome these problems, the foundation needs to institute practices that will allow officers to manage assets and resources in an efficient, trustworthy, and prudent manner, and provide the necessary accountability in financial management. The elements of effective financial management include:

- Developing financial management infrastructure for communication network systems
- Strengthening control systems
- Providing guidelines on purchasing procedures
- Providing top management with the accounting information to improve efficiency and performance
- Improving the effectiveness of overall financial management by ensuring checks and balances in the control mechanism

- Conducting internal audits as part of the overall system of internal control
- Ensuring comprehensive checks on all the incoming and outgoing materials as well as cash

B. Computer Software Options

To overcome the weaknesses inherent in paper accounting systems, the BTFCF will need to adopt a computer-based accounting system. Below we review six financial management software companies and products with respect to their application, cost, and facilities. The review briefly describes the ability of the software to accommodate the type of transactions to be carried out by the BTFCF. The companies are: Interspeed, Open Systems, Mantrust Software and Multimedia Systems Ltd., Grameen Software, Infinity, and Ethics Advance Technology Ltd.

Based on our review, we conclude that the financial management and accounting packages developed by Open Systems and Mantrust Software and Multimedia Systems should be considered candidates for software purchase and maintenance contracts. Considering cost and benefits, number of clients, management practices, customer recommendations, and service performance, we recommend either Mantrust Software or Multimedia Systems Ltd. Their systems cover all the elements of the financial management system needed by the BTFCF. The packages either include all these functions, or are easily added through customization.

The BTFCF set-up team should interview the top three vendors and select a software package that can be customized for BTFCF use before it begins operations.

B1. Interspeed

Interspeed strengths include the following:

- Excellent office environment.
- An improved overall financial position because its parent organization has other businesses

Interspeed exhibited the following weaknesses:

- As a new company, Interspeed is only beginning to build its portfolio in software development and has provided services to only six companies.
- Computer staff are inexperienced.
- The flexibility of the package is less than needed for BTFCF financial management operations.

B2. Open Systems Software

Open Systems exhibited the following strengths:

- Software can be customized to suit the requirement of the BTFCF
- Comprehensive warranty for one year with maintenance facilities
- Has provided services to 80 reputable national/multinational companies

- On-line help facility, onsite support and training facilities are available
- Good financial position

Weaknesses of the Open System included:

- Office environment of the company is not good
- Weak internal arrangement and communication among staff members

The cost of Open System's accounting package is as follows:

Software: Tk. 30,000

Customized: Tk. 1,00,000

Maintenance cost: 20% software cost i.e., Tk.6,000/per month

Warranty (free service): six months

B3. Mantrust Software and Multimedia Systems Ltd.

The strengths of Mantrust Software and Multimedia Systems include the following:

- Software can be customized to suit the full range of BTFCF financial management requirement requirements of the BTFCF
- Comprehensive warranty with maintenance facilities
- Provides services to 30 reputable national/multinational companies.
- On-line help facility, onsite support and training facilities are available
- Offers installment payment system
- Financial position is very good
- Office environment of the company is good
- Internal organization of staff is good and suggests efficient handling of tasks

The cost of the accounting package is as follows:

Software: Tk. 50,000

Customized: Tk. 50,000

Maintenance cost: Tk. 5,000 per month

Warranty (free service): six months

Mantrust has offices at Dhaka as well as in the United States. The address in Dhaka is:
House- 42/1, Road-7, Block-H, Banani, Dhaka-1213, Phone: 9882459, 8810832, 8813211,
8822117, 603387, 603371, Fax: 880-2-8826399, E-mail: msmsl@bol-online.com

In the United States: 5940 North Belt East, Suite 316, Humble, Texas, 77396, Houston, North
Suburban, USA, Tel: 001-281-441 3111, E-mail: dcnet@dcnet2000.com

B4. Grameen Software

Strengths of Grameen Software include the following:

- Can be customized to suit the requirement of the BTFCF
- Has provided services to 100 reputable national/multinational companies
- Comprehensive warranty with maintenance facilities
- On-line help facility, onsite support and training facilities are available
- Offers installment payment system
- Financial position is very good

Weaknesses of Grameen Software include the following:

- Office environment of the company is not very good.
- Internal organization of staff appears confused, with unclear lines of responsibility

B5. Infinity Software

Strengths of Infinity Software include the following:

- Can be customized to suit the requirements of the BTFCF
- Has provided services to 40 reputable national /multinational companies
- Comprehensive warranty for one year with maintenance facilities
- Financial position is good
- On-line help facility, onsite support and training facilities are available

Weaknesses of Infinity Software include the following:

- Internal organization of staff may be weak, with tasking and responsibility chains unclear
- Office environment of the company is not good, indicating temporary operations.

B6. Ethics Advance Technology Ltd.

This is a new company and as yet has insufficient facilities to provide services to the BTFCF.

C. Core Financial Activities of the Foundation

Before it can carry out its mandate to provide grants to NGOs, the foundation will need to establish its core financial activities, highlighted below:

- Development of accounting procedures
- Development of financial rules and regulations
- Strengthening the control mechanism through internal control systems
- Development of financial management infrastructure
- Development of purchase rules and regulations
- Development of financial management practices
- Development of budget and installation of budgetary control systems
- Improve design for fixed asset management, if needed
- Inventory management and store management

- Improved guidelines for reporting system
- Introduction to computer based accounting and budgeting system

In implementing its grantmaking activities, the foundation will need to be able to exercise controls to verify whether activities are being carried out in conformity with the policies and plans adopted, and instructions issued. A good control system not only identifies weaknesses and errors but also suggests ways to rectify them and prevent their recurrence.

Budgets. A budgetary process is key to ensuring accountability, proper allocation of resources and funds, and the implementation of foundation activities. Within a budget, financial targets are set, actual expenses incurred recorded, and actual expenses incurred and targets compared. Variations between actual and targets are ascertained and measures taken to correct variations.

Performance standards. In setting performance standards, actual performance is compared against the standards, and corrective measures are taken for the variations.

Costing systems. Costing systems are developed with the help of standard costing principles. Costs incurred are compared against the standards and corrective measures taken to address variations. Audit procedures are developed separately.

Monitoring and reporting system. A computerized monitoring and reporting system focuses the progress of activities of the foundation.

Internal control. A system of internal controls reflects the overall controls (financial or otherwise) employed in the conduct of a business, including internal checks, internal audits, and other forms of control. Internal control systems provide a system of checks and balances over the operations of the foundation. Internal audits and annual audits are conducted for the financial transactions of the fund. Computer packages may be developed for use at responsible cost centers for the above devices.

D. Human Resource Requirements

The duties and responsibilities of the director of finance and accounting, and the accounting assistant are detailed below.

D1. Director of Finance and Accounting (full or part time, based on need)

- Control, monitor, guide, supervise, and be responsible for all functions related to financial control and accounting
- Supervise the maintenance of proper reporting on project accounts and submission of MIS reports
- Implement computer-assisted financial and grant accounting system
- Supervise and maintain general accounts, bill accounts, project accounts, fund accounts, and budget and finance accounts

- Sign checks and letters for transfer of funds jointly with other officers
- Review the draft audit reports submitted by the auditors, and perform internal audit functions
- Supervise the tender process
- Supervise the release of funds and follow up expenditures with budgetary control
- Draft annual budget
- Supervise the foundation's management information system

The director of finance and accounting reports to the executive director, and supervises the accounting assistant, the secretary, driver, and office maintenance personnel.

D2. Accounting Assistant

- Receive and verify monthly trial balance of the foundation
- Scrutinize this trial balance and record remarks, if any
- Prepare consolidated trial balance, particularly at the end of the financial year
- Prepare trading, profit and loss account, and balance sheet with proper analysis
- Pass along adjustment/transfer vouchers for the purpose of final accounts
- Liaise with auditors and furnish them with documentation as required
- Reconcile running accounts between bank balances and balances shown by the books of accounts of the foundation
- Arrange annual physical verification of assets and review such physical verification reports
- Ensure adjustment and recovery of loans and advances
- Check and approve all invoices, including for monthly salary, travel, contractors and suppliers, and miscellaneous items
- Computer maintenance
- Purchasing agent

The office secretary can assist with data entry.

E. Grant Administration

The key steps in successful grant administration for conservation foundations are described below.

1. *Establish criteria.* The board will establish criteria for grant selection that describe desired grant outcomes or activities it can support and requirements for organizational capacity of the grantee to administer the grant. Providing grants to incompetent organizations results in wasted investment and high costs for grantee assistance. Based on the proposed BTFCF bylaws, activities that can be supported include:
 - Establishment, restoration, protection, and maintenance of parks, protected areas, and reserves. Such activities could include, for example, demarcation of protected forests and buffer zones, identification of unique or representative forest areas, or inventory and protection of areas featuring species richness and high levels of endemism.
 - Development and implementation of scientifically sound systems of natural resource management, including land and ecosystem management practices. Such activities could include, for example, forest inventory, assessment and monitoring; implementation of criteria and indicators for forest conservation and sustainable management; or testing and application of silvicultural techniques.
 - Training programs to increase scientific, technical, and managerial capacities of individuals and organization involved in forest conservation efforts. Such activities could include, for example, short- term training courses, internships, and study tours; development of community extension services; environmental education and public awareness programs; enhancement of university curricula in forest management or conservation biology; or education and training to develop capacity of local nongovernmental organizations.
 - Restoration, protection, or sustainable use of diverse animal and plant species. Such activities could include, for example, rehabilitation of degraded forest; sustainable hunting, fishing, animal farming; improvement of forest health and vitality; or efforts to assess/address illegal logging.
 - Research and identification of medicinal uses of tropical forest plant life to treat human diseases, illnesses, and health-related concerns. Such activities could include, for example, ethnobotany studies; sample collection and analysis; or technical document preparation, publication and dissemination and dissemination.
 - Development and support of the livelihoods of individuals living in or near a tropical forest in a manner consistent with protecting such a tropical forest. Such activities could include, for example, development of community-based and women's enterprise involving wood or non-wood products; application of low-impact logging practices; or development of multiple-use tree species outside natural forests.

- Field activities and technical assistance designed to strengthen protected area management at high priority sites, including:
 - Reviewing and improving the sites existing forest protected area management plans or drafting new management plans
 - Reviewing and improving the national forest protected areas strategy
 - Training personnel working at the sites
 - Strengthening the site's conservation infrastructure
 - Strengthening the capacity of the institution responsible for protected area management
 - Providing field activity grants to individual organizations and coalitions of organizations working in high priority areas
- Strengthening capacity in the Republic of Bangladesh to conduct scientific research and analysis on the state of the Republic of Bangladesh's forest biodiversity and its protected areas.
- Strengthening capacity in the Republic of Bangladesh to conduct policy research and analysis on threats to the Republic of Bangladesh's forest biodiversity and its protected areas.
- Promoting environmental education and increasing environmental awareness.
- Providing decision support information to help decision-makers improve conservation strategies and plan implementation.

Grantees must be able to demonstrate the capacity to administer grants from the foundation and need the skills to provide financial accounts of expenditures to make certain that funds are used for their intended purposes.

2. *Make grant portfolio strategic.* Ensure that selection criteria support the foundation's strategy. For instance, will there be a geographic focus in grant making? Will the foundation grant to coalitions to encourage synergy among grantees? Will grants be made for strategy research in high priority areas? Is cofinancing required?
3. *The request for proposal.* The executive director will prepare a call for proposals that clearly describes the BTFCF's purposes, strategy, grant criteria, the proposal format required, the time frame for submission, the review process, and where to submit proposals by a deadline certain. Any conditions that favor grant awards such as working in coalitions of organizations need to be explicitly stated. Organizations typically have 30 to 45 days to respond.
4. *The review process.* The executive director and technical/monitoring officer will screen the proposals received and select those that meet criteria for content and organizational capacity. This team will visit the short-listed organizations to evaluate organizational capacity to implement their plans and to discuss any required revisions. The review team

will prepare a recommendation that is attached to the revised proposal. The proposals are submitted to the board one week in advance of a board meeting. The chairman of the board can call a proposal review meeting at any time, or the board will meet four times a year at a minimum. The executive director will provide any additional information required by the board, and will inform it of BTFCF's financial capacity to support the proposals. Based on this information, the board may select one of three decisions: accept, revise, or decline.

5. *Follow up.* The executive director will prepare notification letters. The executive director will meet with grantees selected by the board to work out detailed implementation plans, and with organizations asked to revise their proposals to provide revision guidance. The final implementation plan is completed and then reviewed, approved or declined by the executive director and at least two board members designated by the board.
6. *Contracting.* The executive director consults with BTFCF's legal advisor to prepare a grant contract. The contract covers all the legal obligations of all parties involved in the project, sets out performance requirement, and incorporates the approved detailed implementation plan.
7. *Monitoring.* The executive director and tech/monitoring officer are responsible for reviewing project progress reports and for visiting project sites. In the event of unacceptable performance, the executive director will report to the board, which will decide if the project should be terminated, or the type of assistance the BTFCF will provide to improve performance.

The proposal review cycle should take no longer than 90 days.

SECTION VI

Procedures for Annual Audits and Work Plans

This section describes the role and organization of audit functions for the BTFCF. Because the BTFCF is a new type of entity in Bangladesh, and because it promotes government/civil society cooperation, many will be studying the initiative's progress. Good, transparent financial management and accountability will be key to developing a positive reputation early on.

Many of the internal audit functions described below can and will be computerized.

A. The Role and Value of Internal Control Systems

Internal control systems are an essential prerequisite to efficient and effective management of any organization. Thus, a primary responsibility of BTFCF accounting staff will be to establish and maintain an adequate system of internal controls appropriate to the size and nature of the entity. Before undertaking a detailed verification of the transactions, an auditor carries out a review of relevant internal controls in the organization. As a result of this review, the auditor can determine the degree of reliance that he can place on the various systems and procedures.

Methods and procedures adopted by BTFCF management will help achieve management objectives of ensuring the orderly and efficient conduct of its operations, including adherence to management policies, the safeguarding of assets, prevention and detection of fraud and error, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information.

According to this definition, the scope of internal controls extends beyond *accounting controls* to include such *operational controls* as quality control, work standards, budgetary control, periodic reporting, internal checks, internal audit, policy appraisals, and quantitative controls.

In a financial audit, the auditor is concerned primarily with the accounting controls. In an operational audit, however, the auditor reviews all operational controls. From this point of view, the internal controls of the BTFCF can be classified into two broad categories: accounting controls and administrative controls.

- *Accounting controls* comprise primarily the plan of organization and the procedures and records that are concerned with the safeguarding of assets, prevention and detection of error, accuracy and completeness of accounting records, and timely preparation of reliable financial information.
- *Administrative controls* include all other managerial controls concerned with the decision-making process.

The distinction between accounting controls and administrative controls is significant. An auditor of financial information is primarily concerned with the accounting controls because

these have a direct and significant bearing on the reliability of financial information. On the other hand, administrative controls have only an indirect relationship with financial records and the auditor may evaluate only those administrative controls that have a bearing on the reliability of financial records.

Thus, the benefits to BTFCF of operating with an adequate system of internal controls include the following:

- Transactions are executed in accordance with management’s authorization
- All transactions are promptly recorded in an appropriate manner to permit the preparation of financial information and to maintain accountability for assets
- Assets are safeguarded from unauthorized access, use, or disposition
- Assets are verified at reasonable intervals and appropriate action is taken with regard to discrepancies

B. Internal Controls Defined

Internal controls comprise the whole system of controls and methods, both financial and otherwise, that are established by management to:

- Safeguard its assets
- Ensure reliability of records
- Promote operational efficiency
- Monitor adherence to policies and directives

Internal controls can be divided into two main categories: 1) financial controls, which are primarily concerned with the legitimacy of expenditures and the security of assets, and 2) income and other controls, which are created and maintained by management to ensure that an activity is relevant to the needs of the BTFCF and is carried out in the most effective manner. These categories are interdependent, and should not be

Some Terms
<p><i>Internal Control</i> means the whole system of control (financial or otherwise) employed in the conduct of a business, including internal check, internal audit, and other forms of control.</p> <p><i>Control procedures</i> are policies and procedures in addition to the control environment that management has established to achieve the entity’s specific objectives. Control procedures include:</p> <ul style="list-style-type: none"> • Reporting, reviewing, and approving reconciliations • Checking the arithmetical accuracy of records • Controlling applications and environment of computer information systems, for example, by establishing control over: <ul style="list-style-type: none"> □ change to computer programs □ access to data files □ • Maintaining and reviewing control accounts and trial balances • Approving and controlling documents • Comparing internal data with external sources of information • Comparing the results of cash, security, and inventory counts with accounting records • Limiting direct physical access to assets and records • Comparing and analyzing financial results with budgeted accounts <p><i>Internal check</i> is the check imposed on day-to-day transactions, whereby the work of one person is proofed independently by another so that errors and fraud are either prevented, or if perpetrated, can be immediately detected. The internal check includes matters such as allocation of authorities, division of work, proper method of recording transactions, and use of independently ascertained totals against which a large number of entries can be proved.</p> <p><i>Internal audit</i> is a continuous review of the operations and records of a business by internal auditors. Internal audit is a part the whole system of internal control, but is not an integral part of the internal check or the accounting system.</p>

regarded in isolation as both have an impact on the performance of activities and their consequent cost and value to the BTFCF.

The basic parts of internal control can be described as follows:

- *Budgetary control* — This type of control will allow the BTFCF to plan and control its expenditures and income to meet its predetermined objectives.
- *Legitimacy of income and expenditure* — This is concerned with ensuring that all income and expenditures are in accordance with BTFCF policies, are properly authorized, and are within the law.
- *Security of assets* — The standard here is that BTFCF assets be kept in proper custody and not wrongly applied either by error or intent
- *Accounting controls* — These controls ensure that all transactions are correctly recorded and accurately processed, and control accounts maintained.

B1. Management Controls

Management controls will vary widely according to the type of activity, which is under review. However, the BTFCF should ensure that the following basic control areas are always in evidence:

Objectives. The BTFCF should regularly review its objectives relating to any operational activity and determine the methods needed to achieve them. Management is responsible for determining objectives, policies, and plans, and the auditor should not intervene in such processes. An audit may show inadequate controls on the supply of information to management for decision-making. These aspects are legitimate areas of audit concern, and may require comments on the correctness of the decisions themselves. However, the auditor should be wary of basing comments purely on the advantages made plain by hindsight.

Procedures. There should be regular communication to staff at all levels about overall objectives and procedures that need to be followed to ensure that the BTFCF achieves its operational activity.

Organization. The structure of the BTFCF should be clearly defined and adequate to ensure that staff appreciates their role, responsibilities, and obligations.

Management information. Management needs to be continually informed, with relevant and up-to-date data, of the financial and operational performance of any activity under its control.

Supervision. Systems of supervision and internal checks (e.g., division of duties, independent checking of work, quality control, etc.) should be maintained to ensure that breakdowns, including irregularities, fraud, or weaknesses within the operation are revealed at an early stage.

Review of operational effectiveness. Management should regularly review the effectiveness and efficiency of operations under its control, and consider their continued relevance in light of changing circumstances.

B2. Economic Use of Resources

The auditor should look beyond controls to the relationship of expenditures to BTFCF objectives, for example, cost effectiveness and utilization of resources.

B3. Reporting and Management Controls

An auditor examining a system will arrive at an opinion, which can form the basis of a constructive report to management. In conducting the examination, the auditor should:

- Identify the purpose of the operation/activity under review
- Ascertain, record, and test the system of internal controls
- Assess the system for its strengths and weaknesses
- Evaluate the possible effects of any shortcomings or deviations
- Report on the findings

The auditor may find that management holds the view that operating an adequate system of internal controls is not practicable given the costs and benefits. In such circumstances, the role of an audit is to ascertain whether such a decision appears to be justified and to assess whether management has instituted acceptable procedures that minimize, as far as possible, the risk of errors, omissions, waste, or fraud. The auditor will then form an opinion, based on detailed checking and validation, whether the account or activity may be relied upon. In extreme cases, it may be appropriate for the auditor to categorize such situations as unauditible and to report accordingly.

C. The Internal Auditor's Responsibilities

The auditor, whose responsibilities are not unlimited, is required to carry out audits with reasonable skill. Due professional care may be defined as the application of that measure of skill and care that might reasonably be expected of a competent auditor relative to the specific duties undertaken.

Due professional care does not demand infallibility of the auditor, but only that reasonable care and competence be exercised. The auditor must conduct examinations by applying the tests and checks that, in the exercise of his or her judgment and skill, the auditor considers necessary for the particular audit.

D. Responsibility of the Internal Audit Division

It is the responsibility of the Internal Audit Division to review, appraise, and report on:

- The soundness, adequacy, and application of internal controls

- The extent to which the BTFCF's assets and interests are accounted for and safeguarded from losses of all kinds arising from:
 - Fraud and other offenses and mistakes
 - Waste, extravagance, and inefficient administration, poor value for money, or other cause
- The suitability and reliability of financial and other management data developed within the BTFCF

Independence and cooperation. To fulfill these responsibilities, it is essential that the Internal Audit Division operate with independence, obtained primarily through adequate scope, authority, and objectivity. In addition, cooperation is necessary between the internal audit and external audit units, which are appointed by the management, as well as the exchange of relevant information to maximize audit resources.

The relationship with the external auditor should be based on an understanding of its role and on cooperation so that relevant information may be exchanged to maximize audit performance.

Independence must be present in many aspects of the internal audit if it is to operate effectively. These aspects include:

- Internal audit should have direct access to all departmental heads, the chief executive, and the management board.
- Internal audit should be independent of personnel directly responsible for the operations under review.
- Internal audit should be completely independent of all financial systems operating within the organization. Involvement in routine departmental procedures will inevitably impair the work of the entire audit department.
- The chief internal auditor should have the right to report without editing under his own name.
- The chief internal auditor should have the right to report on any aspect of the financial work, including that of the finance department.
- Internal audit activity should be unrestricted and auditors should have full rights of access to records, assets, and personnel and should receive such information and explanations as they consider necessary for the performance of their duties.
- Internal audit should be informed and consulted about any proposed changes in systems of internal control and may make recommendations on the standards of control to be applied in the development of systems and procedures under review. For example, advice should be given on the controls to be incorporated in new or revised

systems before implementation. This should not prejudice internal audit's objectivity in reviewing that system.

- Internal audit should not be directly responsible for the development or implementation of new systems, or engage in any other activity that they would normally review and appraise as this could compromise their independence.

D1. Independence of the Internal Auditor

If the auditor cannot, for any reason, produce unbiased judgments, opinions, and recommendations, then the auditor should declare his or her position prominently in the audit report. The auditor should have an objective attitude of mind and be sufficiently independent to be able to render judgments, express opinions, and present recommendations with impartiality.

Auditors need to avoid the kinds of factors that would affect their ability to maintain independence. For example:

- Professional or personal relationships, the nature of which should not cause the auditor to limit the extent or character of his audit
- Previous involvement in a decision-making or management capacity in the operations under audit
- Auditor must not have any pecuniary interest, direct or indirect, in the BTFCF
- Any internal/external influences that could restrict or modify the scope or conduct of the audit
- Attempts to overvalue or significantly influence the auditor's judgment as to the content of the audit report

The internal audit set up should be responsible directly to the chief executive of the BTFCF.

D2. Terms of Reference of the Internal Audit Division

The responsibilities and duties of the internal audit unit are to:

- Review the organization periodically to determine whether functions such as planning, supervision, directives, and control on policies, as well as rules and regulations of management are implemented effectively and in line with set objectives and practices of sound administration
- Determine the adequacy and effectiveness of the internal accounting systems and operational control
- Determine the accuracy and integrity of financial information and to find ways of identifying, measuring, categorizing, and reporting this information

- Study existing systems to ensure that they conform to set policies, regulations, and scope of work, and to make suitable recommendations on policies whenever necessary
- Determine suitable methods to safeguard assets and to verify the existence of these assets
- Evaluate the benefits and effectiveness of utilizing existing resources, identify opportunities for enhancing performance, and make recommendations for overcoming related problems
- Study the organization's implementation of programs to determine whether the outputs produced are in line with set objectives, and whether the implementation was carried out as planned
- Coordinate the functions of the Internal Audit Division with the external auditors
- Plan, set up, and develop computer-based management systems especially with regards to: i) security features, ii) accuracy criteria, and iii) ability to record documents so that the system developed is able to help management achieve its objectives
- Submit the annual auditing schedule to the chief executive and the Audit Committee for their consideration and approval.

D3. Audit Committee Quarterly Reports

Audit committee quarterly reports should include the following:

- Follow-up actions taken on important audit findings
- Improvements made in terms of effectiveness and smoother operations as a result of auditing work carried out
- Coordination between the Internal Audit section and the external auditors so as to avoid duplication of functions
- Planning the auditing work
- Obstacles encountered in carrying out auditing work

E. Audit Committee Functions

The role of the Audit Committee is to:

- Study the requirements of the Internal Audit Division including the charter of duties

- Evaluate the effectiveness and adequacy of the internal control systems
- Study the auditing plan of the Internal Audit Division including its scope of work, schedule, membership, as well as coordination between the internal and external audit units
- Study reports submitted by the internal and external audit units and make recommendations regarding follow-up actions to the board of directors
- Advise the board of directors on matters pertaining to financial statements, prospectus, and other financial reports produced
- Advise the board of directors on matters pertaining to the performance of audit activities and on matters as directed by the board of directors
- Monitor compliance with regulations set by the board of directors and adherence to behavioral norms set for officers/staff, and initiate investigations of mismanagement
- Carry out other duties as decided by the board of directors from time to time

F. Training the Internal Auditor

Training should be tailored to the needs of the individual. Factors to consider in assessing these needs include the following:

- Audit objectives and priorities established by management
- Type of audit work to which the auditor has been assigned
- Previous training, experience, and qualifications

Scope of training. Training should be planned and carried out as an ongoing activity at all levels. Four different types of training should be provided:

- Initial training for newly appointed auditors designed to establish them as useful members of the department. Subjects covered should include the role and objectives.
- Development training in general audit skills and techniques, as well as skills related to improving the effectiveness of working in an audit team environment
- Management training for auditors who have the potential to manage and direct an audit team
- Specialized training for auditors responsible for a particular activity such as computer application or incentive bonus schemes

There may be auditors from disciplines other than finance, but the majority is likely to have a financial background. Although a formal auditing credential is desirable, an auditor also requires aptitude, experience, and training to be successful.

G. Internal Checks Regarding Cash

An auditor needs to know what kind of system of internal checks is in operation before starting the vouching of the cashbook. Without a well-organized system of internal checks, chances are great for misappropriation of cash. The auditor needs to know what duties the cashier performs, and whether the cashier has access to the ledger and other books of original entry. If so, the auditor needs to be alert to the possibility of fraud. In case of large concerns, the question will usually not arise as the cashier only has time to write his cashbook. This danger is usually in smaller concerns where a clerk is assigned two or more jobs.

Following is a suggested system of internal checks for receipt and payment of cash to help guard against fraud and misappropriation of cash:

- When cash is received, it should be acknowledged by means of a printed receipt that should have a counterfoil or by a carbon receipt. The cashier should not sign receipts and counterfoils. The receipts should be consecutively numbered. The unused receipt book should be kept under lock and key. Spoiled receipts should be cancelled and must not be detached from the counterfoils. No blank counterfoils should be accepted.
- As soon as cash is received, it should be entered in a rough cashbook or diary.
- Remittances should be opened by the cashier in the presence of a responsible officer who should not be connected with the cashier's office. All checks received should be "Not Negotiable-A/C Payee only."
- Automatic tills or cash registers are very useful for checking receipts.

H. External Control Mechanisms

Adoption of a computer-based information system will facilitate the ability to apply external controls on the financial activities of the BTFCF. The companies and software packages recommended in Section V of this report cover all the elements of the financial management system and auditing requirements needed by the BTFCF.

SECTION VII

Bylaws and Administrative Procedures

This section presents suggested bylaws for the BTFCF that attempt to incorporate essential sections of the TFCA Agreement and essential features of conservation foundations. The bylaws can be used as articles of association for registration under the Non-Profit Companies Act, or as rules of procedure for a project if the decision is made not to immediately register the BTFCF.

The design team assumes the BTFCF board will amend the proposed bylaws.

Bangladesh Tropical Forest Conservation Foundation: Bylaws

I. Basis

Article 1

Name and Seal of the Foundation

1. The following bylaws are based on The Tropical Forest Act Agreement (attached) dated... and signed between the Governments of Bangladesh and the United States. (hereinafter “the Parties”) The TFCA Agreement is incorporated by reference into these bylaws.
2. The Foundation is incorporated or established under the name of: Bangladesh Tropical Forest Conservation Foundation (hereinafter “the Foundation”)
3. The Foundation will use a logo to be agreed upon by the Foundation’s Board of Directors (“Foundation’s Board” or “Board of Directors”).

II. Objective And Means

Article 2

Objective and Means of the Foundation

1. Amounts available to the foundation shall be used to provide grants to conserve, maintain or restore tropical forests in Bangladesh through one or more of the following eligible types of activities:
 - 1.1. Establishment, restoration, protection and maintenance of parks, protected areas and reserves. Such activities could include, for example, demarcation of protected forests and buffer zones, identification of unique or representative forest areas, or inventory and protection of areas featuring species richness and high levels of endemism.
 - 1.2. Development and implementation of scientifically sound systems of natural resource management, including land and ecosystem management practices. Such activities could include, for example, forest inventory, assessment and monitoring; implementation of criteria and indicators for forest conservation and sustainable management; or testing and application of silvicultural techniques.
 - 1.3. Training programs to increase scientific, technical and managerial capacities of individuals and organization involved in forest conservation efforts. Such activities

could include, for example, short- term training courses, internships and study tours; development of community extension services; environmental education and public awareness programs; enhancement of university curricula in forest management or conservation biology; or education and training to develop capacity of local nongovernmental organizations.

- 1.4. Restoration, protection or sustainable use of diverse animal and plant species. Such activities could include, for example, rehabilitation of degraded forest; sustainable hunting, fishing, animal farming; improvement of forest health and vitality; or efforts to assess/ address illegal logging.
 - 1.5. Research and identification of medicinal uses of tropical forest plant life to treat human diseases, illnesses and health related concerns. Such activities could include, for example, ethnobotany studies; sample collection and analysis; or technical document preparation, publication and dissemination and dissemination.
 - 1.6. Development and support of the livelihoods of individuals living in or near a tropical forest in a manner consistent with protecting such a tropical forest. Such activities could include, for example, development of community- based and women’s enterprise involving wood or non-wood products; application of low impact logging practices; or development of multiple – use tree species outside natural forests.
2. The Foundation shall direct at least 65% of its financing per year for field activities and technical assistance designed to strengthen protected area management at high priority sites, including:
 - 2.1. reviewing and improving the sites existing forest protected area management plans or drafting new management plans;
 - 2.2. reviewing and improving the national forest protected areas strategy;
 - 2.3. training personnel working at the sites;
 - 2.4. strengthening the site’s conservation infrastructure;
 - 2.5. strengthening the capacity of the institution responsible for protected area management
 - 2.6. Providing field activity grants to individual organizations and coalitions or organizations working in high priority areas.
 3. The Foundation shall further provide financing for activities consistent with the following specific objectives:
 - 3.1. strengthening capacity in the Republic of Bangladesh to conduct scientific research and analysis on the state of the Republic of Bangladesh’s forest biodiversity and its protected areas;
 - 3.2. strengthening capacity in the Republic of Bangladesh to conduct policy research and analysis on threats to the Republic of Bangladesh’s forest biodiversity and its protected areas
 - 3.3. promoting environmental education and increasing environmental awareness;
 - 3.4. providing decision support information to assist decision makers improve conservation strategies and plan implementation

Article 3*Activities of the Foundation*

1. In order to accomplish the objectives enumerated in Article 2, the Foundation may fund the activities of:
 - 1.1 Nongovernmental environmental, forestry, conservation, development, educational and indigenous people organizations active in Bangladesh;
 - 1.2 economic, scientific, educational, social and professional organizations, and natural persons.
 - 1.3 Other appropriate forest related entities active in Bangladesh;
 - 1.4 Under exceptional circumstances, national and local government agencies of the Republic of Bangladesh responsible for environmental protection and management of nature reserves and protected areas;
2. In awarding grants, the Foundation shall give priority to activities proposed by nongovernmental organizations and other private entities and that involve local communities in their planning and execution
3. Grants shall be awarded within the financial capacity of the Foundation and strictly on the merits of proposals presented to the Board and the chances of success of proposed activities without regard to whether the applicant does or does not have representation on the Board.
4. Activities funded by the Foundation shall be ecologically sustainable and should be carried out in a manner beneficial to the population living in the area of the activity as well as to the ecosystem.
5. The Foundation's resources shall be used to fund activities that supplement, and do not replace the activities, functions, or tasks that are carried out under the responsibility of government or municipal authorities.
6. The Foundation will exercise its activities and fund activities taking place in the Republic of Bangladesh, but may engage in international cooperation with governmental and non-governmental organizations to the extent that such cooperation will promote conservation of the Republic of Bangladesh's forest biodiversity.
7. The Foundation shall not participate in or intervene in any political campaign (including via publication or distribution of statements) in support of or in opposition to any political organization, political candidate, or political parties.

Article 4*Other Powers and Duties*

In addition to the other powers and duties enumerated elsewhere in these Bylaws, the Foundation shall have the authority to:

1. organize scientific symposia, courses of instruction, and meetings to further the objectives of the Foundation;
2. provide funds for and carry on activities to obtain additional funds to promote the attainment of the Foundation's objectives; and
3. obtain loans and advances, or make, execute, and deliver promissory notes, bonds, or other certificates or evidences of indebtedness of the Trust, and pledge and hypothecate, or transfer any securities or other property of the trust as security provided that:

- 3.1. the loan or debt incurred will promote the attainment of the Foundation's objectives;
- 3.2. the Foundation's Board has approved the loan or debt incurred in accordance with the provisions in Article 20.

Article 5

Duration of the Foundation

The duration of the Foundation will be indefinite.

Article 6

Registered Offices

The Foundation shall be registered and located in Dhaka, Republic of Bangladesh.

III. Operating Principles

Article 7

Initial Capitalization

The Foundation shall receive the sum of USD _____ from the Government of Bangladesh in accordance with the Tropical Forest Act Agreement signed between the Republic of Bangladesh and the United States on _____, 2000.

Article 8

Non-use of Capital/Invasion of Capital/Donations

1. The Foundation shall eventually function as an endowment and shall use the income generated by its assets to fund activities and meet its administrative costs. Invasion of the endowment's capital is permitted only in accordance with the provisions in Articles 20 and 25.
2. Through its fifth year of operations, the Foundation is permitted to use its capital to cover its operations expenses and grant-making, with annual approval by the Board and the Parties.
3. The Foundation shall have the right to receive and control funds or any tangible or intangible assets through donations, voluntary contributions, subsidies, grants, inheritances, legacies, or subventions, coming from persons or legal entities created under private law or public law. Monies, in the form of local currencies or other currencies, from other sources, including but not limited to public and private creditors of the Government of Bangladesh and voluntary contributions from the Government of Bangladesh, other governments, and non-governmental entities may also be deposited into the Foundations account.
4. The Foundation's Board has exclusive authority to decide on which terms and conditions it may accept or refuse such payments, subject to Section 4 of this Article.
5. Donors or testators may specify the purpose and conditions under which their donation, contribution, subsidy, bequest or legacy shall be used.
 - 5.1. If the conditions specified by the donor or testator for the use of resources contributed are inconsistent with any Bangladeshi laws and regulations in force or are contrary to the Foundation's objectives, the Foundation shall refuse to accept such resources, bequests, legacies, or donations.

5.2. If the conditions specified by the donor or testator for the use of resources contributed are too burdensome for the Foundation to fulfill, the Foundation may refuse to accept such resources, bequests, legacies or donations.

6. In the absence of instructions by the donor or testator, donations, contributions, grants, bequests or legacies described in this article may be used either as capital or as income of the Foundation.

Article 9

Asset Management

1. The assets of the Foundation shall be managed in accordance with the legal provisions pertaining thereto.
2. The Government of Bangladesh of Bangladesh, in consultation with the U.S. Government, shall appoint a fiscal agent for the Foundation who shall be charged with investment and disbursement of the monies in the Foundation's accounts. The contract between the Government of Bangladesh and the fiscal agent shall specify his/ her relationship with the Board. The fiscal agent is responsible for promptly notifying the Board in writing when the Government of Bangladesh makes a deposit to the Foundations accounts, or if such a deposit is late.
3. The Foundation's assets will be managed and invested on behalf of the Foundation by asset managers of internationally recognized standing and competence and in accordance with internationally recognized standards for asset management.
4. The funds necessary for the Foundation's annual operating costs shall be deposited in a bank or other financial institution by the asset manager as required by the donor or testator, or, if no such requirement exists, as determined by the Foundation's Board.
5. The Foundation's income shall be used in accordance with the specifications of donors, testators, or other sources of the income, but only for activities approved by the Foundation's Board and consistent with the Foundation's objectives.

Article 10

Compensation for Services

1. Members of the Foundation's Board shall not receive compensation for their services as such; however, the Foundation's Board may authorize reimbursement for all expenses incurred in connection with the performance of services for the Foundation, including but not limited to attendance at annual, regular or special meetings of the Foundation. Nothing herein contained shall be construed to preclude any trustee from serving the Foundation in any other capacity and receiving reasonable compensation for such service.
2. No part of the net earnings of the Foundation shall inure to the benefit of a business owned or operated by a trustee, director, or officer of the Foundation, or immediate family member of any trustee, director, or officer of the Foundation, except that reasonable compensation can be made to the business for services rendered for the Foundation.
3. No part of the net earnings of the Foundation shall inure to the benefit of any private individual, except that private individuals may receive salaries or reasonable compensation for services rendered for the Foundation.

Article 11

Financial Year and Auditing

1. The financial year of the Foundation shall commence on the first day of January in each year, and shall conclude on the thirty-first day of December.
2. The first period shall commence on the date of the Parties announcement that the BTFCF is officially launched and shall terminate on the 31st of December of the following year.
3. The Foundation's Board shall appoint an independent auditor of internationally recognized standing and competence to audit the financial accounts of the Foundation.
4. The accounts of the Foundation shall be maintained regularly.
5. The auditor shall verify the balance sheet and profit and loss account made up at the end of each financial year and shall prepare a written report that shall be presented to the Foundation's Board following the conclusion of the financial year.
6. The audit shall be delivered to the Foundation's Board no later than three months after the conclusion of the financial year.

IV. Governance Of The Foundation

Article 12

Organization

1. The governing authorities of the Foundation shall be composed of:
 - 1.1. the Foundation's Board; and
 - 1.2. commissions established under Article 22 of these Bylaws.
2. The Foundation's Board shall be the highest governing body of the Foundation and shall provide the overall policy direction of the Foundation and oversee the activities of the Foundation's staff.

Article 13

Exclusive Powers of the Foundation's Board

1. The Foundation's Board shall have the exclusive authority to:
 - 1.1. appoint and dismiss the chairman of the Foundation's Board;
 - 1.2. appoint and dismiss the Foundation's Executive Director
 - 1.3. adopt or amend the Bylaws of the Foundation;
 - 1.4. approve grants
 - 1.5. adopt or amend internal rules of procedure for the operation of the Foundation's Board;
 - and
 - 1.6. dissolve the Foundation in accordance with Articles 20 and 25 of these Bylaws.
2. The exclusive authority of the Foundation Board as defined in section 1 of this Article and in Article 8 may not be delegated.

Article 14
Powers of the Board

The Foundation's Board is the highest governing body of the Foundation. It is endowed with the most extensive powers to accomplish the objective of the Foundation and its management. In particular, these include the power to:

1. oversee the well being and use of the Foundation's assets;
2. determine annual and long-term activity plans for the Foundation, as well as its annual budget;
3. determine the Foundation's annual activity plan and budget;
4. establish and approve the annual accounts of the Foundation;
5. approve the balance sheet and calculation of revenue;
6. acquire and dispose of real assets for the Foundation;
7. allocate the Foundation's duties and functions among its members and to appoint a Chairman, who is a member of the Foundation's Board;
8. adopt and amend the Bylaws of the Foundation;
9. adopt and amend the internal rules of procedure for the operation of the Board of Directors.
10. issue and widely disseminate a public announcement of the call for grant applications, applications which states the purpose of the Foundation, eligible activities and applications, the criteria for the selection of grant recipients, the schedule of the grants process, and any other procedural and format requirements established by the Board.
11. receive applications for grants from eligible entities and award grants to such entities for activities consistent with the Foundations objectives on the basis of evaluating applications for their merits and chances of success.
12. publicly announce grants awarded by the Board;
13. develop with each grant recipient a Grant Agreement, which outlines the terms of the grant;
14. present to the Parties annually according to a schedule to be mutually agreed upon by the Parties:
 - 14.1. a plan and annual budget for their approval showing prospective activities; including expected administrative and program costs. The first such plan and budget are to be presented within one year from the date of the Board establishment;
 - 14.2. a report on grant activities for the previous year, including multi- year activities funded by the Board, which shall include for each grant award information as to the grant recipient, grant amount, activity funded, and status of implementation, as well as information on the status of audits of randomly selected grants; and
 - 14.3. a financial audit to accepted international standards by an independent auditor, covering the previous program year, the Board's establishment or at such time as \$1 million in grants has been disbursed, whichever comes first.
15. The Board shall hire an executive director to coordinate and execute with the guidance of the Board all necessary actions required for the adequate functioning of the Board, including the hiring of necessary support staff with the approval of the Board.
16. The Board shall monitor performance under grant agreements to determine whether time schedules and other performance goals are being achieved. Grant agreements shall provide

for periodic progress reports from the grantee to the Board. Such reports will review all activity components essential to the successful achievement of the goals of the activity.

17. The Board's bylaws, written policies, operating procedures, summaries of proceedings, books, records, and any organizing statutes shall be retained in the files of the Board. A permanent record shall also be maintained of the decision criteria used in the award of each grant. The Board shall make available for easy public inspection its bylaws, written policies, operating procedures, summaries of proceedings, and decision criteria in the award of each grant.

Article 15

Board Composition

1. The Foundation's Board shall be composed of five (5) members selected in accordance with the following criteria:
 - 1.1. One representative appointed by the U.S Government;
 - 1.2. One representative appointed by the Government; of Bangladesh.
 - 1.3. Three representatives of a broad range of nongovernmental forest – related interests within Bangladesh, including representatives from;
 - 1.3.1. environmental nongovernment organizations;
 - 1.3.2. local community development nongovernment organizations; and
 - 1.3.3. scientific, academic and/ or forestry organizations;
2. The representatives under Article 15 shall constitute a majority of the members of the Board

Article 16

Criteria for Board Membership

1. Members of the Foundation's Board shall be:
 - 1.1. widely respected and considered persons of integrity and high moral standards;
 - 1.2. committed to the specific objectives of the Bangladesh Tropical Forest Conservation Foundation and have a demonstrated interest in environmental issues, and in particular forest biodiversity conservation;
 - 1.3. individuals with a record of recognized achievement in public or private life;
 - 1.4. Residents of Bangladesh
2. Section 1.4 of this Article is not applicable to the member representing the US Government or international donors who might be invited to join the board.

Article 17

Duration of Appointments/Dismissal

1. With the exception of those members of the Foundation's Board designated under Section 3 of this article, each appointment to the Foundation's Board shall be for a term of two (2) years.
2. All members are eligible for re-election but shall not be elected or appointed to more than two consecutive terms.

3. During the initial term of the Foundation's Board, two of five members of the Foundation's Board will serve for one year only, and will be eligible for re-election to a term of two years.
4. The Parties representation shall be for a term of four (4) years.
5. Members of the Foundation's Board appointed by the Parties may not have their appointment revoked after they are approved by the Foundation's Board. They may only be removed by the Foundation's Board for violations of Section 7 of this Article.
6. The Chairman of the Foundation's Board ("Chairman") shall be elected by the Foundation's Board for a one (1) year period and is eligible for reelection.
7. Each member of the Foundation's Board may be dismissed under the following circumstances:
 - 7.1. for consistent failure to participate in meetings of the Board or failure to carry out duties arising from participation in the Foundation's Board;
 - 7.2. for acting contrary to BTFCF Bylaws, the objectives of the Foundation, or any decision of the Foundation;
 - 7.3. for acts indicating lack of integrity or honesty;
 - 7.4. for failing to comply with the provisions of Article 21.
8. When a vacancy occurs, the Foundation's Board shall appoint a new member in accordance with the provisions in this Article, and with Articles 15, 16, and 18.

Article 18

Rules of Appointment

1. The membership of the Foundation's first Board of Directors shall be selected by the President of the Republic of Bangladesh, in consultation with the Government of the United States and in accordance with Articles 15, 16, and 17.
2. With the exception of the Foundation's first Board of Directors, membership in all subsequent Boards of the Foundation shall be approved by a majority of the existing board.

Article 19

Frequency of Board Meetings

1. Meetings of the Foundation's Board shall be convened by the Chairman upon his/her own initiative, or upon request of at least three (3) members of the Foundation's Board.
2. The Foundation's Board shall meet as often as the interests of the Foundation require, but not less than four times each year.

Article 20

Voting

1. A decision to amend the Articles of Association or the Bylaws requires approval by a seventy-five (75) percent majority of all of the voting members of the Foundation's Board.
2. A decision to invade capital or dissolve the Foundation requires unanimous approval by all of the voting members of the Foundation's Board, in addition to the requirements established in Article 25 of these Bylaws.

3. A decision to dismiss a member of the Foundation's Board requires approval by a seventy-five (75) percent majority of all the voting members of the Foundation's Board.
4. A decision by the Foundation's Board to incur a debt above \$10,000 must be approved by a unanimous vote of all of the members of the Foundation's Board.
5. Unless otherwise required by applicable law, any action required or permitted to be taken at any meeting of the Foundation's Board may be taken without a meeting if:
 - 5.1. all members of the Foundation's Board are notified in writing and in reasonable detail of the matter in consideration;
 - 5.2. the required majority of the Foundation's Board agrees in writing to a decision without a meeting.
6. Decisions of the Foundation's Board, except for those decisions falling under sections 1 and 2 of this Article, may be taken in the form of approbation given to a proposal made during a telephone conference, by circulation of a resolution in writing, or other means of communication provided that:
 - 6.1. the means of communication allow effective communication;
 - 6.2. such a decision shall be minuted, recording specifically the way in which the decision was taken and the names of the participants.
7. In all voting, each member of the Foundation's Board shall have one (1) vote.

Article 21

Conflicts of Interest

Whenever any member of the Foundation's Board or a member of his or her immediate family has an independent interest in the decision to be made by the Foundation's Board, such a member shall disclose to the Foundation's Board the nature and extent of the interest. If the Foundation's Board determines, without the vote of the disclosing member of the Foundation's Board, that such an interest is sufficiently strong to constitute a potential conflict of interests with the interests and objectives of the Foundation, the disclosing member of the Foundation's Board shall abstain from any vote related to such a matter.

Article 22

Commissions

The Foundation's Board may create temporary or permanent commissions, including an advisory consultative group, and appoint to them such persons as it deems appropriate. Persons serving in such advisory capacity shall not exercise any of the powers granted to the Foundation's Board.

Article 23

Rules of Procedure

1. The Foundation's Board shall approve rules of procedure for the Foundation.
2. The Rules of Procedure will establish guidelines for the time, location, and agenda of the meetings of the Foundation's Board's, quorum requirements for valid deliberation, written

communications to the board, and other matters relating to the meetings of the Foundation's Board.

3. The Rules of Procedure shall be consistent with the Bylaws and in accordance with internationally accepted rules for deliberative assemblies.

Article 24

Official Language

The Foundation's official language shall be English, but meetings and other business may be transacted in Bangla or any language selected by the board..

Article 25

Dissolution of the Foundation

1. The Foundation shall be dissolved in the circumstances provided for under the law, or when the Foundation's Board determines that the Foundation's objectives have ceased to be realizable.
2. In case of dissolution based on a determination by the Foundation's Board that the Foundation's objectives have ceased to be realizable, the assets of the Foundation shall be disposed of according to a decision of the Foundation's Board, and upon the express approval the Parties.
3. Liquidation shall be conducted by a liquidator appointed by the Foundation's Board.
4. The liquidator shall be equipped with duties and powers of the Foundation's Board in accordance with the terms and provisions of these bylaws, but will be subject to the supervision and authority of the Foundation's Board.
5. Upon dissolution and with approval of the Parties, the assets of the Foundation shall be distributed only to organizations that are organized and operated exclusively for charitable, scientific, and educational purposes consistent with the objectives of the Foundation.
6. Under no circumstances may the assets of the Foundation be returned to any private individual, nor used in all or in part or in any manner whatsoever for their profit, nor shall any officer, director, trustee, or private individual be entitled to share in the distribution of any of the Foundation's assets.
7. Dissolution shall further be consistent with Articles 13 and 20 of these Bylaws.
8. In addition to points 1-7 Article 25, Either Party may terminate this Agreement upon six months' written notice to the other Party. No disbursements from the Foundation shall occur after a Party has given notice to terminate the Agreement that established the Foundation, unless the Parties expressly agree in writing to permit disbursements pursuant to specific grant agreements concluded before notice to terminate is given. The termination of the Agreement shall not prevent expenditures of funds disbursed before notice to terminate is given.

Article 26

Monitoring and Evaluation

The Foundation will establish a monitoring and evaluation plan and produce monitoring and evaluation reports at regular intervals. The monitoring plan must be sufficient to accurately measure progress against objectives.

The Ten Commandments of Conservation Trust Funds

1. Decide on what kinds of activities can (and *cannot*) be financed by the trust fund. The most common problem of trust funds is the lack of a clear focus, and an ad-hoc approach to making grants.
2. Obtain and maintain the highest possible level of political backing (i.e., by the president), to have enough weight to overcome potential Finance Ministry objections that setting up the fund could lead to a proliferation of other off-budget funds that are out of their control and not subject to usual standard procedures. This backing is also needed to overcome resistance by other government agencies that fear their responsibilities (“turf”) will be reduced by establishment of the trust fund.
3. Obtain a firm and, if possible, written commitment (usually from the Finance Ministry) that the current, “real” level of government funding for national parks and conservation will not be reduced in the future as a result of the trust fund’s being established. Without this assurance, the entire exercise becomes a zero-sum game.

Reach written agreement on what activities will continue to be funded out of the government's regular annual budget.

4. Ensure that no single organization is perceived as controlling the trust fund — whether it be the government, a particular donor (such as GEF), or a particular NGO. This could turn off other potential donors, or lead to lack of a sense of local ownership and participation (buy-in).
5. Identify and involve other potential donors early in the process of setting up the trust fund. Such groups may have their own requirements relating to the structure of the fund. Other donors will also be more likely to contribute to the fund if they feel themselves treated as active partners, rather than simply being asked to write a check.
6. Decide on criteria, even percentage formulas, for allocating the trust fund’s annual budget. Will this be based on a particular park’s size? Its biological richness? The level of threat? The strength and effectiveness of the park’s management? The weakness of (i.e., the need for strengthening) the park’s management? Will parks that succeed in raising funds from other sources then be faced with having their allocations cut?
7. Find ways of ensuring that most money gets spent in the field, rather than being used to fund government staff and activities in the capital city.
8. Find ways to limit (in advance) the trust fund’s administrative costs. Try to estimate and find ways to set limits for the number of staff employed by the trust fund; overhead costs

(such as rent, computers, vehicles); and fees that will be paid to outside lawyers, investment managers, and auditors.

9. Ensure transparency and openness by requiring that the trust fund's financial records will be made publicly available. Also make publicly available (in advance) the agendas of board meetings, and afterwards publicize any decisions that were reached (but not the detailed minutes of board discussions). Annual progress reports should be published on the Web and/or in hard copy. Transparency also requires full disclosure of potential conflicts of interest by trust fund staff and board members.
10. Include provisions (in the trust fund's basic legal document) for possible future amendments that could change the trust fund's purposes and objectives, or the structure of its board, and also provisions for the possible (even if highly unlikely) termination of the trust fund. Decide on what events or conditions could trigger dissolution of the trust fund (such as flagrant misappropriation of funds, or large-scale degazetting of protected areas and opening them up to logging, etc.), and indicate what would happen to any remaining assets of the trust fund.

ANNEX B

Scope of Work

I. Title

Establishment of the Bangladesh Tropical Forest Conservation Foundation.

II. Objective

The main objective of this task order is to help create the Bangladesh Tropical Forest Conservation Foundation and set the business procedures for the operation of the Foundation. Specific objectives are to:

1. Help create the Foundation as an NGO with the ability to enter into contracts and make grants (i.e. give it status as a legal entity) under Bangladesh law.
2. Develop bylaws, a budget process, and procedures for annual audits, annual work plans, annual reports, and human resources requirement.
3. Develop practical procedures for prudent investment of the trust fund that will ensure a positive real rate of return.
4. Develop procedures whereby the Foundation will be able to provide grants to NGOs.

III. Background

On March 20, 2000, in the first visit by a U.S. President to Bangladesh, President Clinton announced that the United States will treat a portion of Bangladesh's outstanding concessional debt to the United States to generate funds to support Bangladesh's fragile tropical forest ecosystems.

Bangladesh will be the first country to benefit from programs under the Tropical Forest Conservation Act (TFCA) of 1998 that was signed by the President in July 1998, after overwhelming bipartisan support in the U.S. Congress. This Act provides eligible countries the opportunity to reduce concessional debts owed to the United States, and at the same time generate funds to conserve or restore their tropical forests. To promote tropical forest conservation under this legislation, the U.S. Congress has appropriated \$12 million, of which \$6 million will be used to support Bangladesh's participation.

Both the Government of Bangladesh (GOB) and the United States Government (USG) are at the final stage of negotiation. The GOB will need to negotiate two agreements with the USG; one to treat the outstanding debt (The Debt Agreement) and the second to establish a Bangladesh Tropical Forest Foundation (The Forest Agreement), from which grants will be made to worthy applicants operating to protect Bangladesh's tropical forests. Representatives from the GOB and the USG will serve on a board of directors who will administer the funds. However, a majority

of the board's members will be from Bangladesh's civil society, which include non-governmental organizations (NGO) and the elements of the academic community that focus on forestry and biodiversity as elements of sustainable development.

Negotiation on the debt treatment and the agreements will be completed soon. The target for completion of the agreements has been set for September 2000. On signing the agreements, the Tropical Forest Conservation Foundation will be established in the next fiscal year. There will be a great deal of preparatory work needed at the processing phase to make the Foundation functional. Arrangements have already been made under the Mission's ongoing environmental program, *Management of Aquatic Ecosystems through Community Husbandry (MACH)*, for a long-term Natural Resources Advisor to the Tropical Forest Conservation Foundation.

IV. Statement of Work

Below are specific activities that shall be undertaken by the contractor.

A. Principles and Coordination

This is a USAID/Bangladesh Task Order utilizing the G/ENV's BIOFOR (Biodiversity and Sustainable Forestry Services) Indefinite Quantity Contract (IQC). The task order will be managed under the Mission Environment Team.

The Strategic Premise

TFCA provides a unique opportunity for USAID/Bangladesh to initiate a long-term forest conservation program, pursuant to the newly developed Mission Strategy as well as the newly approved environment Strategic Objective (SO), *Improved Management of Open Water and Tropical Forest Resources*. This task order shall provide assistance to the newly established Tropical Forest Foundation. The contractor shall manage the program according to this strategic principle.

Coordination

The contractor shall require coordinating with the Director, Office of Economic Growth, Food and Environment within the Mission, the Natural Resources Advisor of the Environment Team's on-going activity, Management of Aquatic Ecosystems through Community Husbandry (MACH), and the NGO apex bodies, the Coalition of Environmental NGOs (CEN) and the Association of Development Agencies in Bangladesh (ADAB) as well as the appropriate representatives of the Government of Bangladesh.

B. Tasks

1. Provide technical assistance (TA) to help create the Foundation and clarify/specify its legal status under Bangladesh law.
2. Design the staffing pattern and write position description(s) for all the key staff who will be hired to assist the Board, such as an Executive Director.

3. With the GOB, develop practical procedures for prudent investment of the trust fund that will ensure a positive real rate of return.
4. Develop financial and administrative procedures whereby the Foundation will be able to provide grants to NGOs. The technical procedures will be developed separately.
5. Develop the procedures for the annual audits, the annual work plans and the annual performance reports that will be required.
6. Develop Bylaws and administrative procedures under which the Board shall function.

C. Listing of Personnel to Perform the Tasks – Illustrative List

Institutional Development Specialists

1. One Institutional/Organizational Development Specialist to act as the Team Leader. The desired person will be from the senior-level.
2. One Financial Manager. The desired person will be from the mid-level.
3. One Endowment Specialist. The desired person will be from the mid-level.

Attorney

One mid-level Environmental Attorney (Lawyer). The desired person will be from the mid-level.

The Team must arrive in Bangladesh at the same time and work as a collaborative team for the duration of the assignment.

The members of the Team will perform, at a minimum, the tasks as specified below:

Institutional\Organization Development Specialist

The person must have adequate experience in institutional development, particularly in establishing a trust fund. The IOD Specialist will be the Team Leader and is required to: (1) direct and coordinate the work of the other team members, (2) assess the institutional development needs and opportunities of the Foundation; (3) identify appropriate operational policies, actions and approaches to strengthen the development of the Foundation; (4) assist the Foundation develop their vision and mission statements, design the short- and long-term staffing pattern, financial and administrative management, program implementation, monitoring and evaluation, communications and outreach; and (5) advise on fund-raising strategies to ensure organizational financial sustainability. Also, the Team Leader will be responsible for the final report, coordinating all results/deliverables of the Task Order. The final report will provide a clear guideline to create the Bangladesh Tropical Forest Conservation Foundation under Bangladesh law.

Financial Manager

The Financial Manager shall: (1) develop financial procedures whereby the Foundation will be able to provide grants to NGOs; and (2) identify appropriate operational policies, actions and approaches to strengthen the financial management, including procedures for annual audits.

Endowment Development Specialist

The Endowment Development Specialist shall develop an investment plan of the trust fund that will ensure a positive real rate of return.

Environmental Attorney

The Environmental Attorney shall develop bylaws under which the Board will function. The bylaws must complement the clauses and provisions of the Debt Exchange Agreement and the Tropical Forest Agreement signed by the US Government and the Government of Bangladesh.

D. Results/ Deliverables

The following results/deliverables are required:

1. Work plan: The contractor shall finalize the work plan for approval by the USAID Task Order CTO within a week of the effective date of this task order.
2. A clear guideline, acceptable to both the U.S. Government and the Government of Bangladesh, to create the Bangladesh Tropical Forest Conservation Foundation under Bangladesh law.
3. Design of the staffing pattern and write position description(s) for the key staff to assist the Board.
4. An investment plan of the trust fund that will ensure a positive real rate of return.
5. Financial and administrative procedures whereby the Foundation will be able to provide grants to NGOs.
6. Procedures for the annual audits, the annual work plans and the annual reports on past year activities that will be required.
7. Bylaws and administrative procedures under which the Board shall function.

V. Technical Direction

Technical Directions during the performance of this Task Order shall be provided by the Cognizant Technical Officer (CTO), the Team Leader of the Mission's Environmental Team. The contractor shall implement the statement of work under the technical direction of the CTO pursuant to Section G.13 of the IQC Contract.

VI. Terms of Performance

Work shall commence on or about September 28, 2000 and be completed by December 28, 2000.

Subject to the ceiling price of this Task Order and the prior written approval of the CTO, the contractor may extend the estimated completion date, provided that the extension does not cause the elapsed time for completion of the work, including the furnishing of all deliverables, to extend beyond 60 calendar days from the original estimated completion date. Prior to the original estimated completion date, the contractor shall provide a copy of the Technical Officer's written approval for any extension of the term of this Task Order to the Contracting Officer; in addition, the contractor shall attach a copy of the Technical Officer's approval to the final voucher submitted for payment.

It is the contractor's responsibility to ensure that the Technical Officer-approved adjustments to the original estimated completion date do not result in costs incurred that exceed the ceiling price of this Task Order. Under no circumstances shall such adjustments authorize the contractor to be paid any sum in excess of the Task Order.

Adjustments that will cause the elapsed time for completion of the work to exceed the original estimated completion date by more than 60 calendar days must be approved in advance by the Contracting Officer.

The Condition of Forests in Bangladesh

A. The Overall Trend: Profound Forest Area Loss

The last 10-year trend reveals a serious decline of “natural” forest habitat due to land-use changes for agriculture, settlement, development, and unsustainable forest product harvests — both legal and illegal. Outside the Sundarbans, only tiny patches of forests remain, and these are under severe fragmentation pressure. These patches house what remains of a biologically viable representative population of Bangladesh’s biodiversity, likely a total area less than 300 km². Sundarban trends are very discouraging in spite of its designation as a World Heritage Site, international and local NGO conservation support, and multilateral-funded project assistance. Though a current natural forest inventory is unavailable, satellite imagery indicates that forest cover has been reduced more than 50 percent since the 1970s. Estimates in 1990 revealed that Bangladesh had less than 0.02 ha of forestland per person — the lowest forest-to-population ratios in the world. Presently, less than 6 percent of the country is under forest cover, primarily mangrove forests at about 4,000 sq km. There are 15 protected areas that occupy 1.5 percent of total land area. Nevertheless, Bangladesh possesses rich biodiversity (5,000 species of flowering plants are known), almost all of it residing in remaining forested and wetland areas. Outside of these areas, a severe biological simplification process has occurred.

There is a consensus among experts in Bangladesh that all remaining forest patches will be destroyed within 10 years assuming current trends, and the Sundarbans within 15 years. Given these conditions, a forest biodiversity emergency exists in Bangladesh that requires an immediate, coordinated, well-resourced, strategic response. While most species critically endangered in this country are not endemic (found only here), Bangladesh is a major habitat area for vulnerable and endangered species that top the international conservation agenda, such as the Bengal tiger. It is a vital national interest that Bangladesh retains its biodiversity assets so it has the genetic “capital” needed for its future development.

B. The Forests of Bangladesh

There is controversy among Bangladeshi organizations on the scale of forest cover and deforestation rates in the country. Though “forestland” officially constitutes 18 percent of the total land area, 10-12 percent should be considered highly degraded and/or plantation forests. “Tree cover” is 5-7 percent according to present estimates, but the condition of the forests under the canopy is not well known, primarily because conditions are changing so quickly. With few exceptions, government agencies and NGOs use outdated remote sensing maps for forest inventories, and newer maps are most often not ground-truthed, so the conclusions drawn have to be tentative.

Even with such sparse forest cover, there are 57,000 wood industry production units with 0.21 million employees in Bangladesh. Primary industries include saw milling, pulp and paper, plywood/veneer, match production and panel board. Secondary industries are furniture, and

wood seasoning, treatment, and preservation. Sixty-five percent of forest products are consumed as fuel wood. Unrecorded production, illicit felling, and smuggling account for 45-60 percent of supplies, depending on the source of information. Estimated total forestry employment today is 5 million, including wood collectors.

C. Causes of Deforestation in Bangladesh

Bangladesh's natural forests are controlled by the GOB Department of Forests (DoF) and fall broadly under three main classes: hill forests, inland deciduous Sal forests, and the Sundarbans mangrove forests.

Inventories show an overall depletion in forest stocks in all the major forests. About half of the land area controlled by the DoF lacks tree cover. The average annual destruction of forestland in the country was 8,000 ha in 1980 and subsequently it increased to 38,000 ha in 1981-1990 according to FAO (1993). According to local experts, the rate of forest destruction is far more severe than the official statistics suggest for the period 1995-2000.

The major direct cause of deforestation is land clearing for agriculture, principally through shifting cultivation in the hill forests, and felling for the timber industry related to the current building boom in Dhaka. Other causes include land-use changes related to social forestry projects, forestland encroachments, grazing, fire, uncontrolled commercial logging, illegal felling, and fuel wood collection. Bangladesh's low land-area-per-capita ratios illustrate the intensive competition for the very limited land resources. While existing forest cover is lost on a large scale, there are very small gains by afforestation of denuded areas and newly accreted land, but these gains are far less than are needed to protect vital environmental services, and they do not significantly enhance biodiversity conservation. Local wood supply cannot keep up with the demand for raw materials resulting in shortages and increased use of imports. Biomass fuels are predominantly used in household cooking. Outdated, inefficient technology is evident in forest resource harvesting and manufacturing, resulting in unnecessary waste.

D. Dipterocarp Hill Forests

This type of forest is tropical moist evergreen and semievergreen in the greater Chittagong, CHT, and Sylhet regions. The main species are natural Dipterocarps and its associates including plantation species. The main causes of depletion of hill forest are shifting cultivation and uncontrolled overexploitation. Clear felling followed by natural regeneration systems were practiced in the hill forests for generations, but the system has broken down due to extreme human interference, encroachment of the land for agricultural conversion and habitation, the constant search for grazing land, and by military operations.

Bangladesh's troubled border with Myanmar is primarily within the hill forest area. About 1 million Rohingya refugees from Myanmar were forced to take shelter in Bangladesh's hill forests in 1990 due to military operations in the region. The United Nations High Commission for Refugees has been working to repatriate them to Myanmar and about 25 percent have returned. Unfortunately, during the slow negotiation process, very significant but as-yet poorly evaluated deforestation occurred. This accelerated forest damage that was already underway, primarily by

local illegal timber traders, the military, and influential leaders who have made local communities dependent on them for employment in the timber industry.

E. The Sal (*Shorea spp*) Forests

The Sal forests belong under the tropical moist deciduous forest class (greater Dhaka, Mymensingh, Tangail, Rangpur, and Dinjapur region) that constitutes of about 5 percent of total remaining forests. The natural Sal forests were previously managed under clear felling followed by coppice regeneration. The GOB banned this management system realizing that the forest had degraded due to excessive felling and coppicing. But this and other policies were not enforced, so rapid deforestation continued in the country's most densely populated region. The main direct causes are land clearance for agriculture, illegal encroachment, and failed forest use and management policies.

Measures were taken by the GOB and nongovernmental organizations (NGOs) to involve farmers in forestry and conservation in the region, but these have failed. Inadequate funding, negligence, and corruption in government forest department staff and the protection of encroachers by local political leaders have been significant failure factors. The consequences for future conservation initiatives are significant because local confidence in such projects is now extremely low. Farmers who participated in community forestry programs are not getting their share from the harvesting of the crop. Initially, profits were to be distributed to them according to a predetermined ratio. However, poor program management response from the GOB when the plantations reached harvesting age for the first rotation caused participants to stop looking after the plantations and associated Sal forests. Mature trees are now being felled and taken away by illicit loggers who are taking advantage of this situation. Once the confidence of the rural population is lost, it will be very difficult to regain, and participatory approaches to forest conservation, already difficult to implement, will be hindered.

The Sal forests are under constant human pressure from all sides, and boundaries remain unclear. The forests are in patches, intermingled with private agricultural lands and habitation encircling small blocks of forest. One source estimated that approximately 150,000 poachers are active in this region.

Encroachment is rampant because of legal lacunae due to past tenurial history of the lands, the intricate nature of the boundaries between forestland and cultivable land, and failure to complete the forest settlement operations initiated in the 1950s. Other reasons are: the wide gap between the demand and supply of wood and its consequent high price (illicit removal of even a head-load of firewood is more profitable than a day's wage of a rural laborer; removal of small timber and poles is even more profitable); limited year-round employment in rural areas resulting in compelling dependence on collection of wood from the forests for subsistence; and, the widespread existence of organized groups of entrepreneurs who skillfully organize illegal cutting and removal of especially valuable trees from the forests.

Most Sal forests are now severely degraded. Some three decades ago, more than 60 percent of these forests were fairly densely wooded. But today, the forest has been reduced in extent and tree density as well as stand quality. The Sal forests are likely the worst state of all forest types in the country. The FAO estimated that about 36 percent of original forest cover existed in 1985;

more recent estimates (1995) suggest that only about 4 percent of quality the forest cover remains. Despite a moratorium imposed in 1972 on extraction of wood from Sal forests, felling has continued unabated. The remaining patches are in declining condition with rapid fragmentation observed throughout the region. At some point, these fragments will no longer be viable forests, and wildlife will die or flee.

F. The Sundarbans Mangrove Forests

The Sundarbans Reserve Forests is composed of about 0.58 million ha in the greater Khulna and Bagerhat regions, of which 0.41 million ha is mangrove forests and 0.17 million ha is open water areas in rivers, channels, and creeks. The Sundarbans is the largest single tract of mangrove formation in the world. The main species is Sundri (*Heritiera* spp.) and other associated mangroves that belong to the Rhizophorace family (*Sonneratia* spp., *Excoecaria* spp., *Xylocarpus* spp., *Ceriops* spp., etc.).

The forest is managed by the GOB Forest Department. As a Reserve Forest, it should contain no human habitation, but there are growing communities in the periphery, and new communities are reported within the Reserve. The Sundarbans now constitutes about 60 percent of Bangladesh's natural productive forests and provide livelihood for at least 0.8 million people, mainly wood cutters, fisherman, honey collectors and *Nypa* palm leaf harvesters locally known as Golpata collectors, *Phoenix paludosa* (hental) collectors, shell collectors, and fishermen. Approximately 100,000 new employment seekers move to the Sundarbans annually as subsistence strategies fail in other regions of the country.

In addition to forest resources, the Sundarbans forest is extremely important for fish production, wildlife conservation, and recreation, and serves as a protective barrier against coastal erosion, cyclones, storms, and tidal surges. The mangrove forests and mudflats provide vital breeding and nursery areas for finfish, crustaceans, and molluscs.

There is an unambiguous depletion of growing stock, notably of *Heritiera* (Sundri) and *Excoecaria* (Gewa). Both appear to have been reduced by 50 percent and 55 percent, respectively, between 1959 and 1995. The incidence of top dying *Heritiera* spp is increasing along with rapid ecological changes, perhaps rendering the area unsuitable for the species. The construction of the Farraka barrage over the upstream of the Ganges by India in West Bengal reduced water flow significantly during the dry-season, resulting in increased salt intrusion from seawater that may have modified the mangrove ecosystem. This is a good example of cascading ecosystem impacts described elsewhere in this report. Even so, the main reasons for deforestation in the Sundarbans are reported corruption and negligence by some Forest Department staff, the profound influence of illegal traders and local influential leaders, few livelihood alternatives, and the simple demand for forest products in Bangladesh's booming construction economy.

UNESCO has declared the Sundarbans mangrove forests as a world heritage site. This has resulted in significant donor and international NGO interest and investment in the area, and may lead to steps to protect and preserve this unique, dynamic but fragile and complex ecosystem. Unfortunately, reports suggest that current projects are experiencing severe implementation

problems, and that the sum total of all efforts is inadequate to address the causes and scale of forest destruction.

Table I-1 on the following page outlines the most significant remaining forest areas in Bangladesh. These areas constitute the areas for which BTFCF grants and activities would likely be directed.

Table I-1. Remaining Tropical Forests Of Bangladesh

Forest	Designation	Location	Area (Ha)	Forest Type	Description
Lawacharra NP (West Bhanugatch RF)	National Park & Reserve Forest (West Bhanugatch)	Syhlet-Molvibazar District near Srimangal Town accessible by road.	2,591 ha (1,460 NP)	Semimoist tropical evergreen/deciduous forest mixed with long- and short-rotation plantations.	Cut and replanted in the 20's, portions of the forest have been allowed to naturally regrow. By many accounts the best remaining evergreen broadleaf tropical forest outside of the CHT in terms of plant and animal biodiversity. Home to Bangladesh's largest remaining populations of the endangered Hoolock Gibbon, Leaf Monkeys, and other endangered animals. This forest is also reliably reported to be the single best site for migratory and tropical songbirds in Bangladesh. A large tract (~100 ha) of prime natural forest was recently clear-cut by the Forest Department and replaced by short rotation exotics. Other areas are under pressure from villagers and special interests.
2. Roghu Nandan (Satcheri WS)	Reserve Forest (Wildlife Sanctuary)	Syhlet-Habiganj District on main Dhaka-Syhlet road.	3,178 (80 ha natural forest)	Semimoist tropical evergreen/deciduous forest surrounded by short rotation and oil palm plantations.	Among the better very small patches (<100 ha) of remaining natural tropical forest. Drier than Lawacharra with a different variety of plants and wildlife, and surrounded by various short rotation tree areas, this forest is unlikely to survive without significant support. Divided into the following beats- Satcheri 813 ha, Telma Chara 765 ha, Saltiha 685 ha, Roghu Nandan 915 ha.
3. Rema-Kalinga	Wildlife Sanctuary & Reserve Forest (Taragp Hills)	Syhlet Area-Moulvibazar and Habiganj districts near Indian border.	4,983 ha (1,095 ha WS)	Semimoist tropical evergreen/deciduous forest.	Portions of natural forest are reported to remain. This is a heavily degraded area of formerly natural forest. It has suffered severely due to neglect and depredations of special interests and surrounding villagers. Due to its semi-isolated position, it is difficult to know the actual area of remaining natural forest. This forest is under more threat than Lawacharra and is unlikely to survive without immediate support.
4. Madhupur	National Park 1996	Tangail District.	8,436	Dry tropical deciduous or Sal forest.	Reported to be the best tracts of sal forest remaining in Bangladesh. Much of the protected area has been cut and replanted in short rotation exotic forests — primarily acacia varieties and rubber. Unofficial reports from the Forestry Department are that 3,500 ha of reasonably good cover remains with the NP area. Social issues mainly concerning land rights with surrounding tribal and Bengali communities would be a major issue in any intervention.
5. Chunati	Wildlife Sanctuary 1986	Chittagong District.	7,761	Semi-moist tropical evergreen/deciduous forest.	Recent reports indicate that little if any forest remains. Formerly a true tropical forest with numbers of elephant and other animal species, it now it is almost totally denuded hills. It may be too late to save this forest.
6. Teknaf	Game Reserve 1981	Cox's Bazar District.	11,615	Coastal forest	Holds one of the last remaining herds of wild elephants in Bangladesh. It will receive GEF funding for a project under the DoE. 'Rohinga' refugees in association with special interests have cut large amounts of the forest for firewood and income. These Burmese refugees are settled in camps within or adjacent to the reserve.

7. Sundarban (East, West, South)	Reserve Forest & Wildlife Sanctuary (World Heritage Site 1997)	Extreme southwest corner of Bangladesh; Satkira, Khulna and Bagerhat districts.	601,700 (SRF) 166,800 WS/ WH Site	Tropical mangrove forest. Includes a range of habitats from high- to low - salinity areas.	Bangladesh's only truly tropical forest of global importance. The world's largest tropical mangrove forest (along with a smaller portion in India) covering over 6,017 km ² without any permanent settlement. The last refuge for many formerly abundant species: Bengal tigers, various deer species, saltwater crocs, monitor lizards, various sea and freshwater turtles, birds including the Masked finfoot and other species of plants and animals. The only natural forest area of truly global importance. A portion is wildlife sanctuary that has been declared a world heritage site. Major issues include overexploitation of forest and nonforest products by the DoE and local communities, special interests , organized crime involvement in the forest, etc. While under serious pressure, its isolation continues to offer a degree of protection. Under current management it should maintain some degree of biodiversity value for the next 10 years.
8. Sangu Matamuhari	Reserve Forest (proposed as a wildlife sanctuary)	Extreme southeast corner of Bangladesh adjoining Burmese border; Banderban District.	74,841	Semi-moist tropical evergreen/ deciduous forest.	Very little is known about this area as it has been inaccessible until the recent signing of the CHT Peace Accord. Only 962 ha are reported by the DoE to be under plantation. Access will be difficult and as a result it could be the best remaining example of Tropical Evergreen Forest remaining in of the CHT.
9. Other CHT		Banderban, Rangamati, and Kagrachhari districts.	■		A number of small forest patches remain in these areas. It has been reported that the degradation is a result of activities of the DoE, the Army, and insurgents over the past 20 years. It is not known if any significant forest patches worthy of inclusion remain.

ANNEX D

Status of Forest Biodiversity Conservation

A. Protected Area Management and Forest Biodiversity Conservation Today

The 15 formally protected areas in Bangladesh occupy an area of 110,223 ha, or about .75 percent of the land area of the country. This is well below the target of 5 percent established by the Wildlife Task Force in 1986 and the target of 12 percent recommended by the world Commission on Environment and Development.

Two sanctuaries account for 54 percent of the total protected area and one of these, Pablakhali, the largest in the country, is of questionable biodiversity value. Several national parks were established for historical and recreation value and have little conservation value. Three protected areas are less than 1000 ha in size. No systematic field evaluation of any of the protected areas has been done in more than 10 years. As a result, little current information exists on the state of forest cover, wildlife populations, or human activity.

B. Legislation

The legislation providing for the establishment and management of protected areas in Bangladesh (The Wildlife Conservation Act) puts aside areas of “outstanding scenic and natural beauty with the primary objective of protection and preservation of scenery.” Hunting, capturing, or disturbing of wild animals, firing of guns, burning, cutting or damaging plants or trees, clearing land for any purpose, or polluting water is prohibited. Public entry, settlement, residence and the introduction of exotic animals or domestic animals for grazing are not prohibited. Construction of roads, rest houses, hotels and amenities for the public in national parks is provided for in the Act, which states that these facilities must be planned so as not to impair the primary objective of establishing the park.

A wildlife sanctuary is defined in the act as: “An area closed to hunting, shooting or trapping of wild animals and declared as such under Article 23 by the Government as undisturbed breeding ground primarily for the protection of wildlife inclusive of all natural resources, such as vegetation, soil and water.” Wildlife sanctuaries have the same prohibitions as national parks but in addition, persons are also specifically prohibited from entering or residing within wildlife sanctuaries or from introducing any domestic or exotic animals. There are no prohibitions on the discharge of firearms or disturbance of wildlife.

Game reserves are defined as an area declared by the government as such for the protection of wildlife and increase in the population of important species, wherein capturing of wild animals shall “be unlawful.” They are simply areas within forest reserves where hunting and shooting of wild animals requires a special permit and capture is prohibited. They provide no other protection for fauna or flora than is provided in a reserve forest. The government may, for scientific, scenic, or aesthetic reasons, or for the betterment of any of these areas, or for any other “exceptional” reasons, relax any or all of the prohibitions. Section 23(6) of the act provides that

the government may approve whatever changes to boundaries of any of the protected areas as it may decide.

The act also provides for the establishment of private game reserves, which are areas of private land set aside by the owner for the same purpose as a game reserve and declared as such. The owner has the same powers of prohibition and enforcement as a government official in a game reserve. No private game reserves have been established in Bangladesh.

C. Administration

Administration of the existing protected areas in Bangladesh is nominally under the administrative jurisdiction of the Forest Department. However, no staff has ever been identified as responsible for protected areas. This function was generally considered to be a role of the Wildlife Circle, an interagency group that was abolished in 1983. Since then, no department or agency has had the mandate or capability to properly manage or protect any of these protected areas. No headquarters or divisional staff is assigned to this task.

At the field level, protected areas are administered as part of the regular duties of range and beat officers and forest guards. In general, the protected area is considered part of the reserve forest. The administration of protected areas is hampered because boundaries often do not coincide with Forest Department boundaries of ranges, compartments, and blocks. The protected areas often include parts of several ranges and protected area boundaries do not coincide with compartment boundaries. Thus, different range and beat officers can take differing approaches within the same protected areas. The overlapping of boundaries perpetuates the situation where the protected area is considered exactly the same as the adjacent reserve forest.

In virtually all protected areas there are no signs or boundary markers, not even on main roads, to identify them in the field. In the case of Sundarbans East (Katka) where signs exist, they are misleading because they incorrectly identify the location of the sanctuary.

D. Present Management and Protection

Four of the protected areas in Bangladesh are to some degree protected and serving the purposes for which they were created. These are the three Sundarbans wildlife sanctuaries and Bhawal National Park, all of which have forest guards stationed within them who provide limited protection. Unfortunately, this situation is quickly changing as pressure mounts from poaching, logging, and land conversion for shrimp farming.

The Sundarbans are also protected by their isolation as well as by the Royal Bengal Tiger and are therefore not included in the gewa cutting plans of Khulna Newsprint Mills. However, Crolpatta is cut, honey is collected, and fish are caught with permits sold by the department for those activities as in adjacent areas. Quantities of fuel wood, poles, and other wood products are removed from the sanctuaries with or without the approval of the Department, as occurs in all other parts of the Sundarbans. Unfortunately, the situation is changing rapidly, with reports of extensive cutting, land conversion, and even shrimp pond development common. Inward migration from impoverished areas is increasing.

In Bhawal National Park, there is a strong recreational focus and a master plan has been prepared by the Forest Department. Removal of fuel wood has been minimized due to a decision to allow the removal of very large quantities of leaves for fuel.

In the other national parks and wildlife sanctuaries, there is no semblance of protected area management. In many cases, Forest Department staff is unaware of the boundaries, or even the existence of the protected area. The protected area is simply a part of the surrounding reserve forestland.

Forest Department officers sell permits to allow collection of firewood, sun grass, and poles. Fires are allowed to encourage the growth of bamboo. Forest Department staff tolerates grazing of livestock in the wildlife sanctuaries in the same way that it is tolerated in the adjacent forest. In at least three parks and sanctuaries, the Department has recently implemented major forestry programs to clear natural vegetation and plant short-rotation exotic tree species. These activities are prohibited in the legislation establishing parks and sanctuaries.

Forest guards are employed full time in “protecting” the forest from encroachment and illicit cutting. Little or no distinction appears to be made between protected areas and reserved forests. But overall, they are reportedly ineffective because of their small number, lack of communication equipment, low salaries, and poor transportation. In many cases, the focus on protection of one area has simply pushed encroachers and tree cutters further into the heart of protected areas. In some areas the narrow focus on protection management has incurred the animosity of local people and will make the job of real protection more difficult in the future.

E. Protected Area Network Gaps

Two approaches are used in Bangladesh for identifying areas for protection and conservation. One involves the conservation of representative samples of all ecosystems that exist in the country. This approach requires the description and mapping of the range of ecosystems in the country but has the benefit of conserving whole groups of related species. At least two, and preferably three replicates of each ecosystem should be included in the protected area network. Unfortunately, this is not possible for such forest ecosystems in Bangladesh as swamp forests because they are already gone.

The second approach is to protect sites that are identified to be of particular importance to individual species. Historically, this approach reflected a bias for big game species. In Bangladesh, it has been reflected in the elephant reserve at Teknaf, the tiger sanctuary in Sundarbans, and deer breeding centers. The current approach used internationally is to identify and protect sites of importance for plants, birds, reptiles, butterflies, and other nongame species as well as the traditional larger mammals. These can be referred to as critical habitats.

The design team recommends that the two approaches be used together to develop a network of protected areas. In Bangladesh, the existing system of protected areas was established with little regard to ecological or other criteria and does not represent the forest ecosystem units or critical habitats. In fact, most observers today believe that a protected areas management system does not exist at all in Bangladesh and that its biodiversity assets are essentially unprotected.

F. Recommendations

The Bangladesh Forest Master Plan provides detailed guidelines and recommendations for developing a protected areas system in Bangladesh. It includes a well-thought through forestry biodiversity conservation plan. The problem is that the Master Plan has not been implemented, in part because it describes an ideal protected area system that is unachievable given the MoEF's financial and human resource limitations. In light of these constraints, the protected area management sections of the Master Plan need to be redesigned so as to result in an achievable initiative.

The design team recommends that a principal BTFCF objective be to help the Forest Department develop and implement a workable protected areas system plan. We are not suggesting that civil society organizations be deemphasized. However, we conclude that the Forest Department's full participation in the BTFCF is essential to its success, and that it should receive tangible benefits from its commitment to participate. This may include information services to help in decisionmaking, protected-area status monitoring services, temporary support for the addition of essential Forest Department staff, and implementation planning services so the Forest Department can attract the support it needs to effectively manage its protected forest areas system.

Dynamics of Biodiversity Loss

A. Causes of “Overshoot”

Based on current trends, the best descriptor for Bangladesh’s environmental status in 2000 is “overshoot” — going beyond limits inadvertently, without intending to do so. Absent changes in current trends, Papua will have joined the hotspot ranks. There are three main causes of overshoot in Bangladesh. The first is unprecedented, rapid change. The most significant of these are: population growth, political transformation, and greatly accelerated harvesting activities by extractive industries in advance of improved GOB environmental management capacity. Accelerating change is outstripping Bangladesh’s management capacity, even as it grows, overwhelming its nascent political institutions, and leading to extensive breakdowns of the ecological systems on which Bangladesh’s biodiversity and economy depend.

The second overshoot factor is poor understanding or regard for the limits or barriers beyond which change should not go. Several regions are extracting water at twice the recharge rate, causing chronic drought in several hundred villages. In general, the carrying capacity and limits of Bangladesh’s ecosystems to deliver environmental services remain poorly understood, and any concern about it has had little discernable impact on national development activities.

The third overshoot factor is difficulty in controlling the impacts of rapid change in Bangladesh because of inattention, faulty data, delayed feedback, inadequate information, slow response, or simple momentum. Change is too fast and signals are late, incomplete, distorted, ignored, or denied. All these factors play a significant role in environmental decline, but progress in grasping their impact is being made. Small groups of “systems thinkers” from the natural, social, political, and economic sciences are studying the patterns of interconnection that cause growth, decline, oscillation, and overshoot in the system, looking for connectivity among driving forces. Their work is very recent here, and the analytic frameworks needed to successfully bridge disciplines remain to be developed. Environmental journalists play a significant role in this process.

B. Biodiversity Loss In Bangladesh

Below we explore in more detail some of the underlying causes of biodiversity loss in Bangladesh.

Fragmented analysis and planning. Bangladesh’s huge investment in development was implemented on a rigidly sectoral basis, making understanding of cumulative environmental impact potential almost impossible. Unfortunately, many economic and environmental trends are still considered in isolation, and this fragmented form of inquiry is becoming increasingly dangerous, especially because it characterizes how environmental impact assessments are conducted here. Bangladesh’s “consilience,” or systems thinkers are trying to understand trends in the context of the entire environmental system in which they are embedded, but as one biologist stated, “We have enough information to know what is happening, give or take 50

percent. We work in a world of bad and incompatible data sets, so we have to learn to practice the precautionary principle.” The Chemonics Team was impressed with the paucity of science-based information related to ecosystem interaction in general, and biodiversity populations and locations in particular in spite of all the research done. Inaccessible information is almost the same as no information at all.

There is a general opinion among thoughtful observers that the momentum behind environmental overshoot in Bangladesh is very strong, primarily because of huge population dynamics, the government’s continued commitment to maximum economic growth, and Bangladesh’s inability to successfully implement threshold environmental management policies.

Spiking trends in forest ecosystem degradation. Bangladesh’s environmental think tanks report that too many trends are spiking instead of changing gradually, leading to overlapping pressures and rapid shifts in ecosystem health that are very difficult to accurately anticipate. The concern is increasing evidence of:

- **Discontinuity** — an abrupt shift in a trend or previously stable state. The abruptness is not necessarily apparent on a human scale; what counts is the time frame of the process involved. For instance, overfishing in the Sundarban estuary has pushed some fish species into a population crash rather than a gradual decline. A huge discontinuity has apparently been triggered by what might seem to be a fairly modest amount of fish yield increase. The main problem is not so much the size of the decline, but that the shift is so rapid and so pervasive.
- **Synergism** — change in which several phenomena combine to produce an effect that is greater than would have been expected from adding up their effects taken separately. An example is the now annual huge flooding of parts of Bangladesh that have flooded before. The damage is a synergism caused not just by heavy rains, but by dense settlement of the floodplain and by deforestation — 90 percent of the area’s forest cover is gone. A discontinuity can cause a synergism and vice versa, and scientists see trends supporting this ominous interaction all over Bangladesh
- **Unnoticed trends** — trends that, even if they produce no discontinuities or synergisms, may still do a surprising amount of damage before discovered. For example, an under-addressed threat to biodiversity in Bangladesh is the introduction of exotic fish, plants, and animals that may displace native species and destabilizing habitats. Many years are required to discern, document and address invasions by exotics.
- **Cascading effects of ecosystem dysfunction** — a combination of effects resulting in a “super problem.” Norman Myers, the noted ecologist and a pioneer in the field of “environmental surprise,” has noted that, “When one problem combines with another problem, the outcome may not be a double problem, but a super-problem.” In Bangladesh, researchers have just begun to gain insight into potential super-problems, but in our increasingly stressed natural systems, the possibilities for rapid, unexpected change is thought likely by systems-oriented researchers in this country. Their fear is that with expected annual population growth in Bangladesh, so many sustainable yield thresholds

will be crossed in such a short period of time that the consequences will be catastrophic for biodiversity habitat. They worry that positive feedback loops¹ will generate large scale discontinuities in the environment. Declining per capita plot size will lead to food security deficits that will fuel migration and pioneer farming that will cause deforestation that will amplify aquifer recharge problems and result in biodiversity habitat loss.

Bangladesh's biodiversity scientists are most concerned about the cascading effects of ecosystem dysfunction that will occur when a change in one component of an ecosystem produces change in another component that in turn changes another component and so on. For example, the introduction of exotic freshwater species in Bangladesh's lakes is upsetting predator relationships resulting in modified food availability for other fishes, invertebrates, mammals, and birds.

Cultural ecologists are most concerned about a pervasive struggle between the centrally determined development imperatives of Bangladesh's government and existing traditional natural resource use regimens. There is a cultural gap between rural and urban and lowland/upland, usually resulting in urban development solutions applied in upland situations. Insufficient understanding of the existing systems and upland cultures often results in their displacement and further degradation of the natural resources.

C. Conclusions

The driving forces behind forest habitat/biodiversity loss are the weak rule of law, population growth, flawed economic policy, faulty market systems that undervalue environmental services, poorly functioning tax systems, poverty, the rise in multinational investment, corruption, abuse of power, political instability, and the frenzied scramble for quick riches by elite investors and the growing urban middle classes. The design team sees few contemporary institutions or systems of governance that appear flexible enough to address these issues to the degree needed.

Because the definition of sustainable development is short on specifics², it has become a politically palatable concept, allowing its proponents to endorse both environmental protection and expansive economic growth. An economy is environmentally sustainable only if it satisfies the principles of sustainability that are rooted in the science of ecology. In a sustainable economy, the fish catch does not exceed the sustainable yield of fisheries, the amount of water pumped from underground aquifers does not exceed aquifer recharge, soil erosion does not exceed the natural rate of new soil formation, tree cutting does not exceed regeneration capacity, and plant and animal species faster than new ones evolve.

Trends in Bangladesh are moving dramatically away from these basic sustainability characteristics, and sustainable development remains a theoretical construct rather than real world phenomenon that could support effective biodiversity conservation here.

¹ A positive feedback loop is a cycle of change that amplifies itself.

² Use resources today such that they will be available to future generations.

BTF CF Grant Portfolio Considerations

A. Integrated Conservation and Development Projects (ICDP) and the BTF CF

Given the condition of forests and forest-associated biodiversity in Bangladesh described in the previous sections, the question must turn to what can be done about it, especially given other donor's large investments in the forestry sector. When asked for suggestions, the answer most frequently given by interviewees was that the Bangladesh Tropical Forest Conservation Fund adopt integrated conservation and development (ICDP) approaches to forest protection.

The design team's findings suggest that any forest and biodiversity conservation in Bangladesh will have to be integrated with local community development to have any chance of success. We conclude that such an approach will be a major part of the public discussions associated with BTF CF set up and operations. There are many approaches that Bangladesh might take to effective forest and biodiversity conservation. This section provides insights into the experience and lessons learned from ICDP implementation elsewhere, and on the impact it will likely have on BTF CF design. All approaches will require a reasonable level of commitment from the GOB that translates into effective cooperation in the field.

B. ICDPs

The design team agrees that ICDPs are the best approach to addressing forest and biodiversity conservation issues in Bangladesh. Unfortunately, ICDPs are very complicated to design and implement. Because most conservation funds find their project portfolios focused on ICDPs, their experience can inform the BTF CF's likely initiatives in this arena. But other activities should be considered so there is an appropriate fit between the BTF CF objectives and capacity.

The term integrated conservation and development project (ICDP) has been applied to a diverse range of initiatives with a common goal: linking biodiversity conservation in protected areas (PAs) with local social and economic development. In practice, ICDPs refer not just to a general concept, but also to a specific set of activities targeting a PA and usually, the inhabited zone around it. ICDPs aim to provide incentives that increase the net local benefits — and therefore attractiveness — of conservation and sustainable resource use in and around PAs. Most ICDPs strongly emphasize local participation in design and implementation.

ICDPs are important in tropical countries primarily for three reasons. First, they offer the potential to mitigate the rapid loss of biodiversity from PA networks that are generally proving ineffective; second, they seek to provide benefits to local people based on equity considerations; and third, they now attract most of the international funds available for biodiversity conservation.

Why are ICDPs so popular? For one thing, they offer a simple and intuitively appealing alternative to earlier, unsuccessful approaches to PA management that have come to be regarded as politically infeasible. They also offer the attractive prospect of contributing to three of the

most sought-after goals on the sustainable development agenda: more effective biodiversity conservation, increased local community participation in conservation and development, and economic development for the rural poor. These features seem virtually irresistible to many NGOs, government departments, and development agencies.

Despite their popularity, not a lot is known about the ingredients for ICDP success. Establishing ICDPs that actually work has proven to be more challenging than marketing the concept and raising funds. This is partly due to most ICDPs having barely started. But nearly a decade after ICDP approaches were first popularized, successful and convincing cases where local peoples' development needs have been effectively reconciled with PA management are still lacking. Among other problems, many ICDPs have ignored important lessons from the field of rural development and have been unable to establish coherent linkages between their development activities and conservation objectives. Thus far, the case for ICDPs is far from convincing.

C. Key Observations

A carefully quantified assessment of ICDP effectiveness is usually impractical because of a lack of reliable monitoring systems or performance data. Despite this lack of usable data, however, the results of our observations are unambiguous. Very few ICDPs can realistically claim that biodiversity conservation has been or is likely to be significantly enhanced as a result of current or planned project activities. While a few promising ICDP initiatives are underway, most of these do not appear to be sustainable under current conditions.

The major problems do not seem to lie with the ICDP concept itself. Instead, the patterns emerging from the field visits, case studies, and interviews point toward flaws in basic assumptions and planning, and a failure to address the real threats and capacity constraints that conservation projects face in the field. Most ICDPs are proceeding as if PAs are failing because of increasing pressure from local people alone. Our observations suggests that the problems in PAs run much deeper than this and will not be adequately addressed by community-level approaches that are not linked to broader reforms in PA management-if not natural resource management in general.

D. Promising Examples

The few promising ICDPs share a number of characteristics. First, they benefit from high-level political and administrative support; this often gives PA managers the authority and capacity to address and resolve local issues, and also leads to more effective enforcement of boundaries and land use rules by local government. Second, an appropriate mandate and adequate resources for strong PA management are complemented by at least some flexibility in planning and the capacity to adjust resources to changing field needs. Finally, the more promising projects ensure close communication with local governments, whether through formal or informal channels. Promising ICDP examples showing these characteristics stand out in all types of PAs, whether supported by government resources alone, through NGO assistance, or through international donor support. The source of funds does not appear to be a strong predictor of PA success and seems to have no predictive value for determining sustainability beyond the life span of the project.

E. Strategic Problems

ICDPs commonly concentrate their resources on threats to PAs from local communities. But community development activities within ICDPs, however laudable, have limited prospects of addressing the main threats facing biodiversity in most PAs. A ranking of threats to 21 PAs in Indonesia found that direct threats from local communities ranked well behind road constructions, mining, logging concessions, and sponsored immigration. Informal threats assessment analysis based on team leader interviews with local experts suggests a similar situation in Bangladesh. While ICDPs can address threats posed by local communities, such threats are better addressed through mechanisms such as spatial planning, involvement of PA managers in public investment decisions, and improved development coordination, rather than investments in community economic development.

While sites clearly exist where local villagers and immigrants represent a major threat to biodiversity, the threats from large public and private investments are generally much more serious. Thus, ICDP plans are often aimed at the wrong target. Coming to grips with the most serious threats to PAs has proven very difficult for ICDPs, however, and most projects have had very little influence on economic planning or land-use decisionmaking.

F. Inappropriate Project Models

For the larger projects, ICDP planning usually conforms to an approach that is more suited to large, concentrated infrastructure projects than to the planning and management needs of PAs. Donor agency project cycles have encouraged the preparation of one-time, detailed, and costly plans by consulting teams, based on questionable information sets, that are followed by unconvincing implementation arrangements that in turn are highly dependent on government agencies with inadequate capacity and commitment. This process simply does not work in the case of ICDPs linked to PAs, where reliable information is scarce and the requirements for onsite flexibility and effective decisionmaking are at a premium.

Appreciation of the importance of the linkages between conservation objectives and development activities is generally very weak, and is usually confined to a small number of stakeholders. Many projects are poorly conceived and are undertaking costly activities that seem to have little prospect of enhancing conservation or generating sustainable benefits.

None of the internationally financed ICDPs appear to be financially or economically sustainable once external funding has been exhausted. While the plans for many ICDPs call for income-generating activities to lead to financial self-sufficiency within a few years, such expectations are usually totally unrealistic.

G. Conservation Agency Limitations

The lack of capacity within DOF is a formidable barrier to effective conservation. Neither the conservation nor the development components of ICDPs can compensate for a government entity's inability to carry out basic PA management operations, and many of the responsibilities assigned to government conservation departments within ICDPs are well beyond their capacity.

H. Law Enforcement

ICDP efforts to establish incentives for conservation by investing in development are being frustrated by inadequate law enforcement inside PAs, combined with regulated development and the expropriation of natural resources by powerful interests outside PAs. The extent to which the effective enforcement of laws and regulations is a basic requirement for successful ICDPs is deeply under appreciated.

ICDPs depend on the ability of PA and government authorities to enforce national conservation and land-use laws and PA regulations, as well as any community agreements facilitated by ICDPs. PA managers' ability and willingness to enforce protection laws is limited, sometimes to the point of complete inaction, and very few local authorities have considered PA demarcation and protection in their spatial plans or development activities. Without more effective sanctions and penalties for illegal use of PA resources, the alternative and less environmentally destructive ways of making a living offered through ICDPs will not be effective.

I. Broader Constraints

These problems are compounded by a general lack of conservation awareness or support for nature conservation and PAs in society at large. Powerful and well-connected commercial interests, as well as the national sectoral ministries that control most public sector resources, seem almost totally unrestrained by conservation considerations, frequently flouting laws and regulations for environmental protection. PAs and ICDPs cannot possibly thrive in such an environment.

Considerable progress has been made in establishing one of the world's most important PA networks during the last two decades. But if conservation is to become effective in practical terms, the GOB, in particular, will need to take much stronger actions to increase the capacity and commitment to make conservation happen on the ground.

The GOB's biodiversity conservation goals are unlikely to be achieved through ICDPs unless the serious problems highlighted in this study can be remedied for current and future PA management.

J. Design and Implementation

ICDP components based on simplistic ideas of making limited short-term investments in local development, then hoping this will somehow translate into sustainable resource use and less pressure on PAs, need to be abandoned. ICDPs will only work if national and local governments first demonstrate a strong commitment to protecting conservation areas and their surroundings. This will require much more rigorous enforcement of PA boundaries, as well as spatial plans for local and regional development. Then ICDPs can help build local support and cooperation in communities, work with local government to encourage environmentally friendly development initiatives, and support carefully regulated private sector initiatives (such as tourism or buffer-zone forest exploitation under license, or even privately run PAs).

Conventional donor agency project cycles, with their heavy emphasis on planning at the expense of implementation, are proving incompatible with ICDPs. Standard blueprint design approaches need to be replaced with alternatives that are more geared toward problem identification and solving through adaptive management. Four essential elements of ICDP success can be identified: 1) establishment of a strong local management and protection capacity staffed by people able to exercise judgment and deploy resources in a flexible manner to both enforce regulations and generate benefits for local communities; 2) outside management or control of projects based much more on the management of outputs than on attempts to manage inputs (although inputs cannot be ignored); 3) performance indicators need to be designed (and for biodiversity this requires more research) and should be applied by an independent agency; and 4) the people who direct projects need to have much better skills in mainstream management. In the past, they have been trained to make lists of birds and mammals, and so forth, but they have not been adequately trained in the skills needed to build collaborative alliances with the variety of actors who influence the use of land in and around PAs.

The early phases of ICDPs should involve much less emphasis on the preparation of detailed plans by outside experts who will have no involvement in their implementation. More resources and attention should be devoted to a) identification of priority biodiversity features within PAs; b) more careful analysis of the threats to these features, determining whether an ICDP is an appropriate response, and clearly identifying objectives and actions to address these threats; c) early establishment of independent project management units and strong PA management functions for both planning and implementation, with clear authority over ICDP implementation and with access to outside specialists as needed; d) extensive consultations with stakeholder institutions; e) effective enforcement; f) vigorous and sustained conservation awareness campaigns targeting the media, schools, villages, and public officials; g) intensive training and capacity-building for individuals and organizations with key roles in the project; h) lengthening projects and reducing the pressure to disburse large amounts of money quickly; i) starting with a few simple, small-scale activities and low levels of financing, building gradually on successes, and developing confidence and capabilities based on practical experience—all while continually reexamining the links between development and conservation components; j) establishing and testing information systems and performance indicators to provide relevant and usable information to management, rather than amassing vast quantities of data during a single, limited preparation phase; and k) linking incentives to success in conservation.

The optimal form for ICDPs will vary between sites. Some ICDPs may achieve conservation gains most effectively by emphasizing local participatory development, while others may be more effective by concentrating their efforts on regional development policy issues in provincial capitals. International development agencies can further support ICDPs by explicitly linking the development programs that they finance in rural areas to PAs.

Prerequisite conditions for ICDPs need to be spelled out to participating agencies and local governments. Sponsoring GOB agencies and their donors should be ready to terminate projects if key commitments — such as effective law enforcement and adequate environmental screening for infrastructure and other development programs outside PAs — are not being met. Large investments should only be made in agencies and organizations that have demonstrated commitment and competence. Finally, donor agencies should discontinue the fantasy that new

revenue sources will make ICDPs financially or economically self-sufficient after a few years. Biodiversity conservation in Bangladesh and most other developing countries is clearly going to require substantial external subsidies for as long as some biodiversity remains to protect.

K. Strengthening the Forest Department

Experience thus far shows that the Bangladesh Department of Forests' lack of capacity is a critical constraint on effective PA management. If the department is to continue in its current role, the BTFCF should help the agency work out a sensible strategic direction based on a realistic assessment of conservation priorities and available resources.

L. Scale of ICDP Interventions

Large ICDPs of the type being supported by donors are generally driven by a belief that a) donors attain economies of scale by supporting a small number of very large projects; b) it is better to aim to protect very large areas in the hope that biologically critical core areas can be saved; and c) small PAs are not ecologically viable over the long term because of fragmentation effects. Consideration should also be given to the argument that in some areas a greater number of small, strategic reserves more capable of being managed by public and private conservation agencies could represent an option that is more cost-effective than current approaches, more likely to be implemented, and still likely to achieve core conservation objectives.

M. The BTFCF Can Expand the Menu of Conservation Interventions

In considering possible BTFCF activities, interviewees pointed to an acute need to build nature conservation awareness in Bangladesh. Increasing domestic support for conservation through urban parks and recreation areas, school curricula, and accessible nature reserves will probably do as much or more to protect Bangladesh's biodiversity over the long term as will the current overemphasis on PA gazettement promoted by multilateral banks. An intensive national campaign could usefully be aimed at urban populations who will increasingly depend on PAs for recreational opportunities and whose emerging middle classes represent an important potential source of conservation support. Too much biodiversity support from the donor community has focused on protecting biologically important but inaccessible PA areas, rather than integrating PA protection into a broader program of creating national conservation awareness.

The conservation initiatives of the public and private sectors (including NGOs) in Bangladesh must be balanced. The larger, more complex and ambitious PAs will probably have to remain under government control. But room exists to have smaller, more targeted PAs run by NGOs or the private sector with the authority to capture revenues from activities such as tourism. Some of these small PAs might be located adjacent to or within national parks.

Given the limited success so far of PAs and ICDPs in other countries, the GOB should give consideration to other, more radical models to create conservation incentives. One possibility would be to simply pay cash in return for PA protection. Selected local or national government entities or NGOs would receive cash, to use as they see fit, in exchange for PA management and conservation commitments. Payment schedules over extended periods would be subject to independent performance reviews. The funding for such arrangements could originate from

international sources or from GOB. This is a simplification of the conservation concession pioneered at in Indonesia.

The GOB might also consider inviting tenders for the management of individual PAs, as follows. GOB would commit to taking whatever steps were necessary to protect a particular PA-perhaps for 25 years-while allowing independent monitoring. Interested parties (such as development agencies, NGOs, and private-sector organizations) would then bid the amount they would be prepared to pay to secure this PA, payable over the full term of the agreement as long as the GOB continued to live up to their protection commitment. If adequate offers of international funds were not forthcoming, the GOB could then decide whether to finance conservation domestically (perhaps based on an assessment of watershed protection, tourism potential, or other national economic benefits) or to turn the PA over to other uses. Such an approach could help to sharpen the currently rather vague discussion concerning the level of financial resources that should be transferred to developing countries from richer nations to support biodiversity conservation in the global interest.

ANNEX G

CF Development, USAID Experience, and the BTFCF

A. USAID-Funded Endowments

USAID authority to establish endowments has emerged in recent years as a new mechanism for USAID to achieve its development and environment objectives. Prior to 1990, USAID’s authority to grant funds for the establishment of endowments was severely restricted. Federal appropriations law generally prohibited the recipient of a grant made with appropriated dollars from retaining any interest income while holding these funds. In 1990, Congress enacted legislation (Section 584, FY1990 Foreign Assistance Appropriations Act) permitting NGOs to retain interest on local currency acquired through the exchange of appropriated dollars. Congress significantly expanded the authority in 1993 to permit NGOs that were grantees of USAID to retain interest on appropriated dollars and to establish endowments with these funds. USAID issued guidelines covering endowments created with appropriated dollars in July 1994.

Approximately 35 endowed funds and their associated management units partially or fully funded by USAID are operating to support health, development, and or environmental objectives. The endowments were established through a variety of mechanisms including cooperative agreement, debt-for-nature swaps, or debt-reduction mechanisms.

<p style="text-align: center;">Key Points on Conservation Funds</p> <ul style="list-style-type: none">• CFs are appropriate when the issues being addressed are long-term and require a sustained response over a number of years.• CFs can be structured as endowments, sinking funds, revolving funds, or a combination of these.• CFs are appropriate when existing agencies cannot effectively manage the amount of funds and type of activities needed to address the problem — when there is a need for new procedures or a new kind of institution, accountable to and counting on the participation of its stakeholders.• There should be a community of organizations able to implement the range of activities needed to achieve the objective.• CFs cannot succeed without active government support and broad-based participation from a community of agencies and organizations who can work together despite their differences.• CFs can operate successfully only within an environment of rigorous recordkeeping, transparency, and reliable systems of contracts, banking, and auditing. <p style="text-align: center;">Terms</p> <p><i>Endowment fund</i> — a fund that spends only income from its capital, preserving the capital itself as a permanent asset</p> <p><i>Sinking fund</i> — a fund that disburses its entire principal and investment income over a fixed period of time, usually a relatively long period</p> <p><i>Revolving fund</i> — a fund that receives new income on a regular basis, such as proceeds for special taxes, user fees, etc., to replenish or augment the original capital</p>

B. Lessons Learned

Conservation funds and foundations are maturing into focal points for conservation. These are places where talented people and organizations can develop strategic (holistic in Bangladesh) approaches to conservation. Having resources to act quickly, the funds can respond to

emergencies, opportunities, and long-term problems. Even so, weaknesses, especially at startup, are apparent.

Overall, conservation funds are not achieving significant conservation objectives, especially in the area of biodiversity conservation. Significant here means that a biologically significant representative sample of the host country's biodiversity assets is effectively conserved. Most funds are immature organizationally and are challenged by the following:

- Weak conservation strategies
- Inability to deal with powerful special interests
- Insufficient government support
- Inadequately trained staff
- Inappropriate donor interference
- Demand-driven, unfocused grant making
- Poor board performance
- Lack of enabling bureaucracy
- Financial mismanagement and malfeasance
- Lower-than-expected endowment returns
- Inability to meet expanding demand for services
- Too much investment in models
- Insufficient capacity to support integrated conservation and development projects
- Poor appreciation for the complex nature of integrated conservation and development approaches to biodiversity conservation
- Insufficient appreciation of organizational development and lifecycles

These constraints are detailed in the following paragraphs.

Weak conservation strategies. The funds typically adopt very complex objectives calling for precedent-setting cooperation among diverse groups, and then make grants that do not support the objectives. In general, grants are made to meet the demand of local organizations for environmental work, but the sum total of the portfolio is not strategic. Strategic means that each grant made will contribute a key element to a larger plan. This is seldom the case. Instead, investments are made based on nonscience criteria such as fair fund distribution among NGOs or arbitrary geographic selection. Consequently, portfolios are a little of this and that, and lack the momentum that results when activities are strategically driven (see subsection C).

Inability or unwillingness to consider powerful vested interests. Fund management mechanisms are reluctant to address the problem of special or vested interests whose activities greatly influence conservation outcomes. Typically, more than 80 percent of their programs address local community activities, research, information development and management, policy reform, and environmental issue awareness. Powerful actors such as legal and illegal loggers and resource extractors, rural moneylenders, and corrupt protected area managers are seldom if ever addressed. Because it is they who actually determine the fate of a protected area, their exclusion results in poor conservation outcomes.

Insufficient government financial, technical, and political support. Foundations are typically set up as private or parastatal entities, and are often seen as “orphans” by both communities. In particular, governments, when efforts to influence the entity’s agenda and resource allocation are unsuccessful, lose interest. Withdrawal of this key actor makes successful conservation unlikely no matter how large the fund becomes. In cases where government-mandated environmental management agencies become the enemy, the foundation becomes an isolated entity incapable of mounting strategic initiatives.

Inadequately trained staff. Effective conservation requires a talented skill pool, and a lack of qualified staff results in poor conservation outcomes. The list of reasons for employing unqualified range from forced hires by outside parties (usually government or board members recommended) to a genuine lack of in-country expertise, or the resources to employ it. Investments in staff skills development have had good performance payoffs and should be included in up-front set-up costs.

Inappropriate donor interference. More than half of the funds studied suffered from donor interference that led to irrational grant awards, onerous bureaucracy, or allocation of funds to donor priorities that co-opt the fund’s agenda. Insistence on out-of-cycle progress and financial reporting has resulted in wasted human and financial resources.

Demand-driven, unfocused grant making. All funds studied save one make grants to whomever requests one based on relatively general conservation value criteria. Words like “community-based, sustainable, participatory, model, and innovative” are often seen in the criteria. While these criteria are important, their poor definition results in a project portfolio that is not well focused on a target area or issue. The funds most often do not demand a geographic focus and outcome from grantee coalitions, resulting in a collection of good individual projects, but a weak portfolio overall in relation to conservation objectives. The fund can quickly become one more of dozens of grant-making agencies providing small grants to NGOs, and the strategic conservation opportunity is lost. New funds that made good investments in carefully developing their own strategic plans early on as the basis for grant making have better project grant portfolios.

Poor board performance. Poor board performance, board member conflict, and inappropriate board behavior are hallmarks of most new fund entities. The main culprit is member deputization wherein members appoint surrogates. With few exceptions, this has significantly reduced board performance. Board members are appointed for their stature, technical skills, management abilities, political savvy, communications skills, and fundraising potential. These people tend to be among the busiest in civil society. They have good intentions but they seldom follow through, especially during the critical first 18 months of organization and operations. Conflicts within fund boards and between and among senior staff are a key factor affecting disappointing organizational performance.

Lack of enabling bureaucracy. Bureaucracy can promote or hinder the achievement of conservation objectives. For reasons that are not completely clear, new funds most often choose complex and unworkable management and administration systems, often at the insistence of outside setup consultants. On the other hand, the systems selected have to support adaptive

management and be flexible enough to accommodate unexpected opportunities. The need is to choose a system that staff can actually use, that encourages transparency, and that results in good information management

Financial mismanagement and malfeasance. Several funds suffered almost irreparable harm when funds were misused. Most important, donor confidence and investment declined quickly. Even in cases involving small amounts this occurred. The most common problems included private use of fund equipment such as automobiles, computer equipment, cameras, guest houses; overuse of allowances for food, lodging, and travel; lavish gatherings, parties, and presentation events; and special (out-of-criteria) grant making to favored organizations or individuals.

Lower-than-expected endowment investment returns. In all cases save one, endowment returns were less than expected. This led to program contractions, loss of staff, morale problems, and loss of confidence. A financial buffer is needed to avoid this problem, especially during the critical first two years of operations. The reasons for less-than-expected returns cover the map — poor investment performance, bank mergers, issues related to emerging markets, and plain bad luck.

Inability to meet expanding demand for services. In cases where a new fund developed a reputation for good programs and management, opportunities for program expansion quickly arose. The opportunities effectively diminished capacity because the new fund could not respond quickly enough with staff resources. People typically take on more work until their productive capacity declines and morale issues emerge. Adaptive management concepts foresee these events and ensure that the entity is maintained at 90 percent capacity so that new opportunities can be seized and developed.

Too much investment in models. New funds spend too much time and money on so-called model projects. These are usually blueprint-type activities wherein field realities are forced to conform to project design. In general, these projects are of little value, and their failures become associated with the funds. Typically, the projects demonstrate that if enough money and talent are focused on a small enough area, some positive changes might be observed. This is a lesson with which we are all familiar.

Insufficient capacity to support integrated conservation and development projects (ICDP). ICDPs typically dominate new fund portfolios. Community-based projects are funded without a working definition of who the community is, and powerful interests are usually ignored. After 20 years of experience, it is now known how very difficult they are to effectively implement. They still need to be done, but with a lot more strategic intention. Poorly conceived investment in ICDPs is a major factor in the poor field performance of new funds.

Poor appreciation for the complex nature of environmental services, their critical contribution to food and water security, and the dynamics of the threats to them. Most new funds don't get the big picture related to ecosystem interactions among forests, agricultural lands, aquatic systems, and watershed protection. That is not to say that one fund has to do everything, but they do have to understand the concept of linked environmental services.

Solutions must be equal to the problem. The biodiversity conservation problem in Bangladesh is profound and severe. A little bag of projects is simply not going to help and would be a waste of money.

Insufficient appreciation of organizational development and lifecycles. Organizations have a life cycle similar in many ways to a human. The basic elements include:

- *Courtship* — when partners are chosen to undertake a common interest endeavor.
- *Infancy* — the learning curve is steep, mistakes are made, protectors are needed, mortality is high.
- *Go-go* — the entity can walk, wants to be everywhere at once, sees everything as an immediate top priority, takes on too much, and fails to follow through.
- *Adolescence* — thinks it knows all the answers, doesn't like to partner with others holding different view, uses ideology as catalyst for action rather than careful study and conclusion drawing.
- *Founders crisis* — because of the last two stages, there usually is a call for “professionalization” that requires management reform and strategic planning. Often, organizational founders find themselves constrained in this new environment and retire, precipitating a crisis.
- *Prime* — a mixed team of old and new takes over management; organizational objectives are linked to human and financial resources; strategic purpose is clear; funds are well managed; organization is trusted by staff, constituency, and donors; adaptive management “thinking” is in place.
- *Maturity* — the organization remains productive as above, but begins to become stuck in its ways, is less innovative, and begins to value organizational stability as much as achievement of program objectives.
- *Aristocracy* — advanced maturity, plus a growing belief in its own principles, becomes a solution in search of a problem; very set in its bureaucratic culture; relationship to key constituencies deteriorates; develops a reputation for old approaches to modern problems.
- *Early bureaucracy* — the organization is more interested in well-formatted reports than in substance, field activities are constrained by administrative mandates, staff is regularly trained in administrative responsibilities, auditors find few mistakes and approve audit reports without comment.
- *Terminal bureaucracy* — the organizational leader is a bureaucrat charged with implementing the program only within the confines of a complicated bureaucratic maze. Innovation is absent, and adaptive management skills are scarce.

After terminal bureaucracy, the funds die or undergo a radical reform and regeneration process, usually led by a charismatic board member, or by a new leader who drives the entity back to the stage characterized as prime.

This analysis tool is overly simple, but it does point out a problem observed in most new fund mechanisms — the wildly unrealistic organizational performance expectations of donors and sponsors. Early lifecycle elements can be speeded up by employing skilled leaders and staff, but the entity still needs time to gain its own experience. Dealing with donor disappointment can cause major organizational disorientation, and had led to crisis in several funds studied.

In general, new funds do not appear to become effective for two years.

C. What Works

To achieve truly significant conservation objectives, conservation funds must engage in communication, coordination, cooperation, and partnership with existing organizations. In doing so, a new fund will dramatically reduce its learning curve and prevent the common problem of slipping into isolation. With well-planned partnerships built into the organizational design, the impact of the issues described above can be dramatically reduced.

The most successful funds employ a simple but effective strategy: responsible individuals and entities *must* accomplish a set of essential conservation functions or activities on time and at the appropriate level of quality. For a given geographic area, these entities ask, what are the essential activities, and who is or is not doing them? What help do they need and how can they get it? What must the organizational landscape look like five years from now to achieve conservation objectives? What resources and incentives are needed to make it happen?

These are critical questions the BTFCF needs to consider as it develops its objectives and strategy.

ANNEX H

The Tropical Forest Conservation Act: A Review

Several parts of the Tropical Forest Conservation Act (TFCA), signed by President Clinton in 1998, will influence the design of the BTFCF, including its purposes, board constitution, grant size, and operations. Below we describe how the law came about, and discuss some advantages and drawbacks to the creation of an environmental fund authorized by the debt reduction mechanisms set up under the law.

A. Enactment of the TFCA

The Tropical Forest Conservation Act (TFCA) enables the U.S. Government to offer favorable treatment to approximately \$13 billion of outstanding USAID and PL-480 debts in countries with tropical forests. The level of treatment will depend on a calculation of the net present value to the U.S. Government budget of their debts.

The measure will forgive debt owed to the United States by developing nations if they agree to set aside large portions of protected forestlands as conservation and parklands. The TFCA expands a program developed during the 1980s that allows outstanding debts from several Latin American countries to be forgiven in lieu of their establishment of protected forestlands. In addition, the measure rechannels funds over three years to facilitate expanded “debt-for-nature” programs in countries throughout Asia and Africa, where forestlands are at risk as a result of their potential resource value. More than 70 countries throughout the world qualify to take advantage of this program. For qualified countries, the resources available are \$25,000,000 for fiscal year 1999; \$75,000,000 for fiscal year 2000; and \$100,000,000 for fiscal year 2001.

To participate, a country must have USAID and/or PL-480 debt, tropical forests, meet the usual political criteria, and meet the usual economic reform criteria. TFCA (and EAI) are run by a 15-member interagency public/private board, appointed by the President. This Board is currently chaired by the U.S. Treasury and vice-chaired by the U.S. State Department, and includes USAID, Agriculture, Interior, the Environmental Protection Agency, and other federal agencies, plus seven private members. The TFCA has three mechanisms for treating debt:

- Buy back
- Third-party swap
- Reduction

Debt buy backs and swaps do not require an appropriation from the U.S. Congress and can be used at any time. Debt reductions require an appropriation to pay certain costs, but less than one-for-one of the amount of debt reduction. All of the mechanisms include the creation of local currency funds for conserving tropical forests according to the EAI model described above. The Executive Order to implement TFCA was signed in July 1999, and so it is now fully operational. The trigger mechanism to begin the interagency process to determine the eligibility and treatment value of outstanding debt stocks is a letter sent from the Minister of Finance of the

debtor country to the U.S. Treasury Under-Secretary. As of December 2000, no TFCA boards have been set up in the 44 eligible countries, but the President's board has received official inquiries from at least 6 countries.

The next step for these countries and any others that submit letters will be for Treasury, State, USAID, and other federal agencies to make formal determinations on eligibility and net present values on outstanding debt stocks. The debt reduction mechanism requires a special appropriation from the Congress. The Administration requested \$50 million in the USG FY 2000 budget; however, it appears that only \$13 million was appropriated for this purpose — \$12 million for debt reduction and \$1 million for operation expenses. Reduction, of course, is the most attractive and generous treatment and so demand will likely far exceed supply.

B. Advantages and Limitations

The advantages of establishing an environmental fund are described below.

- An environmental fund (EF) is flexible and can be set up to maintain the principal, to draw down on the principal for a specific time period, ultimately depleting it, or to draw down on the principal only for a specified period, after which the balance would be preserved and only the interest would be available.
- An EF can be structured to leverage resources; it also opens up possibilities for financing from other donors, from host government, etc.
- An EF aids in the development of self-reliant, effective, and sustainable local organizations.
- Investment in an EF may be a good “exit strategy” for a bilateral donor if it plans to scale down its program or leave a country. The EF can continue supporting a former bilateral strategy.

An environmental fund also has its limitations:

- A bilateral donor usually has to amass a sizeable amount of funds, whether in hard or local currency, although not all in one year.
- EFs require an intensive time commitment to set up the endowment structure and the investment plan; the donor should plan on one to two years of set-up time.
- A bilateral donor usually has no direct monitoring over grants once the fund is established (though the donor may require representation and voting power on the board); all conditions have to be established up front.
- Five to ten years of oversight or technical assistance may be required before the fund can fully operate independently.

Bangladesh is the first country to set up a conservation foundation under the TFCA.

ANNEX I

Text of the Tropical Forest Conservation Act Agreement

The TFCA Agreement should be incorporated by reference into all BTFCF bylaws and/or articles of association. An annual review of BTFCF performance in relation to the Agreement should be made so that departures can be explained or rectified.

The full text of the Agreement follows:

The Government of the United States of America (U.S. Government) and the Government of the People's Republic of Bangladesh (Government of Bangladesh), hereinafter known as the Parties.

Seeking to facilitate the conservation, protection, restoration, and sustainable use and management of tropical forests, which provide a wide range of benefits humankind,

Desiring to enhance the friendship and spirit of cooperation between the Parties,

Recognizing that rapid rates of tropical deforestation and forest degradation continue to be serious problems in many regions of the world,

Also recognizing that the alleviation of external debt can reduce economic pressures on countries and result in increased protection for tropical forests.

Further recognizing that economic benefits to local communities from sustainable uses of tropical forests are critical to the protection of tropical forests.

Wishing to ensure that resource freed from debt are targeted to the conservation of tropical forests.

Also wishing to further the Agreement Between the Government of the United States of America and the Government of the People's Republic of Bangladesh. Regarding the Reduction of a Certain Debt Related to Agricultural Trade Owed to the Government of the United States and its Agencies of 12 September 2000, hereinafter known as the 2000 Debt Reduction Agreement, which reduces certain debt owed the U.S Government through the exchange of old obligation for a new obligation, known as the New Tropical Forest Conservation Act (New TFCA) Obligation,

Have agreed as follows:

Article I PURPOSE

The purpose of this Agreement is to provide for the establishment of a Tropical Forest Conservation Fund and Administering Board in order to promote activities designed to conserve, maintain or restore the tropical forests of Bangladesh.

Article II

TROPICAL FOREST CONSERVATION FUND

The Government of Bangladesh shall establish a Tropical forest Conservation Fund, hereinafter known as the Fund, in accordance with its own laws. The Fund shall be administered by the Board established pursuant to Article III. Any monies deposited in the Fund, or grants made from the Fund, will be free from any taxation, levies, fees or other charges imposed by the Parties to the extent permissible by law.

Subject to Article (2) of the 2000 Debt Reduction Agreement, the Government of Bangladesh shall ensure that the entire amount of interest owed on the New TFCA Obligation falling due on or after the entry into force of this Agreement is deposited in full in local currency in the Fund in accordance with the repayment schedule provided by the U.S Government to the Government of Bangladesh pursuant to the 2000 Debt Reduction Agreement. In the event an interest payment falls due under the repayment schedule set forth in the 2000 Debt Reduction Agreement prior to the establishment of the Fund, the relevant provisions of the 2000 Debt Reduction Agreement will apply.

Monies, in the form of local currencies or other currencies, from other sources, including but not limited to public and private creditors of the Government of Bangladesh and voluntary contributions from the Government of Bangladesh, other governments, and non- governmental entities may also be deposited into the Fund.

Once deposited, these monies shall be subject to the requirements and considerations of this Agreement. Deposits in the Fund shall be the property of the Government of Bangladesh until they are disbursed pursuant to the procedures set forth in Article VI. The Government of Bangladesh shall not grant or permit to be granted a lien, mortgage, charge, privilege or priority with respect to such deposits except in conjunction with disbursements at the direction of the Board pursuant to Article VI, VIII and IX.

The Government of Bangladesh of Bangladesh, in consultation with the U.S. Government, shall appoint a fiscal agent for the Fund who shall be charged with investment and disbursement of the monies in the Fund. The contract between the Government of Bangladesh and the fiscal agent shall specify his/ her relationship with the Board. The fiscal agent is responsible for promptly notifying the Board in writing when the Government of Bangladesh makes a deposit to the Fund pursuant to paragraph 2 of this Article, or if a deposit is overdue.

Deposits in the Fund shall be prudently invested by the fiscal agent until disbursed. Returns on investment shall be deposited by the fiscal agent in the Fund until disbursed, pursuant to the procedures set forth in Article VI.

The fiscal agent shall make every effort to ensure that such investments yield a positive real rate of return within acceptable limits of risk. To accomplish this goal, the fiscal agent may be authorized by the Parties jointly to convert all or part of the monies in the Fund into United States or other hard currencies for investment purposes. To the extent that prudent investment practices cannot accomplish this goal, the Government of Bangladesh shall ensure that the value

of the deposits in the Fund is maintained in terms of an agreed price index. The fiscal agent shall provide periodic reports to the Board and the Parties on the status of investments.

Article III ESTABLISHMENT AND COMPOSITION OF THE BOARD

1. The Government of Bangladesh, in consultation with domestic nongovernmental entities with an interest in forests, including local community organization, and scientific, academic, and forestry organizations, shall establish in accordance with its laws a Tropical Forest Conservation Board, hereafter known as the Board, to administer the Fund. The Board shall be discrete and separate from any existing Board, Commission, Foundation, or other entity.

2. The Board shall consist of five members. It shall be composed of:

One representative appointed by the U.S Government;

One representative appointed by the Government; of Bangladesh.

Three representatives of a broad range of nongovernmental forest – related interests within Bangladesh, including representatives from;

(i) environmental nongovernment organizations;

(ii) local community development nongovernment organizations; and

(iii) scientific, academic and/ or forestry organizations;

3. The representatives under Article III (2) (C) shall constitute a majority of the members of the Board. They shall be appointed to the Board by the Government of Bangladesh in consultation with a range of domestic nongovernmental entities in Bangladesh and with the consent of the U.S Government from a slate of three candidates put forward by each of the respective nongovernment interests specified in Article III (2) (C) (i), (ii), and (iii).

4. Board members appointed in accordance with Article III (2) (A) and (B) shall serve ab honorem and at the discretion of the appointing Party. Board members described in Article III (2) (C) shall serve ab honorem, except as provided in Article IV (9), and in their expert capacity for a term and may be removed prior to the end of their term only for malfeasance. A member may be permitted to serve consecutive terms up to two terms if both Parties agree.

5. A Board member may not participate in the approval of any proposed grant which , if approved, would result in a financial benefit for the member, any member of his family, or an organization in which the member or any member of his family has a direct financial interest Further, a Board member may not participate in the approval of any proposed grant to an organization which the member represents.

Article IV FUNCTIONS OF THE BOARD

The Board shall be responsible for administration and management of the Fund and disbursement from the Fund to support eligible activities, and for oversight of activities financed from the pursuant to this Agreement. The Government of Bangladesh, in consultation

with the U.S Government, shall ensure that the Board has the necessary authority to carry out the functions assigned to in this Agreement.

The Board shall:

issue and widely disseminate a public announcement of the call for grant applications, applications which states the purpose of the fund, eligible activities and applications in accordance with Article V, the criteria for the selection of grant recipients, the schedule of the grants process, and any other procedural and format requirements established by the Board.

receive applications for grants from entities described in Article V (2) and award grants to such entities for activities consistent with Article V (1) on the basis of evaluating applications for their merits and chances of success.

publicly announce grants awarded by the Board;

develop with each grant recipient a Grant Agreement, which outlines the terms of the grant;

present to the Parties annually according to a schedule to be mutually agreed upon by the Parties:

- I. a plan and annual budget for their approval showing prospective activities; including expected administrative and program costs. The first such plan and budget are to be presented within one year from the date of the Board establishment;
- II. a report on grant activities for the previous year, including multi- year activities funded by the Board, which shall include for each grant award information as to the grant recipient, grant amount, activity funded, and status of implementation, as well as information on the status of audits of randomly selected grants; and
- III. a financial audit to accepted international standards by an independent auditor, covering the previous program year, the Board's establishment or at such time as \$1 million in grants has been disbursed, whichever comes first.

The Board shall hire an executive director to coordinate and execute with the guidance of the Board all necessary actions required for the adequate functioning of the Board, including the hiring of necessary support staff with the approval of the Board.

Proposed grants with a life-of-project total in excess of \$100,000 endorsed by the Board shall be presented by the Board to both Parties. If either Party disapproves such a grant, that Party must notify the Board of its disapproval, in which case the Board shall not award the proposed grant. Proposed grants not disapproved by either Party within 30 days of presentation to the Parties' members on the Board shall no longer be subject to either Party's disapproval.

The Board shall adopt by majority vote bylaws and procedures for its operation, provided that the majority vote including the affirmative votes of the representatives of the Parties appointed

accordance with Article III (2) (A) and (B). No disbursements pursuant to Article VI may be made prior to the adoption of these procedures.

The Board shall approve procedures and schedules for the grant process, including procedures and schedules relating to public announcements, grant applications and review, monitoring and auditing.

The Board shall establish and make public selection criteria for awarding grants, which should include means for evaluating the merits an application and chances of success of proposed activities.

The Board shall monitor performance under grant agreements to determine whether time schedules and other performance goals are being achieved. Grant agreements shall provide for periodic progress reports from the grantee to the Board. Such reports will review all activity components essential to the successful achievement of the goals of the activity.

The Board shall meet at least once every four months.

The Board may draw sums from the Fund necessary to pay for reasonable administrative expenses of the Board, including the fiscal audit required pursuant to this Article. Board members appointed under Article III (2) (C) of this Agreement may be compensated from the Fund only for travel expenses and reasonable per diem. Such expenses incurred by Board members appointed under Article III (2) (A) and (B) shall be borne by the respective Party. Administrative expenses may not exceed a ceiling established by the Parties annually. The ceiling for the first year will be established within 120 days of the entry into force of the Agreement.

The Board's bylaws, written policies, operating procedures, summaries of proceedings, books, records, and any organizing statutes shall be retained in the files of the Board. A permanent record shall also be maintained of the decision criteria used in the award of each grant. The Board shall make available for easy public inspection its bylaws, written policies, operating procedures, summaries of proceedings, and decision criteria in the award of each grant. Upon request, authorities of either Party shall be granted access to all Board documents, including minutes of meeting, books, records, and reports.

The Government of Bangladesh may require that those funds which derive from the New TFCA Obligation referred to in Article (2), falling due subsequent to the Notification Period, as defined in Article VIII(7), be transferred in U.S. dollars to an escrow account. The Board's operating procedures should expressly authorize the Government of Bangladesh to require such a transfer. Unless otherwise agreed by the Parties, the Government of Bangladesh shall under no other circumstances require that the Board transfer monies contained in the Fund to another account.

Article V

ELIGIBLE ACTIVITIES AND GRANT RECIPIENTS

Amounts deposited in the Fund shall be used to provide grants to conserve, maintain or restore tropical forests in Bangladesh through one or more of the following eligible types of activities:

Establishment, restoration, protection and maintenance of parks, protected areas and reserves. Such activities could include, for example, demarcation of protected forests and buffer zones, identification of unique or representative forest areas, or inventory and protection of areas featuring species richness and high levels of endemism.

Development and implementation of scientifically sound systems of natural resource management, including land and ecosystem management practices. Such activities could include, for example, forest inventory, assessment and monitoring; implementation of criteria and indicators for forest conservation and sustainable management; or testing and application of silvicultural techniques.

Training programs to increase scientific, technical and managerial capacities of individuals and organization involved in forest conservation efforts. Such activities could include, for example, short- term training courses, internships and study tours; development of community extension services; environmental education and public awareness programs; enhancement of university curricula in forest management or conservation biology; or education and training to develop capacity of local nongovernmental organizations.

Restoration, protection or sustainable use of diverse animal and plant species. Such activities could include, for example, rehabilitation of degraded forest; sustainable hunting, fishing, animal farming; improvement of forest health and vitality; or efforts to assess/ address illegal logging.

Research and identification of medicinal uses of tropical forest plant life to treat human diseases, illnesses and health related concerns. Such activities could include, for example, ethnobotany studies; sample collection and analysis; or technical document preparation, publication and dissemination and dissemination.

Development and support of the livelihoods of individuals living in or near a tropical forest in a manner consistent with protecting such a tropical forest. Such activities could include, for example, development of community- based and women's enterprise involving wood or non-wood products; application of low impact logging practices; or development of multiple – use tree species outside natural forests.

The Parties recognize the importance of forest activities related to conservation of the Sundarbans mangrove forest in Bangladesh and their endangered population of the Bengal tigers, which depend on the mangroves for their habitat.

Entities in Bangladesh which shall be eligible to receive grants from the Fund are:

Nongovernmental environmental, forestry, conservation, development, educational and indigenous people organizations active in Bangladesh;

Scientific, academic and professional organizations related to forests;

Other appropriate forest related entities active in Bangladesh;

In exceptional circumstances, the Government of Bangladesh.

Grants shall be awarded within the financial capacity of the Board and strictly on the merits of proposals presented to the Board and the chances of success of proposed activities without regard to whether the applicant does or does not have representation on the Board.

In awarding grants, the Board shall give priority to activities proposed by nongovernmental organizations and other private entities and that involve local communities in their planning and execution.

Article VI DISBURSEMENT OF FUNDS

The Board shall instruct the fiscal agent appointed pursuant to Article II (5) to disburse grant monies from the Fund to entities selected to receive grants pursuant to Article V. All disbursements shall be made pursuant to a Grant Agreement.

The fiscal agent of the Fund appointed pursuant to Article II (5) shall make disbursements promptly to designated recipients in accordance with directions received from the Board. In no case shall more than 10 business days elapse in the fiscal agent's country between receipt of a direction for disbursement and actual disbursement of funds.

Article VII DISPUTE RESOLUTION AND REVIEW

Upon the written request of either Party, the Parties shall consult concerning the implementation or interpretation of this Agreement. These consultations shall take place within 60 days after a request for consultations is received from the other Party.

2. Consultations between the Parties concerning the interpretation or implementation of this Agreement may be conducted through written submissions between the Department of State of the U.S. Government and Ministry of Environment and Forest of Bangladesh. Unless the Government of Bangladesh is notified otherwise by the U.S. Government, the Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs shall be the contact point in the Department of State. The Minister of Environment and Forest's designee, until further notice, shall Secretary of the Ministry of Environment and Forest.

3. Either Party may request consultations with the Board and the other Party after reviewing the Board's reports and audits presented pursuant to Article IV. Such request shall be made in writing. These consultations shall take place within 60 days after a request for consultations is received from the other Party.

4. The Parties shall meet to review the operation of this Agreement one year from the date of its entry into force, and periodically thereafter as the Parties so agree.

Article VIII SUSPENSION OF DISBURSEMENTS

If at any time either of the Parties determines that any issue requiring consultation under Article VII has not been satisfactorily resolved, such Party may notify the other in writing. Notwithstanding any other provisions of this Agreement, upon receipt of such written notification from the U.S. Government, the Government of Bangladesh shall immediately suspend disbursements made under Article VI.

Notwithstanding any other provisions of this Agreement, upon providing such written notification to the U.S. Government, the Government of Bangladesh may immediately suspend disbursements made under Article VI.

Suspension of disbursements made under Article VI shall mean that no further disbursements shall be made from the Fund by the Board or the fiscal agent to any organization or individual, until both Parties determine that such disbursements shall proceed. Suspension of disbursements made under Article VI of this Agreement shall not prevent expenditures of disbursed before the written notification is received.

Should the Parties jointly certify in writing to the Board that the manner in which a grant agreement was awarded was inconsistent with Article III (4) or (5), Article IV (2), Article IV (3), IV (6), Article V(1), Article V (3)0, Article V (4), or the operating procedures of the Parties shall require the Board to suspend disbursements pursuant to that grant agreement.

Furthermore, should disbursements pursuant to a grant agreement be suspended under the terms of Article VIII (5), on further approval of grants shall be undertake until both Parties agree to resume such activity.

If the Government of Bangladesh fails to require that the Board suspend disbursements made under Article VI within seven days of receiving written notification from the U.S. Government (“the Notification Period”), the U.S. Government may, at its discretion, require that those funds which derive from the new obligation referred to in Article II (2) , falling due subsequent to the Notification Period, be transferred in U.S . dollars to an escrow account may be transferred to the Fund only after both Parties confirm jointly in writing that the issues that led to the suspension of the disbursement have been resolved.

Article IX TERMINATION

Either Party may terminate this Agreement upon six months’ written notice to the other Party.

No disbursements from the Fund shall occur after a Party has given notice to terminate the Agreement, unless the Parties expressly agree in writing to permit disbursements pursuant to specific grant agreements concluded before notice to terminate is given. The termination of the Agreement shall not prevent expenditures of funds disbursed before notice to terminate is given.

Upon termination of this Agreement, amounts generated by the 2000 Debt Reduction Agreement remaining in the Fund shall be converted into United States dollars and deposited into the appropriate U.S. Government account

Article X

ENTRY INTO FORCE, AMENDMENT AND OTHER ARRANGMENTS

This Agreement shall enter into force upon signature and shall remain in force unless terminated by the parties in accordance with Article IX.

This Agreement may be amended by written agreement of the Parties.

Nothing in this Agreement shall prejudice other arrangements between the Parties concerning debt reduction or cooperation and assistance for tropical for tropical forest conservation purposes.

ANNEX J

Design Team Findings (Confidential To USAID)

Following is a summary of the design team's findings based on approximately 115 interviews with forest management specialists, civil society leaders, researchers, Government of Bangladesh staff, donors, USAID and U.S. Embassy staff, NGO and private sector managers, opinion makers, businesses investors, and the aid agencies.

Inclusion in this findings report does not suggest that the BTFCF design team necessarily agrees with the points made.

A. Views on Tropical Forests and Its Biodiversity as Interpreted by Team Leader

1. With few exceptions, there is no effective protection of Bangladesh's protected forest areas because of manpower shortages, inadequate skills, insufficient application of legal remedies, poor enforcement, competing development priorities, and the negative impact of official corruption that neutralizes the benefits of good management practices.
2. The trends indicate a serious decline of "natural" forest habitats due to land-use changes for agriculture, settlement, development, and unsustainable forest product harvests. Outside the Sundarbans, only tiny patches of forests remain, and these are under severe fragmentation pressure. The likely total area is less than 300 km².
3. Satellite imagery indicates that forest cover has been reduced more than 50 percent since the 1970s. Presently less than 6 percent of the country is under forest cover (including scrub), primarily mangrove forests, or approximately 4,000 sq km. There are 15 protected areas that occupy 1.5 percent of total land area.
4. Deforestation is causing an unambiguous decline in environmental services associated with water supply, microclimate patterns, soil stability, and flood drainage.
5. There is a consensus among experts in Bangladesh that all remaining forest patches will be destroyed within 10 years assuming current trends, and the Sundarbans within 15 years. Given these conditions, a forest biodiversity emergency exists in Bangladesh.
6. The environmental community at large is worried that Bangladesh will lose its biodiversity "independence" and will have to depend on the goodwill of neighboring countries, especially for flora for traditional medicines and a whole array of plants used in rural households. Foresters are concerned that the basis for natural reforestation will be lost.
7. The Department of Forests (DoF) owns virtually all of the land on which there are forests in Bangladesh but has little capacity to implement effective biodiversity conservation activities. Civil society organizations control no land, but possess strong field

implementation experience. Without the cooperation of both parties, successful conservation is an unlikely outcome for the Bangladesh Tropical Forest Conservation Fund (BTFCF).

8. The biodiversity crisis should be argued on a national, rather than international basis, emphasizing that because most biodiversity assets remain unrecorded, the international significance is not known, and that Bangladesh is part of a larger forest ecosystem that is collectively under threat.
9. Bangladesh needs its biodiversity to maintain biodiversity “independence,” and to be in a position to maintain such things as stocks of trees, animals, and medicinal plants so that it can expand supplies of these, and to undertake natural forest regeneration in the future.
10. At present, no other organization intends to focus human and financial resources on strategic investments in forest biodiversity conservation. While multilateral projects will be offered, these organizations would not be able to bring key stakeholder communities together.
11. The greatest danger is “overshoot” and biological cascading, wherein a dysfunction in one ecosystem causes the collapse of another, such as between forest cover and aquatic systems.

B. Stakeholder Views on BTFCF Development

B1. Client: USAID Views

1. USAID staff in principle supports the concept of using the BTFCF to establish an entity sufficient in scope to play a strategic role in arresting and reversing the decline of tropical forests and diversity in Bangladesh.
2. They see the BTFCF’s role as grant-maker, catalyst, coalition builder, monitor, and essential conservation services provider to the GOB and NGO communities.
3. Their assumption is that if excellent board and advisory group members are recruited, GOB/NGO implementation issues can be worked out. A priority is to initiate goal-critical activities as soon as possible, but they are concerned that current acrimony between the DoF and the NGO communities might adversely effect BTFCF implementation.
4. Another concern is the definition of a “forest biodiversity emergency” in that most Bangladesh biodiversity is resident in nearby countries, so there might not be an emergency at all.
5. Some USAID staff involved with BTFCF development appear committed to trying to secure additional USAID funding to cover operations costs and a larger pool of grants from DA and 416B funds, a parallel USAID-funded project to provide advisory services to the BTFCF, and some means to finance dollar-denominated expenditures.

Team leader observations. Bangladesh contains important habitats for internationally endangered species and ecosystems, but the BTFCF will have to be justified in national terms. The basic rationale is that biodiversity is a fundamental element of Bangladeshi culture, especially in the areas of building materials, food, hunting, and medicinal plants. Bangladesh is now an importer of medicinal herbs that used to be available here. Second, Bangladesh independence is associated with maintaining its biodiversity assets so that it does not become dependent on the goodwill of neighboring countries for flora and fauna it needs to survive and thrive. Third, we do not know what biodiversity is resident in remaining forest fragments and therefore cannot know what endemic species will be lost along with the forests.

Overall, USAID is well staffed to take on supervision of the proposed BTFCF, especially given the qualifications of its Mission environmental officer.

Without the addition of funds through DA, 416B or other resources, the BTFCF should be tasked with limited conservation objectives at one site.

B2. Client: U.S. Embassy Views

1. The U.S. Embassy (USE) staff, while recognizing the need for forest biodiversity conservation, has concerns about the size and scope of the proposed BTFCF.
2. The BTFCF might develop into another member of an ineffective, capital city-based group of organizations that waste talent and resources
3. U.S. influence on the BTFCF might not be enough to positively influence results or outcomes, leading to unplanned USE/USAID time commitments in the future.
4. The initiative is thought to be, at best, a high-risk venture.
5. The high-profile role of civil society organizations on the board may mean that the BTFCF “attitude” could become very critical of GOB failures associated with protected areas management, and therefore alienate the GOB Forest Department authorities. The Ministry of Environment and Forests is “criticism weary” — whether it is justified or not — and another critic would not be beneficial to conservation objectives.
6. In any case, the working relationship between the Department of Forests and the Bangladesh NGO community is so poor at this point that cooperation on the initiative may be problematic.
7. An expression of commitment and support from the highest level is needed to engender similar commitment from the U.S. side.
8. The proposed design concept does not provide sufficient incentives to engender effective Forest Department participation.
9. The proposed design might place too great a burden on USE time, in light of responsibilities associated with its other duties.

10. The proposed (November 30) BTFCF concept does not provide a sufficient range of size and scope options

Team leader observations. The Fund will succeed or fail based on the quality and motivation of the people who take on board and advisory group duties. To the extent that the USG can influence these choices, it will influence BTFCF outcomes. The most effective way to recruit good board members is to develop criteria that result in selection of effective candidates, to spend sufficient time in the interviewing and reference checking process, and to judiciously use the USG's veto power over board selection.

The BTFCF will be designed so that its major client, other than forest biodiversity, is the GOB Forest Department. The rationale is that the BTFCF will significantly help the DOF to implement commitments it has made in international biodiversity conservation agreements, its Forestry Master Plan, and in its own objectives. This has to be done without alienating the NGO community that has the field implementation capacity to actually implement the project.

The design team will recommend development of a parallel project designed and implemented by a USAID contractor that will provide a full-time advisor to the BTFCF for 2 years, as well as other needed support services. This will increase U.S. presence in the BTFCF while maintaining an appropriate distance.

The USE concern that the BTFCF represents a high-risk activity is correct. It will have to determine if the risk is acceptable given its other priorities. Unfortunately, there is no other initiative or organization coming forward with the strategy and capacity to influence forest biodiversity outcomes over the next 10 years.

Regarding GOB commitment, the MoEF secretary reports that the prime minister and MoEF minister are fully committed to the BTFCF and will provide whatever demonstration of their support that is required.

Regarding the DoF/NGO cooperation breakdown, the great majority of NGO people interviewed expressed their willingness to move beyond criticism of GOB weaknesses and take a positive approach to collaboration.

The design team has divided BTFCF development into two phases, starting small and growing with experience and opportunity. This essentially means that the USG agree to an expanded program at this time if it is not in a position to do so.

B3. Stakeholder: The GOB Forest Department Views

1. The MoEF secretary and the chief conservator of forests both endorsed the BTFCF concept as described in the TFCF Agreement between the USG and GOB. The secretary wants implementation to begin as soon as possible with a public declaration of formation before the end of the year 2000. He proposes an opening ceremony attended by the prime minister and the U.S. Ambassador.

2. The secretary indicated he would put aside his concerns about NGO participation in the BTFCF in the interests of its forest conservation objectives.
3. The secretary reports consistent, persistent interest on the part of his minister and the prime minister in the successful launching and implementation of the BTFCF.
4. The Forestry Master Plan includes significant emphasis on forest biodiversity conservation. Implementation remains a key challenge.

Team leader observations. Since the design team's arrival, the secretary had been out of the country for all but a few days so his participation has been limited. He has not delegated authority to staff to make decisions regarding this activity. This limitation was partially overcome by consulting with retired Forest Department staff.

Approximately 85 percent of the parties interviewed volunteers the view that the DoF is the major threat to forest biodiversity in Bangladesh. It allegedly facilitates illegal activities, tolerates incompetence, turns a blind eye to widespread corruption, endorses inappropriate implementation of internationally funded forest management and development projects, and retains outmoded forest management concepts.

The design team was not able to substantiate any of these allegations, but many were reported on in the newspaper media.

Most observers insisted that responsibility for protection of remaining forest patches and protected areas must be shifted from the DoF to some form of joint public/private management as has been done in several other countries. They also said that this scenario is unlikely in Bangladesh given the DoF's protective attitude about its land assets.

B4. Stakeholder: Bangladesh Environment and Development NGO Community Views

1. The BENGOS endorse the BTFCF concept (option 2), expressing the view that it is critically needed and that they will use their own resources to support it, mostly through provision of informal services, and as Biodiversity Consultative Group members. They support BTFCF because they believe the USG has the influence to bring mismanagement of biodiversity assets to the attention of the GOB in a serious way.
2. In general, they expressed little support for the current administration of the Forest Department who, they believe, has alienated the NGO conservation community at large, and whose leadership qualities they question.
3. They have concluded that the ABD and the WB promote projects that threaten Bangladesh's remaining forested areas, and that the USG is in the best position to influence their policies. As a group, they have considerable documentation to back up these claims.

4. There was consensus that a strategic, coalition-based approach is required to protect remaining forest fragments, that the Sundarbans is in great danger of fragmentation, and that very few, if any, current conservation initiatives are achieving significant objectives.
5. Community development NGOs said their clients would support conservation objectives if alternative sources of livelihood are available, and if the rule of law prevailed regarding fair access to biodiversity assets, and equal sharing of the sacrifices that have to be made in the interest of conservation.
6. The groups' concern is that the loss of building materials, fuel wood for personal use and for sale, and medicinal plants suggested by a strict forest protection approach will deprive local communities of important livelihood options. They are not convinced that conservationists can replace these livelihood options.
7. There was a broad consensus that an integrated conservation and development approach is required if the BTFCF's objectives are to be achieved. While recognizing the difficulties of this approach, it is essential given demographic and poverty issues.

Team leader observations. The NGO communities are very anxious for the BTFCF to begin operations, and appear willing to form and join coalitions to support strategic implementation of field activities. They indicated a willingness to transcend current problems they have with the DoF secretary.

The community views the BTFCF as the last significant opportunity for effective forest biodiversity action before the remaining forest fragments lose their viability.

Bangladesh is fortunate to have NGOs recognized internationally for their competencies in project design and management, field implementation, and adaptive management. These organizations are in a good position to put forest biodiversity conservation on their agendas, and to effectively use the resources that the BTFCF will provide.

The civil society organizations interviewed are very interested in the BTFCF being an exemplar organization, using modern financial management techniques, team-based program management, and technologies that will increase efficiency and impact.

The conservation NGO community is divided, with some expressing the view that the Coalition of Environmental NGOs has become a grantee of aid and lending institutions, and therefore has moderated its criticisms of these institutions' programs and policies.

Environmental journalists have been very active in documenting environmental decline in Bangladesh and it is they who feel that a last-ditch effort has to be made soon to arrest and reverse this trend.

ICDPs in other countries have a poor record of success and are very difficult to implement. Nevertheless, it must be done. The BTFCF would be well positioned to guide ICDP development, and to expand the menu of possible forest biodiversity conservation interventions.

B5. Stakeholder: Multilateral and Bilateral Lending and Aid Agency Views

1. Multilaterals indicated that the BTFCF is a needed initiative to focus financial and human resources on forest conservation. Money is available in Bangladesh for forest and biodiversity conservation, but a competent organization must exist to facilitate and coordinate implementation. The agencies would be willing to invest in the effort, especially with funds to be subgranted.
2. They view the major constraint as low capacity to implement coalition-based, well-coordinated, strategic field activities, and an historic weakness in the DoF to implement effectively.
3. A few influential Bangladesh staff expressed the view that their agencies are already dealing with biodiversity conservation issues competently, and that an additional entity is not required.
4. There was a consensus regarding declaration of a forest biodiversity emergency in Bangladesh.
5. In general, the agencies praised the public/private nature of the initiative.

Team leader observations. Multilateral agencies appear to be promoting projects that, albeit unintentionally, threaten remaining forest fragments and associated biodiversity. They would welcome a qualified, nonideological constructive critic.

All the agencies contacted supported the BTFCF concept and expressed a willingness to provide funds for subgrants, and to serve on the BTFCF's Biodiversity Conservation Consultative Group if approached.

As a group, this community has enormous influence on the GOB, and its support for the BTFCF will be useful and important.

The projects informally reviewed by the team are being poorly implemented, and have little or no positive impact on forest biodiversity conservation. These include the UN's SEMP, and the ADB's biodiversity conservation project in the Sundarbans. Also highly questionable are some aspects of the ADB's forest sector project. These organizations need help in evaluating the environmental impacts of their investments.

B6. Stakeholder: The Business Community Views

1. The domestic private sector demonstrated no knowledge of biodiversity issues, but some did express an interest.
2. The International Rotary Club and Chamber of Commerce indicated an interest in bringing these issues to their membership's attention, and possibly funding activities of concern to their members.

3. The American and European business communities expressed significant positive interest in supporting the BTFCF concept, but only if it has full GOB endorsement. One energy company has a biodiversity specialist and several related funds that might be of help.
4. Several business leaders said that small- and medium-sized extractive industries in Bangladesh are key actors in the destruction of forest habitats, and ways will have to be found to motivate their cooperation in protected areas management. Unfortunately, these businesses greatly influence conservation on the ground through alleged payment of unofficial fees to local authorities, or through intimidation.

Team leader observations. The business community is wary of being accused of causing forest destruction, and then “buying off” criticism through support of the BTFCF. They will not likely be early donors, but will come on board once they feel the BTFCF has proven itself in management and field implementation.

International business will not take steps without high-level assurance that their investments in the BTFCF are encouraged and endorsed by the GOB and USG as indicators of good corporate citizenship.

American energy companies starting operations in Bangladesh are well motivated to make donations to high-profile causes with good public relations returns. The BTFCF, if properly implemented, should be a good candidate for their support.

ANNEX K

Proposed Personnel Policy

Personnel policies in Bangladesh are complicated. Developing one for the BTFCF will take time and expense. The following personnel policy was adapted from the MACH project and has proved effective. This policy can be amended based on the BTFCF's needs, but it is essential that the BTFCF have a policy in place at start up.

Proposed Personnel Policy for BTFCF Operations

1. Applicability

This policy governs all national staff employed by the Bangladesh Tropical Forest Conservation Fund (BTFCF). These policies define conditions of service, rights, duties, compensations, benefits, and obligations of personnel under contract to the BTFCF.

2. Amendment

This policy is subject to periodic change by the BTFCF Board, or by the mutual consent of the Bangladesh Government (BDG) and the U.S. government as required or to conform to the laws and regulations of the BDG, which shall be brought to the notice of the employees through issuance of office circulars and orders.

3. Personnel Hiring Procedure

3.1 Classification

Professional, administrative, and accounts personnel shall be classified between grades 2 and 12 for pay allocation purposes and other personnel (nonprofessional and support) under grade 1. This shall be assigned based on position, qualification, performance record, and experience (Appendix A outlines general criteria of classification). Reference shall be made to the salary history as stipulated in the Employee Biographical Data Sheet (Appendix B) and the period of time the person has performed in a capacity consistent with the assigned grade for setting a salary under this contract. Depending on the employment period, the said personnel shall also be classified in the following three categories:

- *Regular staff*— employees hired for a consecutive six months or more shall be considered as long-term employees. The original contract will specifically state the employee status. Regardless of time employed, all staff are hired on a contract basis and are subject to annual renewal.
- *Temporary staff*— employees hired for less than six consecutive months (no work no pay) shall be classified as temporary employees.

- *Individual consultants* — personnel contracted on a part-time basis (i.e., no work no pay) will be considered as an individual consultant and shall range from advisory to junior-level category.

Temporary employment may be changed to long term only if the employee is issued a letter changing his or her status. In such cases, the personnel benefits that are applicable for regular staff shall be applicable to the employee from the month his or her employment contract came into effect. In addition, any employee hired on a long-term basis but actually providing a part-time input shall be entitled to the same benefits as for a long-termer on a prorated basis.

3.2 Recruitment

Personnel shall be recruited for positions on the BTFCF team in open competition from among respondents to advertisements, referral by professional colleagues, and other sources. In cases where there is strong evidence that a consultant has adequate and convincing references, the chief of party (COP), at his or her discretion, can hire such personnel without competitive procedure. In all cases, the recruitment will be made according to the following criteria:

- Professional and managerial employees:
 - Proven performance in similar roles (teamwork, competence, productivity, integrity, and communication skills); relevant experience
 - Proficiency in written and spoken English; computer skills
 - Proven skills in adaptive management
- Support employees
 - Relevant experience and skills
 - Ability to read and write Bengali
 - Ability to understand English

Information will be compiled from reference checks and from interviews conducted by the managing director or his designees from the project staff members.

3.3 Compensation

Salary rates will be determined on the basis of the educational qualification, previous salary history, work experience, and job description approved by the managing director for all categories of employees and as indicated in the individual employment agreement. Allocation for personnel payments and benefits due to the person under contract, except those set out below under Termination (Clause 10), shall be defined by proportional distribution using salary rates shown in Appendix B, which include provisions for:

- Basic Salary
- Allowances
- Housing

- Transportation
- Medical Benefits
- Total
- Bonus
- Gratuity/Severance
- CPF-Employer
- Annual leave accrual
- Gross (total package)

Regular employees shall be entitled to bonus allowances equal to one month's compensation for 12 months' service. For employees with a 6 months' or longer contract, such allowance will accrue proportionately on a monthly basis and be disbursed during the two festival times at the rate of 60 percent during the Eid-ul-Fitr and 40 percent during Eid-ul-Azha (Christmas and Durga puja to Christian and Hindu employees, respectively), or at the time of separation by either party before festival times.

Employment compensation and other conditions are defined in the Employment Contract (EC, Appendix E1-Ell). Specific duties are defined in the job descriptions to be attached with the respective employment contracts.

3.3.1 Compensation Scale

Terms of compensation. Unless otherwise stated by the managing director, personnel shall be assigned to the grade set out in Appendix B and the breakdown of pay and allowances in that grade will be used to allocate pay among the components, as applicable.

- a. Personnel shall be entitled to an annual step increment in the amount as stipulated in Appendix C, after every 52 weeks of full-time engagement by the project.
- b. All personnel shall be subject to performance evaluation (Appendix F) after every 52 weeks of full-time engagement in the project. In addition to the annual step increment, personnel may be entitled to "Increment on Merit Enhancement (IME)." IME will be based on the recommendations made in the individual's annual performance evaluation form and approval of the managing director. IME shall be applicable for employees whose performance will have far exceeded the expected standards or found outstanding. A copy of the evaluation sheet shall be placed in each individual's personnel file with a copy forwarded by the managing director to the accounts to effect the recommended increment.
- c. Only nonprofessional staff or employees with gross salaries under Taka 15,000/month will be entitled to Authorized Overtime (OTA) and Compensatory Time Off according to the procedures and at rates as shown in this manual under SL. 4.4.2a and 4.4.2b, respectively.
- d. Personnel shall be compensated for accrued earned leave up to a maximum of 15 days per year for each completed year of employment and prorated for the fraction period thereof. Total accumulation/compensation for earned leave of each employee shall not exceed 15 days time years of employment completed.

- e. In compliance with BDG Regulations, Section 12 EP Act VIII, Ministry of Law and Justice, Clause C, each personnel will be entitled to receive severance pay at the time of separation by either party which shall be equivalent to one month's adjusted base salary for every completed year of continuous service and prorated for the period if it exceeds a full year. Such benefit will be available only after completion of one year of regular service and based on the last official personnel action and pay records, excluding any overtime or other premium pay.
- f. Contribution to the Contributory Provident Fund (CPF), equal to 8.25 percent of each individual's base pay, shall be made monthly by both the project and each regular employee having a minimum of 6 months of continuous contract employment.
- g. Personnel on regular employment contract will have group insurance coverage for which the project will bear the premium cost. This will cover only those accidents that may occur while on the job and range from death to total or partial disablement and or loss of invaluable parts of the body (e.g., eye, hand, or leg).

3.3.2 Accountability of Amount Withheld and Other Admissible Staff Benefits

The amount withheld from local staff monthly salary such as bonus, contribution to CPF, and provision of other admissible staff benefits such as employer's contribution to CPF, accrued annual leave, and severance pay is to be accounted for monthly by each employee. Deductions from the employee and monthly provision for other benefits may be made in a separate interest-bearing bank account in the name of "BTFCF Local Employees Benefits Fund." Such account will be operated jointly by the BTFCF operations director and a staff member nominated by the managing director. Bonus accumulation will be disbursed twice in a year, for Muslims 60 percent of the accumulated amount to the previous month 10 days before the Eid-ul-Fitr, and 40 percent 10 days before the Eid-ul-Azha, and/or at the time of separation by either party before festival times. For Christians, Buddhists, or others, the policy for bonus disbursement will be made on a case-by-case basis. Disbursement of CPF, accrued leave, and severance shall be made on completion of the project and/or at the time of separation by either party (employee/ employer), whichever is earlier.

4. Employment

Personnel will be employed upon execution and signing of the employment contract for specified contract periods and terms. The individual will be compensated at the contracted rate or on a prorated amount for the portion actually worked. All such employment is at the discretion of BTFCF and may be Dhaka or field based or could be a mix of both depending upon the project's requirement. The duties and responsibilities of each position will be defined in the job description that shall be attached with each employment contract. All employees will submit a joining report on the day they join the project.

Salary fixation. Salaries will be paid as per negotiation between BTFCF project management and the individual employee. Staff salaries are confidential information. Release of this information will be considered grounds for dismissal.

4.2 Probation Period

The standard probationary period is 6 months for all employment contracts. The respective supervisor shall at the end of the probationary period evaluate and submit the results of that evaluation to the managing director in writing. If further employment is recommended and/or approved, the same shall be copied to the employee's personnel file and to accounts confirming continuation. The authority to waive probation period is at the sole discretion of the managing director, which could be exercised for an employee who had long working experience.

4.3 Holiday/Leave

All eligible personnel will be paid for such holidays as may be declared by the Government of Bangladesh.

4.3.1 Earned Leave

Paid vacation will be earned at the rate of 1.5 days per month of full-time employment. Earned leave for the days earned may be taken at any time with the recommendation of the concerned supervisor and the approval of the managing director. A maximum of 15 days of earned leave for each completed year can be carried over for accumulation. Earned leave, beyond the days allowable for carryover, if not taken within the year accrued, will be automatically forfeited.

4.3.2 Sick Leave

Sick leave will be accrued at the rate of 1 day per month of full-time employment and may be used if the employee is actually ill. Allowability of such leave before accruing it, and the number of days employees can avail themselves of in one request, is at the discretion of the managing director. Such leave may be used when sickness or injury prevents an employee to work effectively, up to the limit of hours accrued at that time.

4.3.3 Maternity Leave

Female employees unable to work due to a disability related to pregnancy, childbirth, or related medical condition are normally granted paid leave for the period of the disability, up to a maximum of 90 (ninety) calendar days.

Employees should make request for pregnancy disability leave at least 30 days in advance. A registered doctor's certificate must be submitted verifying the need for pregnancy leave and its beginning and expected ending dates. Employees returning from pregnancy disability leave must submit a health certificate stating fitness to return to work.

If an employee requires an extension of the leave, she must apply at least one week before the end of approved pregnancy leave. In such case, employees will be required to first use any accrual paid leave. Approval of such request is at the discretion of the managing director.

The admissibility of holidays, annual, and casual/sick leave will vary depending upon the nature of employment, which is classified as follows:

Classification	Earned Leave	Sick Leave	Posted Holidays	Maternity Leave
Regular Employee	Yes	Yes	Yes	Yes
Temporary Employee	No	No	Yes	No

Allowability of advance annual leave and/or sick leave (i.e., use of such leave beyond what has been earned and credited) is strictly at the discretion of the managing director and will be allowed only if the situation warrants, is recommended by the supervisor, and deemed unavoidable by the managing director.

4.4 Duty Hours

The workweek and duty hours (allowable for payment) of employees of all categories shall be as follows:

Items	Professional & Mgt. Employees	Field-Based Employees	Support Employees	
			Peon/Guard/Cleaner	Driver
Duty hours per week	40 hours	48 hours	48 hours	54 hours
Work week	Sunday-Thursday	Saturday-Thursday	Saturday-Thursday	Saturday-Thursday

Standard daily hours of operation are from 8 a.m. to 6 p.m. Employees will work 8 hours per day and will have flexibility in selecting when those hours begin and end. The standard lunchtime is 30 minutes per day. For a regular working day, the earliest an employee or a consultant, other than field and support employee, can start and leave work is 7:30 a.m. and 4 p.m., respectively, and the latest an employee may start and leave work is 9:30 a.m. and 6 p.m., respectively. The office will also be open on Saturdays for those required to work, and for a skeleton support staff, as scheduled by the managing director at the beginning of the month, to conduct essential work related to the project. The respective supervisors will determine the starting and closing times for the field and support employees, as considered suitable for the project works.

4.4.1 Hartal Policy

The project does not consider hartals to be a holiday. Work missed due to hartals must be made up at a later date. The project operates with the following hartal policy.

4.4.1(a) Half-Day Hartal

Employees should report within an hour of the end of the hartal. In other words, if the hartal is from 6 a.m. to 12 p.m., then the employee is to report to the office by 1 p.m. Each employee shall work a minimum of 5 hours on that day (i.e., from 1 p.m. to 6 p.m.) and make up the remainder at a later time. If the hartal is from 6 a.m. to 2 p.m., then the reporting time at the office will be at 3 p.m. and the closing time at 8 p.m. Employees residing within 3-5 km of the office will report to

office at the usual office time during hartal. In addition, those who are able to come from distances further than 3-5 km should also report to the office at the usual office time.

4.4.1(b) Full-Day Hartal

In the case of a full-day hartal in a week (dawn to dusk), at least 8 hours will be compensated on the first Saturday, any time within 8 a.m. to 6 p.m., following the hartal. If an employee is unable to make up the time specified in either the half day or full day case, then the employee can make up the time only by applying for earned leave.

4.4.1(c) More Than One Full-Day Hartal (Special Case)

In the special case where more than one full day or a week time of hartal occurs, the managing director will decide the make-up time required based on consultations with other projects, USAID, and after looking at the implications for the work product.

4.4.2 (a) Extra Hours Worked

Overtime Allowance (OTA) may be paid to support staff at 2 times the hourly base-salary rate only with the recommendation of the respective supervisor and approval of the managing director. In general, overtime will be credited at the rate of 2 hours earned per hour worked as approved in writing in advance by the managing director. No overtime shall be credited to the individual unless he or she has worked the full hours of assigned duty. Overtime shall not exceed 10 hours a week (32 hours per month) unless otherwise approved by the managing director.

4.4.2(b) Compensatory Time Off

The managing director at his or her sole discretion will grant compensatory time off (CTO) after a recommendation from his or her supervisor. Employees will use up the approved CTO on a half-yearly basis and it cannot be changed. CTO leave earned but not used within the specified half-year for reasons other than project need will be automatically forfeited.

5. Pay Period

All project personnel shall be paid monthly, in arrears, on the second working day of the following month. The actual pay period shall be fixed by the project as required to meet project requirements. Each person will be paid monthly the amounts admissible as base and other (housing, transportation, and medical) benefits. Pay will accrue and be paid for holiday, earned vacation, and other leave day according to the normal pay schedule. The only exception to this payment procedure will apply to the employee having a less-than-6 months' contract who will receive bonus allowances with his or her monthly salary and that there will be no deduction from his/her salary as contribution to CPF.

6. Taxes

Under Sections 50 and 59 of the Income Tax Ordinance, 1984, each individual under contract to BTFCF and receiving in excess of Taka. 60,000 annually in base salary shall have withheld a lump sum amount as tax from his pay and this amount shall be paid to the BDG treasury by the project.

Each regular employee will be provided with an annual income tax return as shown under Appendix H.

7. Time Reporting

Professional and management personnel are required to serve a minimum of 40 hours per week, support employees 48 hours per week, and drivers 54 hours according to the time schedule established by the managing director/supervisor. There will be no exceptions without the express written consent of the managing director. Personnel shall record daily the time information on the time schedule needed by the project accounting and management personnel (Appendix G). All personnel working for the project, whether long or short term, are to sign the time sheets provided at the office entrance at the time of arrival and sign out at the time of departure. At the end of the month, all time sheets shall be reviewed and signed by the direct supervisors and forwarded to the manager Administration and Finance (A&F) for assessment of the input hours given by each individual during the month. On completion of these works, the manager A&F will then forward time sheets with comments to the managing director for approval. On receipt of the COP's approval, the accounts will proceed with the processing of pay.

8. Field Allowances

The following allowances are established for travel and field expense for personnel working more than three (3) hours' travel time from their assigned duty station. All travel plans shall be: (a) approved in advance, and (b) use of project vehicle or other mode of transport as recommended by the individual's direct supervisor and approved by the managing director/designee. The travel allowance (TA) will provide for reimbursement of actual transportation costs not to exceed rates of AC/first-class rail travel. The counterpart of the ticket, if other means of public transport is used, must be submitted to the accounts for reimbursement. Dhaka-based employees other than a driver and support staff while on field tour will be reimbursed for actual expenses relating to official field tours to the project site. The per diem allowance shall cover all other field expenses as set out below for drivers and support staff with the full rate credited for trips involving overnight stays and one-half rate credited for nonovernight stays longer than five hours' duration. For trips involving an overnight stay, a maximum of 80 percent of the estimated field expenses/per diem allowances could be provided as advance on approval of the managing director. No overtime or CTO will be paid for field duties even if they fall on weekends or holidays.

Per Diem Allowance

Location	Professionals & Management Staff	Drivers & Support Staff
Dhaka and Chittagong	Actual Expenses	Tk.350/day
Sylhet, Khulna, Rajshahi and Bogra	Actual Expenses	Tk.300/day
All other cities/locations	Actual Expenses	Tk.300/day

Personnel employed under certain classifications shall receive Taka 120 per day as field allowance to cover local transportation and other incidental costs if posted out in the field. The per diem allowance for these category employees will be Taka 450 per day for each overnight stay and half

the amount for nonovernight stays for official visits to the Dhaka office, districts other than his or her normal duty station, or to locations a minimum of 40 km from the normal duty station. The said personnel will be required to submit TA bills, transportation expenditures, etc., supported by counterparts of the tickets (where applicable) for such official visits, which should be recommended by the supervisor and approved by the managing director.

9. Resignation

Resignation from the BTFCF project, after completion of the probation period, shall be effective upon 60-days' notice in advance and in writing. In the event of failure to comply with the above, any person shall be subject to forfeiture of salary for a period equal to the period of such shortfall unless a waiver is given in writing by the managing director on specific grounds.

10. Termination

Each person under long-term contract to BTFCF shall be entitled to notice of termination of not less than 90 days or payment of salary for said period or relevant portion thereof, in lieu of notice, except when terminated for misconduct. In the event of termination for misconduct, the benefits due the terminated person shall be accrued in earned vacation till the date of termination, bonus, and the amount contributed by him or her to CPF. Misconduct shall include theft, disobedience, falsification of personal or project-related data, neglect or nonperformance of assigned duties, or such other misdeeds as determined by the managing director. Such termination will be preceded by the submittal of written charge by the individual's immediate supervisor (controlling officer) that shall specify the charge and the penalty of dismissal. Upon evaluation of the charged individual's reply (if given), action shall be taken by the managing director on advice of the involved supervisor and the administration to dismiss or withdraw the charge.

The termination benefit shall become effective 3 months after signing the employment contract and during the first 3 months of the contract (probationary period); any person may be terminated without assigning any cause and without any termination benefit except for one month's salary.

11. Transportation

Project vehicles shall operate under the "Pool System." Each person will be required to submit approved requisition for use of vehicles. The standard timing for sending requests to the administration for day-to-day official use, other than emergencies, is 9:30 a.m. and 12:30 p.m. This will help consolidate trips and maximize vehicle utilization. The following policies shall govern the use of project vehicles for each of the purposes stated below:

11.1 Official Use

All requests for day-to-day official use shall be made on prescribed forms with the recommendations from the respective supervisors within the times as stipulated above. The administration will review all requests, consolidate trips where possible, and assign vehicles accordingly.

11.2 Field Trips

- a) All requests for vehicles shall be made on the prescribed form with detailed information (departure and arrival dates, passengers, time, location, duration, etc.). All requisitions must have the *approval of the managing director/designee* and shall be *submitted to the administration and accounts at least 48 hours before the scheduled trip* to permit arrangement for vehicles, stationeries, travel allowances, etc. Also, approximate km use anticipated for each trip should be indicated so that adequate money can be provided to the driver for gasoline/lubricants, etc.
- b) All field duties are recorded in the driver's logbooks. The supervisor or coordinator (or their designate) must sign on the logbook the starting and ending times. Use of vehicles in the field is restricted beyond 9 p.m. However, should the need arise to use the vehicle beyond this time, the supervisor or coordinator should proceed as necessary but must state the reasons on the log book for each day of additional use.

11.3 Personal Use

Personal use of vehicles may be allowed on a fee basis. Such use will be limited but permitted provided the use does not interfere with project activities and depending upon the vehicles' availability. All requests for personal use must be made on prescribed forms and written authorization of the administration must be obtained before a vehicle can be provided for personal use.

Personal use of vehicles during workdays is not allowed other than for emergency purposes and subject to the vehicles' availability. Charges for personal use of vehicles must be reimbursed to the project at the established rates (presently Taka 15 per km and driver's OTA Taka 25 per hour for usage after normal duty hours).

Other Conditions for Support Personnel

Persons under the category of support personnel shall include messenger, peons, cleaners, guards and drivers. Each of these personnel will be entitled to two summer and two winter uniforms, which include four shirts (two half sleeve and two full sleeve), four trousers (two wool-blend), and one pair of shoes each year (such provision not to exceed Taka 2,000). Said personnel shall be classified in Grade 1 of Appendix A.

ANNEX L

New Environmental Foundations

Country, Region	Contact Person, Position, Organization	Name of the EF	Email Address, Mailing Address, Phone/Fax Numbers	Sources of Funds/ Support	Status of Fund, (as of February 2000)		
					Established	Being Established	Proposed
1. Bhutan	Tobgay Namgyal Director	Bhutan Trust Fund for Environmental Conservation (BTF)	namgyal@druknet.net.bt www.bhutantrustfund.org P.O.Box 520 Thimphu, Bhutan Tel (975.2)323.846/326419 Fax (975.2)324.214	Bhutan WWF-US WB-GEF UNDP Switzerland Netherlands Norway Denmark Finland	May 1996		
2. China	Jinnan Wang Associate Professor Environmental Management Institute	Local Environmental Funds in China	emicraes@public.east.cn.net Chinese Research Academy of Environmental Sciences (CRAES) Beijing 100012 Fax (86.10)649.015.32	World Bank Municipal taxes	1988		
3. Fiji	Birendra Singh	Fiji National Trust	nationaltrust@is.com.fj			x	
4. Fiji/ Sovi Basin	Annette Lees Director, CI New Zealand Sevanaia Tabua, Senior Land Use Planner, Native Land Trust Board	Sovi Basin Trust Fund	ci-newzealand@conservation.org GPO Box 116 Suva, Fiji Tel (679)312.733 Fax (679)303.164	CI		x	

Country, Region	Contact Person, Position, Organization	Name of the EF	Email Address, Mailing Address, Phone/Fax Numbers	Sources of Funds/ Support	Status of Fund, (as of February 2000)		
					Established	Being Established	Proposed
5. Indonesia	Ismid Hadad Executive Director	KEHATI Indonesian Biodiversity Foundation (IBF)	ihadad@kehati.or.id Patra Jasa Bldg. Room IC2 Jl. Gatot Subroto Kav. 32-24 Jakarta 129501, Indonesia Tel (62.21)522.8031/522.8032 Fax (62.21)522.8033	USAID	January 1994		
6. Irian Jaya	Suer Suryadi Coordinator	Irian Jaya Conservation Fund	ci-irian@jayapura.wasantara.net.id CI-Jayapura P.O. Box 334 Jl. Sentani, No. 1 Abepura, Jayapura, IRJA 99351 Indonesia Tel (62)967.834.36 Fax (62)967.834.36	CI		x	
7. Mongolia	Mr. Battogtokh Secretary	Mongolia Environmental Trust Fund (METF)	metf@magicnet.mn www.un-mongolia.mn/metf Ulaanbaatar, Mongolia Tel (Fax (976.1)321.401	World Bank		x	
8. Nepal	Nabina Shrestha Special Projects Officer The Mountain Institute	Nepal Trust Fund for Biodiversity (NTFB)	nshrestha@mountain.org njain@mountain.org P.O.Box 2785 Kathmandu, Nepal Tel (977.1)419.356/414.237 Fax (977.1)414.902	TMI World Bank		x	
9. Pacific	Joe Reti Programme Manager South Pacific Biodiversity Conservation Programme (SPBCP)		joer@sprep.org.ws sprep@samoanet.net PO Box 240 Apia, Samoa Tel (685)21.929 Fax (685)20.231	GEF		x	

Country, Region	Contact Person, Position, Organization	Name of the EF	Email Address, Mailing Address, Phone/Fax Numbers	Sources of Funds/ Support	Status of Fund, (as of February 2000)		
					Established	Being Established	Proposed
10. Pacific	Roger Cornforth	Pacific Conservation Development Trust	roger.cornforth@mfat.govt.nz Foreign Affairs New Zealand	New Zealand France		x	
11. Pakistan		Table Mountain Fund		UNDP/GEF		x	
12. Palau	Joe Reti		joer@sprep.org.ws	TNC			x
13. Papua New Guinea	Egide Cantin Consultant	PNG Conservation Trust Fund	ecantin@tnc.org P.O. Box 2750 Boroko, Papua New Guinea Tel (675)323.0699 Fax (675)323.0397	WB/GEF, TNC		x	
14. Philippines	Julio Galvez Tan Executice Director	Foundation for the Philippine Environment (FPE)	jujut@pworld.net.ph fpe@info.com.ph 77 Matahimik St. Teachers Village Quezon City 1101 Philippines Tel (63.2)927-9403/927-2186 Fax (63.2)922-3022	USAID Bank of Tokyo	January 1992		
15. Pohnpei	Bill Raynor Director FSM Country Program TNC		braynor@tnc.org P.O. Box 216 Kolonias, Pohnpei FSM 96941 Tel (691)320.4267 Fax (691)320.7422	TNC			x
16. Sri Lanka	Sunil Linayage Deputy Conservator of Forests, Forest Department	Forest Conservation Trust Fund (FCT)	Rajamalwatta Road Battaramulla, Sri Lanka Tel (94.1)866-634 Fax (94.1)866.633	NORAD	October 1996		
17. Sri Lanka	Jinasiri Dadallage Executive Director	Wildlife Trust of Sri Lanka (WLTSL)	18 Gregory's Road Colombo 07, Sri Lanka Tel (94.1)696-050 Fax (94.1)698.556	USAID	1991		

Country, Region	Contact Person, Position, Organization	Name of the EF	Email Address, Mailing Address, Phone/Fax Numbers	Sources of Funds/ Support	Status of Fund, (as of February 2000)		
					Established	Being Established	Proposed
18. Thailand	Krisana Choeypun Chief, Standard and Criteria Subdivision Office of Environment Fund, OEPP	Thailand Environment Fund	envifund@asiaaccess.net.th Tel (66.2)279.8087 Fax (66.2)271.4239	OECE Thailand Fuel Oil Fund	1992		
Totals					7	9	2