

Guidelines for Micro Capital Grants for the Poor Resource Users in the Ecologically Critical Areas Coastal and Wetland Biodiversity Management Project

I.0 Rationale

The Coastal and Wetland Biodiversity Management Project (CWBMP) Micro Capital Grant (MCG) is a form of financial assistance intended to support the shift from intensive, unplanned and destructive exploitation to sustainable use of coastal and wetland resources and its biodiversity by the communities in the sites declared as Ecologically Critical Areas (ECAs). Specifically, the MCG will provide other income generating options for the people whose livelihood were curtailed/affected by the establishment of ECAs and subsequent delineations and restrictions/limitations in the management zones.

The micro capital grant shall support community efforts that are supportive of and compatible with coastal and wetland and associated ecosystems biodiversity protection and management. At the same time it is intended to mobilize and catalyze community efforts and support activities that would be the vehicle for developing responsibility, local capacities and self-reliance within the context of wise use and management of natural resources and biodiversity.

To further enhance the development of local leadership and organizational management capacities of the VCGs, the MCG shall be utilized as a revolving fund. Repayments for the MCG will be deposited to the account of the Village Conservation Fund. This is expected to not only increase the financial management skills of the VCGs but also to develop among them the necessary entrepreneurial skills for more commercial and business ventures.

The MCG shall support alternative income generating activities or projects of community members that ceased to engage in illegal fishing and harvesting, and now voluntarily protecting the resources and biodiversity in their respective areas, especially those situated near the core and buffer zones and have voluntarily kept watch of the ECA.

This Guideline is formulated to provide the guide that would govern the use of the fund, the process of availment and its overall management. This guide is designed to ensure that access to the fund will accrue to targeted groups and that there are sufficient capacities and safeguards to ensure the successful achievement of the objectives of the Grant and the objectives of the CWBMP in general. An adaptive approach to the implementation of these guidelines will be used. It is expected that in the process of the MCG implementation some modifications and improvements may have to be made to adjust to specific situations within the framework and objectives of CWBMP. It is expected, therefore, that the operational relevance, sensitivity and responsiveness of the provisions, component strategies and approaches shall be given more attention during the implementation of the MCG. It may include inter alia, the following:

- Selection criteria for beneficiaries

- Application of the not more than 10% or an equivalent of one extra month payment of the beneficiaries for service fee to the VCG.
- Accounting and bookkeeping procedures
- Type of alternative income generating projects to be funded

Based on experiences and lessons learned from the initial implementation, the MCG guidelines will be correspondingly revised or adjusted as deemed necessary. Close monitoring and documentation therefore, of the projects by relevant groups (Monitoring and Evaluation Team, the Audit Team, PMU, Union and Upazilla ECACCs and the ECAMU) will be made so as to be able to observe the process and how the activities are progressing including problems and difficulties encountered.

This guideline was developed through a series of consultations with the grassroots NPPPs and the PNGOs that did the dissemination and community consultations regarding the MCG. Consulted also in the development of this guidelines were the are the ECACCs at the union, upazilla and district levels.

2.0 Objectives of the Micro Capital Grant

- a. To enhance and institutionalize the community empowerment process advocated by CWBMP in the ECAs.
- b. To support the initiatives of VCGs for income generation and gainful employment of its members that will lead to decreased exploitation and, hence, regeneration of resources and biodiversity in the ECAs.

3.0 Eligible Beneficiary Groups

The MCG shall support the following groups:

- Those voluntarily protecting the coastal and wetlands resources and biodiversity in the ECAs.
- Poor households and groups whose economic base is limited and who may be adversely affected or displaced by the designation of certain areas as core zones and buffer zones where any form of extraction is prohibited.
- Marginal groups whose livelihood and income are very limited and restricted by their social status in the community.
- Women group/s that are actively involved in the activities of the project.

Poverty level of the above targeted groups shall be a basis for prioritization. This means that among the eligible groups those with lowest income levels shall be accorded the highest priority.

3.1 Selection Criteria

The criteria for the selection and prioritization of eligible beneficiaries include but would not be limited to the following:

- Firm and demonstrated commitment to protect the ECAs and the biodiversity therein
- Satisfactory attendance to regular group meetings
- Willingness to deposit a regular savings
- Willingness of the VCG executive committee members or group leaders to execute an agreement for them to assume liability in cases of default of the funds.
- Willingness to undergo and attend trainings related to the proposed project. The beneficiaries must have at least the technical experience or assured of technical assistance from the PNGOs and concerned line agencies for the proposed livelihood activity.
- Beneficiary group has installed or willing to install some kind of financial management system and shall render the books open for the Monitoring and Evaluation Team.
- Beneficiary group is favorably endorsed by relevant authority at the Union or Upazilla level.

4.0 Projects Eligible for Micro Capital Grant

Income generating projects or undertakings to be funded under the MCG should be consistent with the objectives of reducing pressure on depleting resources allowing recovery/replenishment and enhancement of biodiversity. ***It must be emphasized that the MCG should not only be seen as a livelihood grant. It is primarily and ultimately an investment for resource protection, biodiversity conservation and management.*** Hence, the first level of screening will look into the category or type of project/activity that is being proposed. Projects that are environmentally friendly and falling under the following categories/types will be considered:

- Production undertakings employing wise use of natural resources and addressing environmental problems, etc.
- Product processing (including value addition)
- Cottage/small scale enterprises
- Services

Alternative income generating activities will be drawn from projects determined by the communities themselves and were found viable through technical consultation with PNGOs and the NPPPs.

In general, land-based projects shall be given preference over water-based projects. However, some water-based undertakings may be considered depending on their technical and environmental soundness.

The following are general initial categories and listings that may be considered for MCG depending on whether the activities meet the criteria set in this Guideline.

- * Production

- Crops
 - Orchard, Fruit Trees/Homestead Gardening
 - Plant Nursery
 - Mushroom Culture
 - Medicinal Plant Gardening/Establishment
 - Fodder Production
 - Reed Culture
 - Seed Production
 - Other High Value Crops

- Floriculture

- Organic Fertilizer Production

- Livestock
 - Goat Raising
 - Cattle Raising
 - Duck Raising

- Poultry
- Fishery
 - Pond Poly-Culture

- * Handicrafts/Weaving/Tailoring
 - Pati Making
 - Bamboo crafts
 - Hand Fans
 -

- * Construction
 - Fishing Boats
 - Tourist Boats
 - Fishing Gears
 - Cane furniture Making
 - beach facilities construction (cottages,

- * Processing
 - Fish Processing
 - Fruit Processing
 - Milk Processing

- * Trading
 - Vegetable Trading
 - Organic Fertilizer Trading
 - Seed Trading
 - Non-decomposable materials collection and sale
 - Grocery/ retail store

- * Services
 - Tour Guide Services
 - Home Hosting

Other community demand-driven projects not identified but falling within the general categories indicated above may likewise be considered. However, there are projects which are automatically ineligible for MCG and are considered to be in the negative list. Initially, the following fall under the negative list:

- Furniture-making using wood and mangrove materials from illegal cutting/source.
- Clams and shells extraction unless farmed/grown for eco-tourism purposes shall not be harvested
- Purchase and construction of illegal and active fishing gears
- Construction activities that will require mining of soil, sand and gravel (This is a critical issue but solutions and agreements must be forged with the communities)

5.0 Criteria for Screening Proposals/Feasibility Study for Micro Capital Grant (MCG)

Livelihood projects will be prioritized based on the availability of skills and resources, minimum risk and high potential for success. In the process of selection and preparation of projects, the PNGOs and NPPPs shall be guided by the following in the development of project proposals:

- Technical merits
- Financial viability
- Market demand
- Environmental soundness
- Institutional merits

Specifically, evaluation of project proposals shall be based on the following indicators and weights:

- Viability of the Project Proposal - 40%
- Poverty/Income Level of Proponent - 35%
- Participation of Community in CWBMP Activities - 25%

Poverty level of project proponent shall take into consideration the income level of the members

5.1 Technical Merits

The main consideration for the evaluation of livelihood projects is the appropriateness of the technology or process to be employed which will indicate whether the project is resource-conserving or enhancing and not merely because it is effective or efficient.

Depending on the type of project, the screening process will be guided by the following information and considerations:

- Project location - Is the project site suitable (i.e. does it conform with land use zoning or the proposed marine/wetland zoning designation?)

-Technical features - methods and processes involved, design considerations and support facilities to be established

-Availability - sources, type and level of utilization of inputs and/or raw materials.

Are the raw materials for the project available? How are they obtained? Do they come from legitimate sources or illegally-sourced? Are the quality and quantity of raw materials good and sufficient?

-Manpower and skills requirement and their availability

-Utilities and infrastructure support required for project operation (i.e water, power, communication, etc.). Estimated quantities to be used and its availability/sources

-Project schedule and seasonality of operation

-Type of wastes which would likely be generated and estimates of quantities including means of disposal

-Basic understanding, knowledge and technical experience of the Project Proponent on this type of project

5.2 Financial Viability

It is important that the proposed livelihood project should be able to generate a reasonable rate of return. At least a minimum of 25 % return on investment is reasonable. In addition, the following should be examined:

-The base cost estimates

-Amount of the MCG needed and the potential returns

-Major assumptions used in financial projections

-Detailed utilization of the MCG and cash flow analysis

-Project cost and return analysis

Income from the project must be able to repay the daily/weekly/monthly installments or depending on the agreement between the VCG and the member beneficiaries. Schemes with assured daily and/or weekly returns are highly preferred.

Individual or group members with outstanding debts to other NGOs or banks shall not be considered for MCG.

The general surroundings, i.e. social factors, as well as behavior and conduct of the group members should be favorable for the repayment of the fund

Expected returns from the project and profit sharing arrangements among members should also be looked into.

5.3 Market Demand

The potential market for production-related livelihood projects should be identified and appropriate linkages should already be initiated to assure that the livelihood products can

be absorbed by the market. In this context, the project proposal should examine the following:

Existing and potential market for the product

A marketing plan showing how the product will be marketed, such as the use of green labeling for product packaging to command premium prices, contract growing, pricing schemes and others

Market sustainability and expansion

Supply situation and nature of competition

5.4 Environmental Soundness

The environmental soundness of the AIG project will be assessed based on the technical features of the project and the anticipated changes on the environment and resources.

Two important considerations shall be examined:

The linkages of the project to resource protection/conservation and enhancement and effects/impacts on the biophysical and social environment.

Using a simple checklist, the livelihood project will be further assessed based on the following key considerations:

- Suitability of location
- Ecosystem to be affected
- Methods/processes involved
- Extent of ecosystem modification and/or use/extraction
- Extent of use of natural resources
- Magnitude of biophysical impacts on land, air, water and people (not significant, moderately significant and significant) and their mitigation/enhancement
- Type, magnitude and disposal of wastes to be generated (liquid effluents, solid waste, air emissions)
- Social effects (analyze benefits and trade-offs) including social acceptability and promotion of social equity)
- Environmental safeguards and/or mitigation measures should be incorporated as part of the project proposal to address potential adverse impacts or enhance beneficial effects.

5.5 Institutional Merits

Capability and potentials of the Beneficiary Groups to manage and operate the project shall be assessed. Institutional strengthening needs shall be identified beforehand so as to provide the necessary trainings or intervention prior to project implementation such as:

- Existing organizational and management system
- Level of capability of officers and key personnel
- Project schedule or timetable of activities

In support of the above-cited criteria, sustainability criterion on institutional development should consider key skill areas, namely: management, finance and technical. Specifically, these key skill areas are explained as follows:

- a) Financial - the group needs to learn how to keep the organization self-supporting or get it to be so, and operating with financial integrity
- b) Technical - the group needs to learn the technical skills involved in operating the project.
- c) Management - the scope of this competency covers the functions of direction setting, policy formulation and ensuring sustainability. The group needs to learn to run its organization or project in a way that is appropriate for the recipients.

5.6 Content and Format of the MCG Project Proposal (*See attachments*)

6.0 Implementation Mechanism

With the objective of empowering the VCGs and the communities the following strategies shall be followed for operating the MCG:

- The VCGs and PNGOs will develop proposals for the approval of the Upazilla ECACC. In addition to the findings of the socio-economic assessment done for the project sites the priority ranking of identified opportunities will be taken into consideration while developing proposals.
- MCG funds will be awarded to the VCG and deposited under the Village Conservation Fund (VCF).
- Included in the proposal is the Return on Investment (ROI) component where the length of payments and monthly amortizations by the beneficiary will be determined. Collection of repayments shall likewise be deposited under the VCF.
- All MCG supported ventures will maintain proper accounts which would be audited periodically by the audit committee established for the purpose. The project will introduce simple accounting procedure and conduct training for concerned beneficiaries group on maintaining accounts, book keeping and storage of documents.
- The Village Conservation Fund (VCF) will be operated jointly by the VCG and the ECAMU. The funds will be used for the alternative income generating projects/activities submitted by the VCG members. ***Other members of the community can submit proposals for MCG funding with the certification and/or endorsement of legitimate VCG members.***
- Projects with short turn over period/quick return will be given priority.

7.0 Size of the MCG

Individual size of the grant will vary according to the nature and activities of the project.

8.0 Pre-conditions

- MCG shall be a one time grant for a particular purpose given to the VCG

- No individual is to become member of more than one VCG and receive MCG funds from both VCGs
- The MCG shall not be used for repayment of other earlier loans
- The set of activities proposed for funding must always fit into the project objectives and activities
- Beneficiaries should be in a position to show proper management of the grant, maintenance of accounts and records and updated savings as these are subjected to official audits.
- Priority shall be given to women groups
- Priority will be given to individuals or groups with the poorest member. This could be ascertained through the findings of the socio-economic assessment done by the PNGO
- Proposals for MCG support should comply with national regulations related to environmental resource and biodiversity protection and conservation
- The beneficiaries shall put in writing their willingness to deposit to the account of the Village Conservation Fund an amount equivalent to one monthly installment but should not be less than 10% of the total amount of the MCG. This amount will be used as environment conservation fund.

9.0 Operational Procedures for proposal preparation and MCG fund disbursement to the VCG

Step 1 Identification of areas for MCG support and potential VCGs

Focus group discussion with VCGs and members:

- Review the findings of the socio-economic assessment by the PNGOs on the income generating opportunities and their prioritization as well as identify and categorize socio-economic needs of the village as a whole
- Identify knowledge, skills and resources that remain unutilized/underutilized
- Share ideas and market information with project staff and external sources. This may include details about technologies, demand and price of the product, government regulations, competition in the market, availability of raw materials and cost, production and investment costs, risks and potential threats, etc.

Step 2 Developing MCG Proposals

- Project personnel to assist the VCGs and members in developing detailed proposals for MCG support based on their prioritized list. Each MCG proposal should contain the necessary information as indicated in the format of the MCG proposal.
- The VCG after review of the proposal shall submit said proposal to the Upazilla ECACC for review and necessary modifications and subsequent approval. When in order the proposal will be endorsed to the PMU copy furnished the Union and District ECACC.

Step 3 Approval/Award at PMU/UNDP

- PMU will review the proposal. When in order it will be processed for award of the MCG.
- Signing of Letter of Agreement (LOA) by concerned parties (VCG Chairman, Project Chairman and ECAMO)
- Payments will be made *by cheque to the VCG account* (Village Conservation Fund). Signatories are the ECAMO and UNO.
- UNDP will also find additional funds to support the MCG and shall follow the process of proposal approval and awarding of said funds to the VCF account

Step 4 Implementation

- Officially integrating to the Upazilla ECACC the oversight, advisory and policy making functions of the MCG (*See attached TOR*)
- Establishing the Village Conservation Fund which will serve as the depository account for all MCG funds. This fund account shall have at least 2 signatories from each of the following: Upazilla ECACC and the VCG Chairman.
- ECACC officially designating an officer to collect repayments of the MCG
- Implementation as per the approved project activities.

Step 5 Progress and output monitoring

- Official integration to the Union ECACC the monitoring and evaluation and audit responsibilities for all MCG activities (*See attached TOR*)
- Continuous assistance provided to the Monitoring and Evaluation and Audit Committee by the PNGO, ECAMU and PMU
- Periodical technical monitoring will be carried out by experts from the DOE-PMU, PNGOs and other relevant authorities.
- Periodic monitoring, evaluation and audit by the authorized committees.
- Preparation of final reports by monitoring, evaluation and audit teams and experts
- Preparation of expenditure statements to be sent to the PMU through the ECAMU.

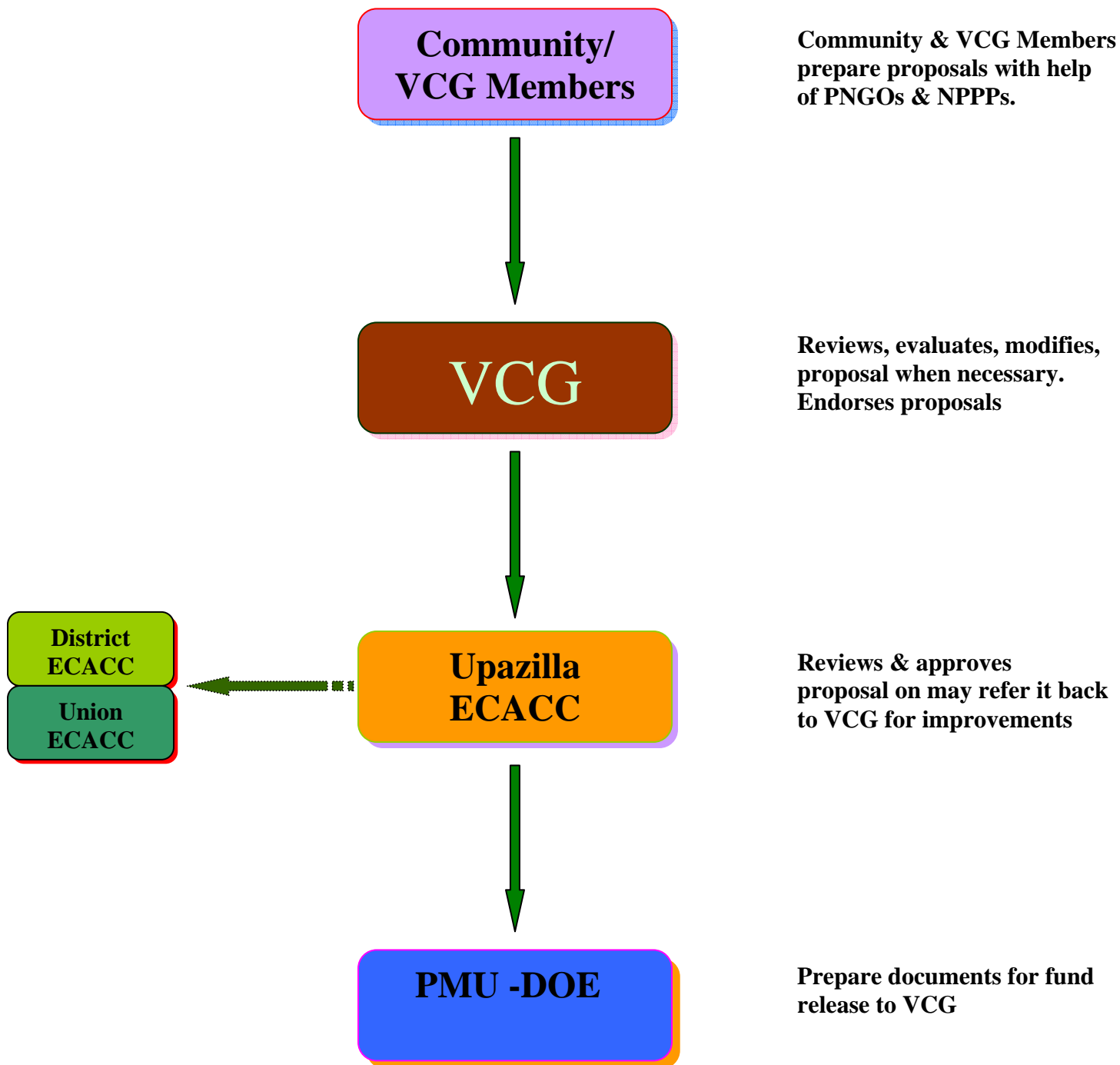


Figure 1 Project Proposal Flow for MCG Funding

Step 6 Impact Assessment

- Impact assessment will be conducted for measuring the changes that happened in the community out of MCG utilization. Participatory tools will be used for this purpose. In addition, information incorporated in the VCG records will also be used.
- Preparation of impact assessment report by ECAMU, ECACC and Experts

10.0 Operational Procedures for the Management of MCG Funds by the VCG

The VCG shall be the institution that will eventually take over and sustain the management of the MCG Funds otherwise known as the Village Conservation Fund. This fund shall be awarded by the DOE-PMU to the VCG-VCF account based on the proposals that were submitted by the VCG and approved by the Upazilla ECACC. The VCG therefore is the fund manager of the VCF.

The implementation of the MCG at the VCG level shall have a transition phase where the ECAMO plays a significant role in the management of the VCF. This transition structure shall be in effect for as long as CWBMP-MCG funds are forthcoming. At the same time the PNGOs and the grassroots NPPPs shall continuously provide assistance in setting up and strengthening the MCG-VCF implementation and in the social preparation and training of the VCGs (particularly on financial management) and would be beneficiary groups.

10.1 VCG-VCF Account (Trust Fund)

The VCG-VCF account shall serve as the depository account of all repayments by the MCG beneficiaries. During the transition phase the VCG-VCF shall have the ECAMO and the VCG Chair as signatories in its account. Also all disbursements of the VCG-VCF will be co-signed by the ECAMO. For this purpose, all project beneficiaries shall be required to sign an agreement regarding the repayments of the micro capital grant inclusive of the service charges and/or profit share which will be deposited in the VCF account.

10.2 Financial Policies and Guidelines

The VCGs and beneficiary groups shall be trained on simplified accounting system with guidance from the PNGOs and the grassroots NPPPs. The simple accounting system shall still establish adequate accounting control. The VCG and the beneficiary groups shall ensure that in the management of the funds, the following are observed:

- Segregation of non-compatible duties and responsibilities, i.e., control/access over cash must be separate from recording, with appropriate authorization particularly on utilization/disbursement of funds.
- Strong management supervision, i.e., regular cash count, and proper maintenance of transaction records.

10.3 Cash Receipts/Collections

- A person must be designated to act as Cashier
- Designated Cashier and/or Treasurer must be duly bonded.
- The Cashier must issue official Receipts (OR) for all collections received. Official receipts must be prenumbered.
- An account must be opened with the nearest banking institution to be designated as the Village Conservation Fund Account
- All collections must be deposited intact in this account at least weekly.
- A cash box shall be provided for the safekeeping of undeposited collections. Surprise counts of cash on hand must be periodically made by designated auditor.

10.4 Recording System

- Only the designated bookkeeper shall be authorized to record transactions in the book of accounts
- Each member contributing to the VCF (in the form of repayments) shall be issued the proper receipts
- The bookkeeper shall record receipt of all funds for the VCF.

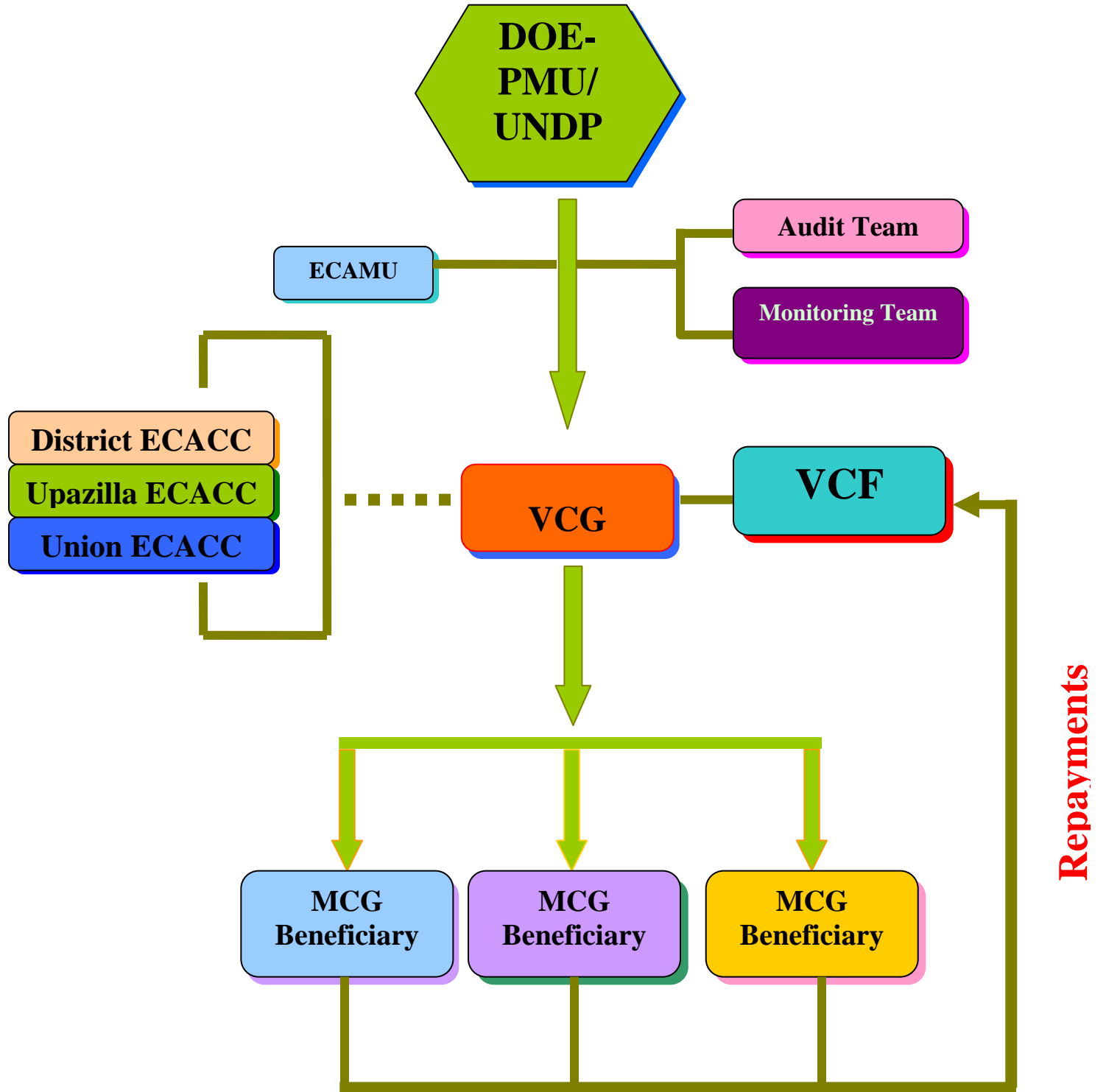


Figure 2 MCG Funds Flow for VCG

Annexure 1

Functions of the MCG Steering/Advisory Committee (Upazilla ECACC)

1. Review/evaluate project proposals
2. Set guidelines regarding other terms and conditions of the MCG revolving fund/Village conservation Fund
3. Ensure proper implementation of the MCG
4. Assist in project monitoring and evaluation
5. Study other options re- MCG and Village Conservation Fund availment.
6. Formulate policies and guidelines towards improving implementation of MCG and the Village Conservation Fund.

Annexure 2

Functions of the MCG Monitoring Committee (Union ECACC)

1. Conduct regular monitoring of MCG projects
2. Come-up with recommendations towards improving implementation of MCG and the Village Conservation Fund.
3. Submit to MCG Steering Committee listing of non-performing beneficiaries and recommend possible courses of action

ANNEXURE-3

Micro – Capital Grant Proposal

1. Name of Project

VCG (Name and signature)			
President:			
Secretary:			
Office Seal:			
Type of Business/Enterprise:			
Name and signature of VCG members			
1		9	
2		10	
3		11	
4		12	
5		13	
6		14	
7		15	
8		16	
Address	Village:	Union:	Upazilla:
Duration of the Project (month)			
Project starting date		End of the Project	
Budget Extract			
Line Item		Amount (Taka)	
A. Material			
B. Equipment			
C. Services			
D. Training			
E. Space rental			
F. Travel and transportation			
G. Maintenance			
H. Total budget			

2. Detailed Budget

A. Details of Materials including raw materials (itemized costs and requirements)

	Item/specification	Unit price (Taka)	Quantity required	Total price (Taka)	Specific time/ Remarks
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					

B. Details of equipment (itemized costs and requirements)

	Item/specification	Unit price (Taka)	Quantity required	Total price (Taka)	Specific time/ Remarks
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					

C. Details of required services (itemized costs with specified time and period)

	Item	Unit and cost (Taka)	Requirement	Total cost (Taka)	Specific time/ Remarks
1					
2					
3					
4					
5					
6					
7					

D. Details of required skill development training

	Topic and number of persons to be trained	Unit cost (Taka)	Requirement	Total cost (Taka)	Specific time/ Remarks
1					
2					
3					
4					
5					
6					
7					

E. Details of space requirement (rent for land, water, house, etc.)

	Item	Unit and cost (Taka)	Total cost (Taka)	Specific time/ Remarks
1				
2				
3				
4				
5				
6				
7				

