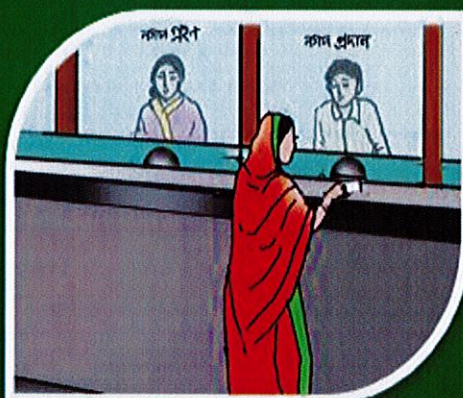




Community Operations Manual (COM)

Part - Three



THE WORLD BANK
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Forest Department, Bangladesh
Ministry of Environment, Forest and Climate Change



Community Operations Manual (COM)

Part – Three

Community Financing Including Auditing & Accounting

Sustainable Forests and livelihood (SUFAL) Project

Forest Department

MINISTRY OF ENVIRONMENT, FOREST & CLIMATE CHANGE

2021



Abbreviation

APP	:	Annual Procurement Plan
AIGA	:	Alternative Income Generating Activities
APD	:	Assistant Project Director
ANR	:	Assisted natural Regeneration
ACF	:	Assistant Conservator of Forest
BFD	:	Bangladesh Forest Department
BSA	:	Bangladesh Standard of Audit
BAS	:	Bangladesh Accounting Standard
CRR	:	Cumulative Recovery Rate
CFMCC	:	Collaborative Forest Management Coordination Committee
CREL	:	Climate Resilient Ecosystem and Livelihood
CCF	:	Chief Conservator of Forest
CFMC	:	Collaborative Forest Management Committee
CMC	:	Co-Management Committee
DR	:	Delinquency Ratio
DFO	:	Divisional Forest Officer
DPD	:	Deputy Project Director
ESMF	:	Environmental and Social Development Framework
FAPAD	:	Foreign Aided Project Audit Directorate
FAC	:	Finance & Account Committee
FSSR	:	Financial Self Sufficiency Ratio
FMPS	:	Forest management Planning System
FPCC	:	Forest Protection & Conservation Committee
IPAC	:	Integrated Protected Area Co-management
IF	:	Internal Fund
LDF	:	Livelihood Development Fund
MoEFCC	:	Ministry of Environment Forest and Climate Change
M&R	:	Monitoring and Reporting
NGO	:	Non-Government Organization
NTFP	:	Non Timber Forest Product
OTR	:	On time Recovery Rate
OSSR	:	Operating Self Sufficient Ratio
PA	:	Protected Area
PMU	:	Project Management Unit
PC	:	Procurement Committee
PD	:	Project Director
PAR	:	Portfolio At Risk
PIC	:	Project Implementation Committee
ROA	:	Rate of Return on Asset
SAC	:	Social Audit Committee
SSP	:	Site Specific Plan
SUFAL	:	Sustainable Forest and Livelihood
RO	:	Range officer
CDF	:	Community Development Fund
VCSC	:	Village Credit & Savings Committee
WB	:	World Bank

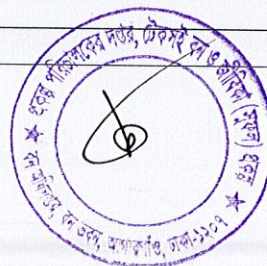


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Chapter- 1

Community Finance

(Saving & Credit Activities)



1.0 Community Finance

Community means all the forest dependent people who will be selected from Forest Conservation Village (FCV)/Village Conservation Forum (VCF) under collaborative forest management/PA Co-Management for improvement of livelihood through project support.

Finance means – Financial Planning, Co-ordination, Control and its application. Here Fund owned by the community is (a) Individual Savings (b) Community Development Fund /Livelihood Development Fund and (c) Fund from other sources like Community Patrolling and Capacity Building Fund.

Community finance is a financing process, which covers fund collection, planning and fixation of savings rate, number of loan instalments, duration of loan, number and rate of repayment instalment and amount of service charge, mode of distribution and loan activities etc. being decided in consultation with the poor and extreme poor forest dependent community. In this process, the forest dependent community is entitled to take decisions that provide them with highest level of benefits in terms of livelihood diversification, income generation and poverty reduction through implementation of various Alternative Income Generating (AIG) activities at community level.

1.1 Following institutions will be involved in Community Finance

1. Forest Protection & Conservation Committee (FPCC)/Community Patrol Group (CPG)
2. Village Credit & Saving Committee (VCSC)
3. Finance & Accounts Committee (FAC)
4. Procurement Committee (PC)
5. Social Audit Committee (SAC)

2.0 Objectives of Community Finance

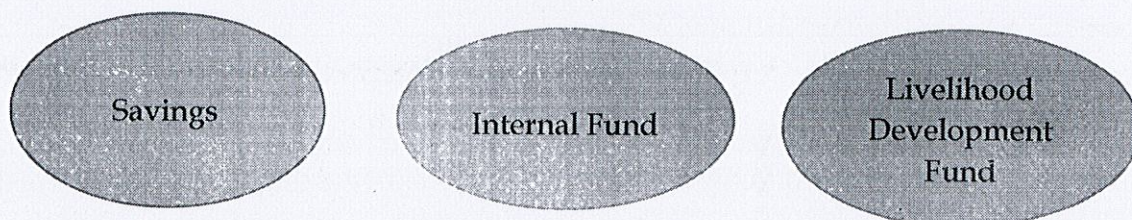
- To ensure the fund flow for selected community members in implementing their livelihood promotion activities in order to improve their lives and livelihood.
- To ensure the smooth operation of Community Development and Livelihood Development Fund activities.
- To motivate the selected community members for making regular savings (Fixed/Equal Rate) for supporting poor community members and themselves.



- To ensure livelihood promotion through alternative income generating activities by using own savings and Livelihood Development Fund among the selected community members through revolving this increasing amount of money.
- Preference will be given to the poor, ethnic, elderly, women headed and extreme poor members (CIP list can be considered) of forest dependent community in case of revolving fund loan distribution.
- To ensure all kinds of Books of Accounts are maintained properly by respective committee.

3.0 Elements of Community Finance:

Community finance consists of three elements e.g.



3.1 Savings

What is Saving?

The portion of income which is saved for future without consumption is regarded as savings.

Regular Savings:

The selected community members save money at a fixed rate acceptable to all from the very first day of membership. All the Community members put their savings in cash regularly at a fixed rate and specific time.

Rules for Saving:

- Each member of the selected community will save a fixed amount regularly and deposit the savings amount according to number and rate of instalments fixed as per group decision.
- Collected amount will be deposited in the same day and get acknowledged in the register/Group Savings Pass Book by the VCSC Cashier.
- The Group Cashier will keep up to date record of the savings collected from members and amount deposited to the VCSC Cashier.



- Savings to be recorded properly in the savings register and group savings Pass Book during collection with the joint signatures of respective committee's Convener/Cashier and VCSC's Convener/Cashier.
- The CFMC can decide about the canceling the membership of those failing to deposit savings for three consecutive months.
- After exclusion from the village institution if any member intends to be included in the village institution, he/she may apply to the CFMC/VCF-EC and the committee will take the decision.
- Net income from bank interest on saving and the service charge from internal loan to be distributed among the members in proportionate to their amount of savings deposited

Rules for withdrawing saving:

- Members can withdraw up to 80 % of their savings to meet emergency needs.
- Members having loans to repay withdraw their savings.
- Members must submit an application for withdrawing savings.
- The CFMC/VCF-EC will sanction the application in their meeting after recommendation of VCSC.
- The VCSC Cashier will pay the amount and note it down in member's passbook.
- When a member dies or is removed from a committee, the savings amount will be returned to the family members after deducting the amount owned, if any.

3.2 Internal Fund:

Rules for internal Fund:

- 80% of the savings collected by the VCSC members can be given as loans to members to meet their urgent family needs;
- The CFMC/VCF-EC will decide the amount of loan size for each member;
- The CFMCC/PF-EC will be informed about the rationale for setting the cost recovery rate of interest/service charge by the VCSC for endorsement. The rate of service charge of internal loan will be set by the CFMC/VCF-EC, VCSC and FAC must be cost recoverable;
- Usually, the rate of service charge will not be more than 5% flat.

All kinds of operational expenditure of VCSC and CFMC/VCF-EC will be covered with the income of internal fund and savings activities.

At the end of each financial year, an income and expenditure statement as well as a balance sheet will be prepared and on the basis of this statement the annual net profit on internal loan activities and bank interest on deposited savings in the bank will be distributed as on 30th June each year.





Fig 1: Forest dependent women involved in AIGAs.

15% of annual net profit of internal fund and savings activities entitled by the individual members will be credited to their respective pass book proportionately as per amount of savings.

The steps in taking internal revolving fund loan are:

- The member will fill an application form (Annexure-1).
- The application will be approved in the group meeting.
- The member will sign a simple agreement in the presence of other group members.
- Two CFMC/VCF-EC members will witness the agreement.
- The member will repay the loan according to the agreed repayment schedule.
- The VCSC Cashier will maintain the accounts.
- The passbook issued to the members will have separate pages for savings and internal loan.
- The CFMC/VCF-EC members will decide the actions to be taken to convince members who are not repaying the loans taken by them.
- The project will disburse Livelihood Development Fund (LDF) through cost center/DFO Office to the CFMC/CMEC. This committee will provide revolving fund loan among the selected community members through VCSC for implementation of AIGAs.
- The selected community members can take loans from the VCSC to start alternative income-generating (AIG) activities and repay it as per rules;
- The service charge for the loan, repayment period for different types of income-generating (AIG) activities, the amount of savings etc. will be decided by CFMC/VCF-EC.





Fig 2: Community level meeting

3.3 Livelihood Development Fund (AIGAs Fund for Community Livelihoods)

The eligibility criteria for members to take Livelihood Development Fund (AIGAs Fund for Community Livelihoods)/ Revolving Loan Fund are:

- A selected Community member who has deposited savings for consecutive 3 months will be considered for Livelihood Development Fund loan;
- The internal loan taken is being repaid regularly;
- Follow the 'Core values' and at the same time forest is not damaged by him;
- The recovery rate of respective committee is at least 95% of Livelihood Development Fund loan;

A. Committee will be eligible (at the initial stage) only if:

- 80% of its members are making savings regularly at the rate of approved amount by CFMC/VCF-EC;
- There is no overdue in the internal loan;
- The recovery rate of Revolving Fund Loan is at least 95%;





Fig 3: Discussion on different AIGAs in community meeting

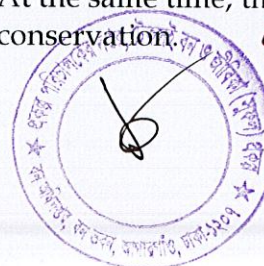
The following items and methods will be considered prior to loan delivery to the members.

A) Application for Livelihood Development Fund:

- The interested member (borrower) will apply (following application form as per annexure- 2) for loan upon consensus decision of the Group;
- A Business Plan approved by the Group for the loan will have to be furnished;
- The date of Group Meeting Resolution for the loan decision has to be mentioned;
- The borrower member will sign a Commitment Letter;
- Respective Committee's Convener and Cashier will make a commitment on behalf of the borrower that they will make group pressure on the default borrower until repayment of the default loan installments and put their signature jointly on the loan application form.

B) Selection of Borrowers:

- The loan applicant must be a member of respective committee;
- Must comply with and abide by the core values;
- Have attended group meetings on a regular basis for the last six months, and have been saving the agreed amounts regularly;
- The selected community members who repay their borrowed loans on a regular basis will be considered for taking further livelihood development fund/internal fund loans;
- No one of the members in the family is a drug addicted. At the same time, they will work with other members for forest protection and conservation.



C) Loan Amount and Duration with Installments:

- The amount of loan size will depend on the nature of the activity. A minimum initial loan of BD Tk. 10,000/- is stipulated, but lower loan sizes can be accepted.
- The mode of loan repayment will be weekly/fortnightly/monthly etc. and number and size of the loan installment will be fixed in accordance with the cash flow or expected income from the respective AIGA;
- The maximum loan duration period will be 18 months. The loan period will depend on the nature of the activity, e.g. it can be for a period of 6 months, 12 months or even 18 months.
- A member can receive more than one loan in a year depending on availability of funds, fulfillment of the group's loan requirements, the need and performance of an earlier loan.

4.0 Loan security fund:

The loan security fund will be created by:

- Deducting 1% of the loan amount from all members who are availing loan and transferring apportion (10%) of the annual net income of the VCSC. The loan security fund collected by VCSC will be recorded in a register.

Purpose of using loan security fund:

- In case of death of any selected community member after getting loan and no earning member in the family then the loan security fund will be used to recover/adjust his /her outstanding loan or its part.
- If the borrower migrated for more than three years from the respective area and nobody can trace him/her then the loan security fund will be used to recover/adjust his/her outstanding loan or its part.
- In order to recover/adjust outstanding loan by loan security fund, prior approval by the CFMC/VCF-EC will be needed and it will depend on availability of loan security fund.

5.0 Maintaining Transparency and Accountability:

- The savings and credit activity will be followed as per COM guideline.
- The information about eligibility criteria and other details of savings and credit will be informed to all the hardcore poor and poor members in the village.
- The Social Audit Committee will watch the activities of VCSC, FAC, PC and report to CFMCC/PF-EC in presence of CFMC/VCF-EC monthly.



Collaborative Forest Management Committee (CFMC)/Executive Committee of Village Conservation Forum (VCF-EC) will maintain the following records:

- Minutes books for recording decisions,
- Acknowledgement taken from VCSC.

Village Credit and Savings Committee (VCSC) will maintain the following books and records:

- Minutes Book for keeping proceedings;
- Member wise savings register;
- Member wise Livelihood Development loan register;
- Members wise passbook;
- Loan recovery sheet/register;
- Bank reconciliation statement;
- Fund wise loan register;
- Loan security fund register;
- Request letter of withdrawal of savings;
- Bank deposit slip, Pass book and cheque book;
- Cheque issue registers;
- Cash book;
- Ledger book;
- Different Financial Statements like Receipts & Payment (Cash flow), Income and Expenditure (Profit and Loss), Balance sheet etc.

6.0 Loan Appraisal Process:

To operate livelihood development loan activity within the VCSC, a 3-member appraisal committee will be formed in order to extend loan facility.

The Loan Appraisal Committee shall assess and examine the loan proposal considering the following factors:

- Demand/market for the Output;
- Local availability of the raw materials/capital inputs for the proposed alternative income generating activity (AIGA);
- Availability of the technology for the AIGA;
- Whether the borrower has required skill and experiences on the AIGA;
- Whether existing conditions, operating items and management are conducive for the AIGA;
- Whether the AIGA is in line with the community objectives;
- Whether the existing assets and finance of the borrower will have auxiliary support for the AIGA;
- Loan indebtedness- within 5 days (as agreed by the selected community members), the VCSC will accomplish the loan appraisal, sanction loan and deliver the loan amount to the applicant.



7.0 Service Charge Determination:

The CFMC/VCF-EC will consider the following factors to fix the rate of service charge for the livelihood development loan which should be a cost recoverable one, and then describe the rationale to the CFMCC/PF-EC for endorsement. Usually, it should not be more than 5% flat.

- Rate of Inflation
- Loan Administrative Cost
- Increase of the Livelihood Development Fund (LDF)/Revolving Fund.

8.0 Sharing annual net profit of VCSC will be as follows:

In order to create CFMC/FCV-EC Operating Fund, Loan Security Fund and Livelihood development (Revolving) Fund, the annual net profit will be shared as per following percentage.

- 15% for the selected community members.
- 10% for the Security Fund
- 75% for Livelihood Development (Revolving) Fund.

The net profit at the end of the financial year will be distributed as on 30th June as per the above-mentioned rate.



[Handwritten signature]

Internal Savings Fund
Application form for Internal Loan

Date:

To

The Convener (CFMC)/FCV-EC

Village: _____

Union: _____

Upazila: _____

District: _____

Subject: Application for Internal Loan under Savings Fund.

Dear Sir,

I, Mr./Mrs. _____ Husband/Father _____

_____ Village _____ is a

member of _____ committee. My Reg. NO. _____ I am

applying for an internal loan of Taka _____ (in words TK.

_____) from internal savings fund for operating livelihood

activities, declare that I will invest the loan amount for increasing income. I hereby

commit and declare that I shall utilize the loan fund according to COM principles and

be obliged to repay the loan. I also declare that I have no default loan in any other

agency. If I do not repay the loan timely without any reasonable causes, CFMC/FCV-

EC can take any necessary action against me.

Signature of the Applicant _____

Recommendation of the Appraisal Committee:

The applicant has a savings balance of Taka _____. In terms of his/her application we recommend to CFMC/FCV-EC to withdraw Tk. _____ (In words _____) from VCSC bank account.

Signature: _____

Appraisal Committee.

Signature: _____

Appraisal Committee.



APPROVAL AND SANCTION BY CFMC/FCV-EC

Today _____ (Date) according to the Community meeting's decision, Taka _____ (in words: _____)

has been approved and sanctioned. The borrower will repay the entire loan in _____ installments @ _____ % Service Charge totaling to Taka _____ (In words _____)

Signature: _____
CFMC/FCV-EC Chairman
(Name):
Date:

Signature: _____
CFMC/VCF-EC Secretary
(Name):
Date:



Livelihood Development Fund
Application form for Livelihood Development Fund Loan

Date: _____

To

The Chairman (CFMC/FCV-EC)

Village: _____

Union: _____

Upazila: _____

District: _____

Subject: Application for Loan under Livelihood Development (Revolving) Fund.

Dear Sir,

I, Mr./Mrs. _____ Husband/Father _____

_____ Village _____ is a

member of _____ Committee Reg. No. _____ applying for loan of Taka

_____ (in words TK. _____) from Livelihood

Development Loan Fund.

Declare that I will invest the loan amount for increasing own income according to COM principles and compel to repay the loan. I also declare that I have no overdue loan in any other agency. If I do not repay the loan timely without any reasonable causes, CFMC/FCV-EC can take any necessary action against me.

Signature of the Applicant _____

Recommendation of the Appraisal Committee:

The applicant has a savings balance of Taka _____. In terms of his/her application we recommend to CFMC/FCV-EC for the sanction and approval of Taka _____ (In words _____) as Livelihood Development Fund loan.

Signature: _____

Appraisal Committee _____

Signature: _____

Appraisal Committee



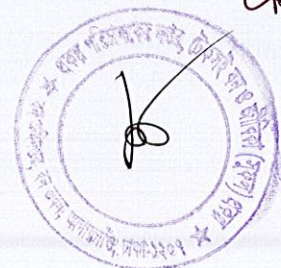
APPROVAL AND SANCTION BY CFMC/FCV-EC

Today _____ (Date) according to the decision of community meeting, Taka _____ (In word _____) have been approved and sanctioned. The borrower will repay the entire loan in _____ installments @ _____ % Service Charge totaling to Taka _____ (In words _____).

Signature: _____ Signature: _____

CFMC/FCV-EC Chairman
Secretary
(Name):
Date:

CFMC/FCV-EC
(Name):
Date:



Loan Portfolio Ageing and Loan Loss Provision Guideline

The aging/classification of loan portfolio is essential in order to analyze the current scenario of Community Finance Activities in the VCSCs under Livelihood development project and take necessary measure accordingly. Some parts of the loan that has been disbursed at community level under Livelihood development project became default while other has been expired. The defaulted and expired loan of Community Finance Activities indicates risk of it. The quality of loan portfolio and the extent of its risk could be analyzed through loan portfolio classification which can be used later for loan provisioning.

It is to be mentioned that in case of failure to repay a loan on time it become expired and considered as bad loan. Bad loan does not add any service charge in revolving loan fund. Bad loan also decreased the rate of loan portfolio yield and indicate the declined trend of the loan portfolio. In such situation, the bad loan is required to be written off.

1. Loan Loss Provision:

In order to take necessary measure crafter analyzing the quality of loan portfolio and the extent of its risk in VCSC level, the task of loan portfolio classification and calculating loan loss provision for reservation will be conducted on 30th June in each year from now on.

The following guidelines need to be completed for loan portfolio classification and provisioning at community level of all VCSC.

2. Ageing of Loan Portfolio (Loan portfolio classification):

The outstanding loan of current borrowers of VCSC can be classified as follows:

- a) The outstanding loan which has not yet been defaulted can be classified as Standard/Regular loan.
- b) While the tenure of a defaulted loan falls within 1-30 days, the outstanding loan would be classified as Watchful loan.
- c) While the tenure of a defaulted loan falls within 31-180 days, the outstanding loan would be classified as Sub-Standard loan.
- d) While the tenure of a defaulted loan falls within 181-365 days, the outstanding loan would be classified as Doubtful loan.
- e) In case an expired loan of a borrower and if the tenure goes beyond 365 days that will be classified as Bad loan.



For the effective monitoring of Livelihood Development (Revolving) Fund activities, the VCSC could classify the loan portfolio as per following class and take necessary measures mentioned below:

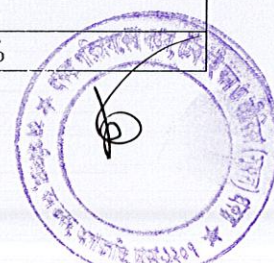
- 1) The tenure of a defaulted loan falls within 1-30 days
- 2) The tenure of a defaulted loan falls within 31-60 days
- 3) The tenure of a defaulted loan falls within 61-90 days
- 4) The tenure of a defaulted loan falls within 91-120 days
- 5) The tenure of a defaulted loan falls within 121-180 days
- 6) The tenure of a defaulted loan falls within 181-365 days
- 7) The tenure of a defaulted loan falls more than 365 days

On the basis of the above-mentioned class, the following measure has to be carried out respectively:

- 1) The tenure of a defaulted loan falls within 1-30 days:
Selected Community members and VCSC members have to make a telephone conversation and SMS with the default borrower and request him/her to pay the defaulted loan amount.
- 2) The tenure of a defaulted loan falls within 31-60 days:
VCSC committee members must make a personal contact with the default borrower and request him/her to pay the defaulted loan amount.
- 3) The tenure of a defaulted loan falls within 61-90 days:
VCSC committee members have to organize a meeting with the community leaders/influential persons and exert pressure on the default to pay the defaulted loan amount.
- 4) The tenure of a defaulted loan falls within 91-120 days:
VCSC committee members have to organize a meeting with the UP chairman and members, and try to negotiate with the default to pay the defaulted loan amount.
- 5) The tenure of a defaulted loan falls within 121-180 days:
VCSC committee members will have to issue a legal notice to the default borrower.
- 6) The tenure of a defaulted loan falls within 181- 365 days or more than 365 days:
VCSC members will have to take legal action against the default borrower.

The following rate needs to be followed for loan provisioning in terms of loan portfolio classification:

SL.	Classification of loan portfolio	Rate of provision on loan portfolio
	Standard/ Regular	1%
02	Watchful	5%
03	Substandard	25%
04	Doubtful	75%
05	Bad debt	100%



3. Types of Loan:

The loan portfolio can be classified according to the following two ways in order to determine loan loss provision:

- Loan repayable according to equal installments within a specific loan schedule will be considered as loan repayable according to equal interval and installments.
- The loan repayable in single installment within a specific loan schedule will be termed as loan repayable in one installment, for instance, seasonal and agricultural loan repayable in one installment. (Currently, there is no loan to be paid back in single installment. However, if the VCSC launch such types of loan in future, it would be applied).

4. Definition:

4.1 Defaulted loan:

In case any loan amount is payable within specific time period but the borrower fails to repay it, whether partially or in full, it will be termed as default loan.

For example:

If any borrower pays back Tk. 500 out of Tk. 1000 repayable amount, then the default loan amount is Tk. 500.

4.2 Overdue loan (expired loan):

The overdue loan states the loan the repayment schedule of which has expired. For example: If one-year term loan is disbursed on the 1st of January, 2019 it will expire on the 1st January, 2020.

4.3 Duration of default loan:

In terms of loan portfolio classification, the period of default loan means the time span between the day the loan or any installment gets defaulted and the period the loan is classified. If any loan amount is recovered while the loan is still defaulted, it is to be considering that the defaulted loan has been recovered in order to determine the period of defaulted loan for the simplification of accounting.

In order to determine the period of default loan, loan portfolio classification and loan loss provision reserve, the following rules need to be followed as per different types of loan.



Policy to write off bad debt

If the loan is not paid back within the specific period after disbursement, then it becomes expired and at one stage it is considered as bad loan. Bad loan does not add any service charge and contribute to the increase in the loan revolving fund. Bad loan impedes the percentage of portfolio yield and indicates declining trend of the loan portfolio. The bad loan needs to be written off in such cases.

- 1) Loans may be written off after having been classified as bad loan for two years and having a 100% provision against that loan;
- 2) Loans that have been classified as bad loans earlier should be written off first. If any loan is proved as fictitious, that could not be written off;
- 3) Prior permission from the concern DFO must be obtained before writing off bad loans;
- 4) Bad loans may be written off on 30th June and 31st December basis;
- 5) All related documents such as loan 'Disbursement Register', 'Loan Application Form', 'Bad loan Register' etc. should be retained in a safe custody with the Village Credit and Savings Committee (VCSC) office;
- 6) Written off loans should be recorded and maintained in a separate ledger and the cumulative figure as well as the amount for the concerned year of written-off loans should be indicated separately in the annual report/ Notes to Accounts of the Financial Statement;
- 7) Despite the loan write off, the offending party shall be duly identified as a loan defaulter. The VCSC's claim on written off loan shall remain absolute, and the VCSC shall continue all-out efforts for realizing the written off loan. If the written off loan is later realized it should be shown as income;
- 8) The task of written off bad loan affects only the VCSC Balance Sheet but it does not have any influence on Income- Expenditure statement. The equal amount of money needs to be deducted from the loan loss provision account and loan portfolio account in the balance sheet;
- 9) Each VCSC will maintain one Income- Expenditure Statement and Balance Sheet at the end of 30th June each year in order to write off bad loan;
- 10) While calculating loan loss provisioning, a separate account, named loan loss provision expenditure, needs to be maintained along with other expenditure accounts under the Income-Expenditure Statement of VCSC and another accounts also needs to be opened as loan loss provision reserve account on liabilities side of the balance sheet where equal amount of money needs to be put in.
- 11) A loan write- off register shall be maintained by VCSC.



Annexure- 5

Livelihood Development Fund

Receipts & Payment (Cash Flow) Statement for FY:-----

Name of the reporting month:-----

Name of VCSC:-----

Cash Inflow/ Receipts	Current Month from--- to ----	Current year from ---- to----	Cumulati ve from-- --- to----	Cash Outflow/Payme nt	Current Month from---- to ----	Current year from ----to----	Cumulati ve from--- -- to----
Opening Balance:				Loan disbursement(L DF)			
Cash in hand				Bank Charge & commission			
Cash at bank				Travelling& Transportation			
LDF received amount				Training & Refresher			
LDF loan recovery (principal)				Printing & stationary			
Service Charge recovery (LDF)				Salaries & benefits			
Bank Interest				Electronic & Equipment			
Community Grant				Furniture & Fixture			
Advance received				Advance payment			
Recovered write off loan				Others			
				Net profit distribution			
				Closing Balance:			
				Cash in hand			
				Cash at bank			
Total				Total			



Livelihood Development Fund
Income- Expenditure Statement for FY:-----
Name of reporting month:-----

Name of VCSC:-----

Operating Expense	Current Month	Current Year	From Beginning to till	Operating Income	Current Month	Current year	From beginning to till
Salary and benefits				Services charge income			
Bank Charge and Commission				Bank interest			
Printing and Stationeries				Pass book and form sale			
Training Fee				Recover write off loan			
Transportation				Other income (If any)			
Other expenses							
Loan loss reserve expenses							
A. Total Expenditure							
Income over expenditure (B-A)							
B. Total				Total			



Livelihood Development Fund
Balance Sheet

FY:-----

Name of VCSC:-----

Capital & liabilities	Last Year Date	Current Month Date	Assets	Last Year Date	Current Month Date
Capital			Outstanding of loan:		
Capital as of 30 June last year			LDF loan		
(+) Net equity in current year			Other loan if any		
A. Total Capital			A. Total Outstanding loan		
LDF received			Advance		
Fund receive from other source (If any)			Others Advance (If Any)		
			B. Total Advance		
			Fixed Assets:		
			Furniture & fixtures		
			Electronics & Equipment		
			Other Assets (If any)		
C. Total Fund received			D. Total Fixed Assets		
Loan security fund					
LDF operating fund					
Others Fund (If any)					
Loan loss reserve			Closing Balance:		
Loan loss reserve (For others)			Cash in Hand		
			Cash at Bank		
C. Total reserve fund			D.Total Cash (hand +bank)		
Grand Total: (A+B+C)			Grand Total: (A+B+C+D)		



Ratio Analysis**Definition of Ratio:**

A ratio is a comparison in terms of relationship of two numbers or two things; on the other hand, a 'ratio' is just a comparison between two different things, which denotes the comparative capacity or strength of each thing.

Ratio Analysis:

In a context of organization, 'Ratio Analysis' examines the performance and overall profitability (Financial Capacity) of an organization.

On the other hand, it evaluates the financial strength or weakness of an organization and its operating trend.

Types of ratio Analysis for Community Finance:

1. Productivity Ratio Analysis
2. Portfolio Quality Ratio Analysis
3. Financial Ratio Analysis

Productivity Ratio Analysis

1. Member per village= $\frac{\text{No. of total PCV member}}{\text{No. of total villages}}$
2. Borrower per villages= $\frac{\text{No. of total borrowers}}{\text{No. of total villages}}$
3. Portfolio per village= $\frac{\text{Total outstanding loan (principal)}}{\text{No. of total villages}}$
4. Outstanding loan per borrower= $\frac{\text{Total outstanding loan}}{\text{No. of total borrowers}}$
5. Average loan size= $\frac{\text{Loan disbursement for the period}}{\text{No. of loan disbursement Current borrower}}$
6. Borrower coverage= $\frac{\text{Current member}}{\text{Current member}}$

(Standard= Min. 80%)



Portfolio Quality Ratio Analysis

7. Cumulative Recovery Rate (CRR)= $\frac{\text{Cumulative loan recovered - advance recovery}}{\text{Cumulative loan recoverable}} \times 100$
(Standard= Min. 90%)

8. On time Recovery Rate (OTR)= $\frac{\text{Summation of regular recovery during the period}}{\text{Summation of regular recoverable during the period}} \times 100$
(Standard= Min. 95%)

9. Portfolio at Risk (PAR)= $\frac{\text{Outstanding loan of defaulter borrower}}{\text{Total Outstanding loan}} \times 100$

10. Delinquency Ratio (DR)= $\frac{\text{Total amount of loan overdue}}{\text{Total Outstanding loan}} \times 100$

Financial Ratio Analysis

11. Rate of Return on Asset (ROA): = $\frac{\text{Net surplus for the year}}{\text{Average total asset*}} \times 100$
Average total asset= (opening asset of balance Sheet + Closing asset of Balance Sheet)/2

12. Operating self- Sufficient Ratio (OSSR)= $\frac{\text{Operating income (Service charge income)}}{\text{Financial cost + operating cost+ LLP}} \times 100$
(Standard=More than 100%)

13. Financial Self-Sufficiency Ratio (FSSR)= $\frac{\text{Total income (Operating + Non-operating)}}{\text{Financial cost + operating cost+ LLP}} \times 100$
(Standard= Min. 100%)



Importance of different Ratio Analyses

The importance of some of the proportional analyses to determine the nature of community financing and analysis of its quality given underneath:

1. **OTR (On-time Recovery Rate):** The rate of percentage to recover the loan within a specific time is called as OTR. Specific time means day, weeks, month, quarter, or even a year. In order to determine the OTR, only current loan is considered rather than expired loan.

Importance of OTR:

The OTR is considered as a thermometer of Community Finance. It is important to analyze the quality of loan activities as the thermometer is to measure the temperature of patient. It works as an indicator to provide the result of loan activities of a specific time as well. The expected rate of OTR is at least 95%. When the rate or the OTR declines, it is considered as bad quality indicator and when the rate is increase, it is also considered as good quality indicator.

2. **CRR (Cumulative recovery Rate):** The CRR measures the actual rate of recovery of all cumulative loan disbursed, while the OTR gives the status of loan activities of specific time. The CRR plays an important role in understanding the overall picture of loan activities. The expected rate of CRR is at least 90%. The increasing trend of CRR indicates a good result while the declining trend shows the bad result as a whole.
3. **PAR (Portfolio at Risk):** All the assets of an organization is called portfolio. However, the principal outstanding loan of the Community Finance operating by CMEC/VCSCs is called portfolio. The PAR determines the proportion of risky amount to the principal loan amount. The expected rate of PAR is 0%. The increasing trend of PAR indicates the bad status and the declining trend of PAR indicates the good status of community finance activities. PAR can be put to minimum by compiling a list of borrower who have small amount due to repay and recovery of the dues sequentially.
4. **DR (Delinquency Ratio):** The DR gives a picture of the amount due by the borrowers according to their loan agreement and the percentage of the portfolio of it. The DR provides the proportion of total classified loan and principal loan amount. In other words, it provides the picture of negligence vis-à-vis loan repayment by the borrowers in accordance with their agreement. While the rate of DR increases, the risk of loan activities rises. When the rate is 0%, it means the maximum quality of loan activities is retained.
5. **Rate of Return on Assets (ROA):** The analysis of ROA can help determine the financial capability of community Finance operating institutions. The increasing trend of ROA indicates more financial sustainability of Community Finance.



Livelihood Development Fund (LDF) and Unutilized/Idle fund Management Guideline

Unutilized/ Idle fund:

Different financial institutions use different views to define such funds. The definition of Unutilized/Idle Fund at Village Credit and Savings Committee (VCSC) under 'SUFAL' project has been defined considering the approach and type of community finance activities where, Unutilized/Idle Fund is defined in view of the nature, approach and operating procedure of community finance activities being implemented by BFD.

Definition of Unutilized/ Idle fund:

In case of Livelihood Development Fund (LDF):

Unutilized/ Idle Fund is the balance, calculated on the last day of reporting month in VCSC's bank account after deducting 10% of total LDF received from BFD earlier. If a VCSC receives LDF from BFD/ FAC during the reporting month that will not be taken into account for calculating unutilized/ Idle fund. However, if the fund is deposited in VCSC's bank account, the unutilized/ idle fund will be calculated by deducting the deposited amount from the bank balance.

For example, one VCSC named 'Shapla' has BDT 6,41,550 in its bank account on the last day of Oct'12 and also received BDT 4,50,000 as Livelihood Development Fund (LDF) from BFD during the same month. Apart from this, the VCSC received an amount of BDT 8,75,000 as Livelihood development fund from BFD up to previous month (Sept'12). Therefore, on the last day of Oct, 12 the Unutilized/ Idle fund of 'Shapla' VCSC will be as follows:

Unutilized/ Idle fund= Bank balance on the last day of month- (10% of LDF received until previous month + the amount of LDF received during reporting month)

$$= 6,41,550 - (8,75,000 \times 10\% + 4,50,000)$$

$$= 6,41,550 - (87,500 + 4,50,000)$$

$$= 6,41,550 - 5,37,500$$

$$= 1,04,050$$

Therefore, in Oct'12, the unutilized/ Idle fund of ' Shapla' VCSC will be BDT 1,04,050.

Another Example

Another VCSC named 'West Putizani' has BDT 3,98,525 in its bank account on the last day of Dec'12 and BFD /FAC did not transfer Livelihood Development Fund (LDF) further to West Putizani VCSC during the same month. An amount of BDT 12,59,940 has been received by the VCSC as LDF from BFD up to previous month (Nov'12). Then the unutilized/ idle fund of 'West Putizani' VCSC will be as follows.



Unutilized/Idle Fund= Bank balance on the last day of month- (10% of LDF received up to previous month + the amount of LDF received during the reporting month)

$$\begin{aligned}\text{Unutilized /idle und} &= 3,98,525 - (12,59,940 \times 10\% + 0) \\ &= 3,98,525 - (1,25,994 + 0) \\ &= 3,98,525 - 1,25,994 \\ &= 2,72,531\end{aligned}$$

Therefore, in Dec `12 Dec `12, the unutilized /idle fund of 'West Putizani' VCSC stands at BDT 2,72,531.

Definition of Unutilized/Idle Fund in case of Savings and Internal Fund:

Any amount exceeding 20% of the total deposited savings by selected community members up to the last day of the previous month will be treated as unutilized/idle fund.

At best 90% of the savings deposited by the selected community members can be used as Revolving Fund for internal Loan. At least 80% of savings to be disbursed as internal Loan among the member of respective selected community and the realized installments of internal Loan will be included in the Revolving Fund.

For example, members of selected community 'A' have deposited BDT 20,500 as savings up to the last day of Dec `12. An amount of BDT 5,750 remains in the bank account at the end of Jan `13 after making disbursement as internal loan among member of selected community 'A'.

Therefore, the unutilized/idle fund of the particular group will be as follows:

Unutilized /Idle Fund= Balance of savings deposited in the bank account on the last day of reporting month ---- 20% of total savings deposited up to the last day of the previous month.

$$\begin{aligned}&= 5,750 - 20,500 \times 20\% \\ &= 5,750 - 4,100 \\ &= 1,650\end{aligned}$$

Therefore, on Jan `13 the unutilized/idle fund of selected community 'A' will be BDT 1,650.

Unutilized/Idle Fund Management:

Apparently, the management of unutilized/idle fund seems complicated, but those who are directly or indirectly engaged in community finance activities can collectively overcome this situation. To overcome this situation, they first need to identify the causes that contribute towards making funds unutilized/idle. Afterwards, remedial measures have to be ensured to facilitate good governance in community finance operation.

Steps for proper Management of Unutilized/Idle Fund:

- I. Before receiving Livelihood Development Fund (LDF), the VCSC needs to prepare an LDF disbursement plan in consultation with borrows in open.



general meetings of the selected community taking into account their skills and capacity to handle appropriate AIGs.

- II. Before providing loan, it is essential to assess the necessary knowledge, skills and capacity of borrower whether they will be able to handle the AIGs properly. Skill development training will be arranged to selected community members to enable them to operate AIGA properly.
- III. Before receiving of Livelihood Development Fund (LDF) by VCSCs, a borrower list should be prepared considering of Livelihood development loan installment to be realized along with the LDF to be transferred by BFD to that CFMC. This should also consider the loan requirement of borrowers to start appropriate AIGA and at the same time the actual demand of the members should be considered to prepare a list. In this regards, skill development training plan should be in place.
- IV. After receiving the first installment of LDF from the project, the VCSC should not disburse loan at an equal rate among the selected community members. They should prepare a plan in CFMC meeting considering the magnitude of needs of the selected community member and their necessary skills for starting appropriate AIGA. The VCSC should also take into consideration that the second installment of LDF to the village institution concerned will be available soon. On the other hand, the VCSC will also be receiving installments from the LDF borrowers concurrently. Therefore, the VCSC can easily provide LDF loan to those selected community members who were not covered earlier.
- V. In order to prevent disagreement and conflicts among different committee and Collaborative Forest Management Coordination Committee (CFMCC)/Executive Committee of People's Forum (PF-EC) members, awareness with one to be raised among them on COM and other operational procedures of CFMCC/PF-EC.
- VI. Awareness of Community member will be raised through discussions in different committee meetings of CFMCC/PF-EC on issues relating to the preparation of loan proposal, selection of AIGA, reasons for variation in loan size etc. This should also include probable risks that may arise by taking bigger size loans etc.
- VII. Instead of reducing loan disbursement, VCSC will implement the following strategy considering risks related to loan realization, such as -
 - Making borrower's husband, family members, CFMC Convener and other members involve; and
 - Extending necessary assistance so that the borrowers invest in profitable AIGA.
- VIII. It should be ensured that members of selected community deposit savings regularly and at least 90% selected community members receive livelihood development loan and internal loan and invest in profitable AIGA. Moreover, low group savings rate, irregularities in livelihood development loan and



internal loan operations, OTR below 95% to be enlisted properly and selected community members, including different committee member of CFMCC/PF-EC should be made concerned so that they can take necessary steps.

AIGAs have been operating in many villages for years. Many members have already come out of the poverty line. On one hand they now need to increase their rate of savings and on the other the ceiling of loan needs to be increased in some cases considering the skills and capacity of borrowers along with selection of appropriate AIGA.

- IX. Necessary training/ orientation should be organized to make CFMC/VCF-EC and VCSC Convener aware so that repay their loan installments regularly. Proper monitoring and follow- up will be ensured at the community level.
- X. A list of potential selected community should be prepared in consultation with selected community members living in coastal areas and their dependence on seasonal work as a means of livelihood. A guideline should be prepared and orientation programs should be organized at the VCSC level so that the members can borrow Livelihood Development loan and internal loan, and invest in profitable alternative income generating activities (AIGA) and continue their earning most of the time of the year.
- XI. In order to handle Unutilized/ Idle fund properly, instruction outlined in 'Management of Unutilized/ Idle Fund' have to be implemented properly. The VCSCs will prepare monthly reports on unutilized/ idle fund. The authorities concerned will then take necessary actions.



Chapter- 2

Accounts Management



1.0 Introduction:

Transparency and accountability are indispensable of successfully implementing any program. The necessity of accounts keeping:

- Transparency in financial transaction.
- Proper utilization of resources.
- Removing misunderstanding among members.
- Project implementation with the allocated fund.
- Preventing the misuse of fund.
- Ensuring accountability.
- Continuity of the fund flow.

Community Development Fund (CDF) received from the project by CFMC/CMEC in the village is the important resource for the extreme poor and poor forest dependent people to achieve project development goals. It's necessary to take care of the CDF because:

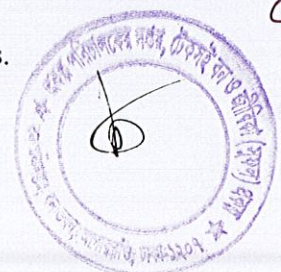
- The funds are usually sanctioned in instalments and the following installment depends on the successful utilization of the fund that already sanctioned.
- Collaborative Forest Management Committee (CFMC)/Co-management Executive Committee (CMEC) and respective Finance & Accounts Committee (FAC) shall directly deal with the fund as it belongs to everyone in the Community.
- The fund will be used as per the approved Community Development Plan (CDP) application.

Hence it is important to maintain accurate accounts of the received and spent amount.

2.0 Financial Principles:

The following are the basic financial principles to follow in receiving and spending CDF:

- **Transparency:** It is necessary to ensure that beneficiary also knows about the use of fund:
 - By keeping proper records and registers relating to all the financial dealings;
 - By writing books of accounts properly for all transactions;
 - By providing financial information requested by any member of community;
 - By displaying information about financial dealings on display board.
- **Accountability:** It will be ensured that whoever is dealing with funds does it with utmost satisfaction and sincerity. This will be through:
 - Carefully following the COM guidelines in all transactions.



- Social Audit Committee will audit all the records and accounts.
- Recovering unauthorized expenses and misuse of funds, if any, which causes loss to the community etc. from the persons responsible.
- **Prudence:** Exercising enough precautionary measures in dealing with money to avoid any loss or pilferage through:
 - Be impartial in financial dealings.
 - Not favoring anybody without due reasons.
 - Making transactions after proper scrutiny.
 - Verifying physically, if needed.

3.0 Sources of Fund:

There are different sources of fund and those are:

- **Internal sources:** Like savings, service charges, fees etc.
- **External sources:** Money received from BFD or other agencies.

3.1 Community Fund (CF):

The Community Fund (CF) is the money which is received from the project. The following are the key financial aspects:

- The Community Development Fund (CDF) will be mainly operated by the FAC with the approval of CFMC/VCF-EC meeting.
- The Livelihood Development Fund (LDF) (revolving loan fund) will be operated by the VCSC;
- VCSC will have one bank account for LDF and FAC will have one bank account for CDF; VCF-EC will also maintain separate accounts for the two funds;
- FAC and VCSC will reconcile the bank balances with periodic bank statement (and/or passbook) and receipts and payment book;
- Fund application has to be submitted to the CFMC/VCF-EC for receiving each installment.

4.0 Bank Accounts

- There will be one bank account in the name of CFMC/VCF-EC. It will be treated as the main account of the CFMC for receiving external funds.
- Later on, one Bank Account in the name of FAC for Community Development Fund (CDF) and two Bank Accounts in the name of VCSC for individual savings and Livelihood Development (Revolving) Fund (LDF) may be opened.



- To transact Community Development Fund, the Convener, Secretary and Cashier will be the signatories to the bank account and any two of them will jointly operate the account. Convener's signature is mandatory.
- To transact individual savings & Livelihood Development Fund (Revolving Fund loans), the Convener, Secretary and Cashier will be the signatories to the bank account, and any two of them will jointly operate the account. Cashier's signature will be mandatory.
- All the payments to purchase above Tk. 10,000/- will be made by account payee cheque.
- All the payments to community members can be made in cash in presence of other community members.
- The bank passbook and cheque books will be kept in the safe custody of the Cashier.
- Bank reconciliation statements will be prepared monthly to check the authenticity of transactions recorded in the receipts and payment books.

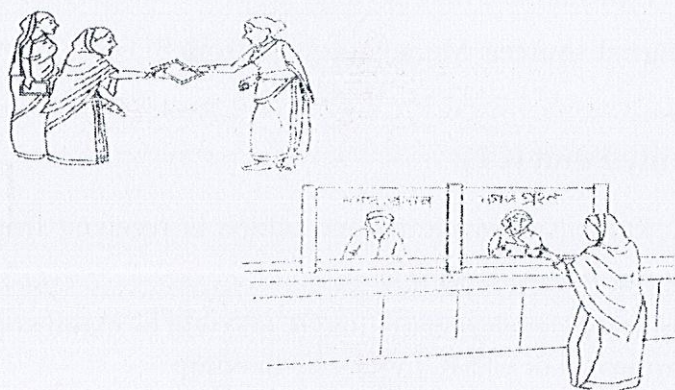


Fig 4: Financial Transaction

Cashier:

Major Responsibilities of Cashier:

- Custodian of all financial books and records;
- Makes all the payments and preserves receipts, vouchers;
- Safe custodian of bank passbooks, deposit slips, cheque books and stamp etc;
- Complies with project financial guidelines;
- Helps the other committee members.

5.0 Financial Authority

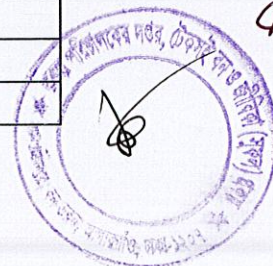
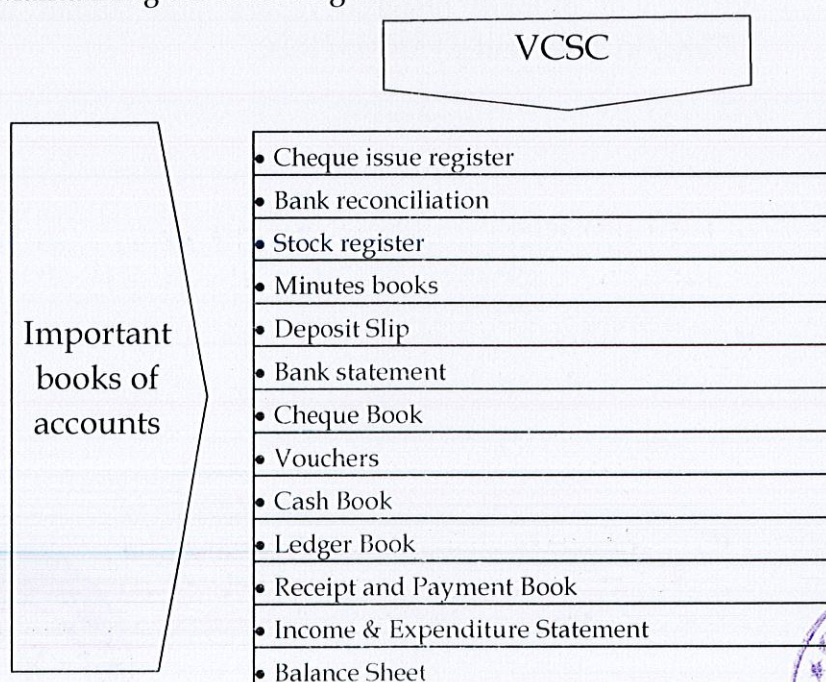
In order to maintain financial transactions smoothly, it is needed to give financial discretionary power to sanction and release money to meet various payments. This is called financial authority and is mentioned below:



To Whom	How Much
• Convener of VCSC sub-committee	Tk. 5000/-
• Chairman of CFMC/VCF-EC	Up-to Tk. 25000/=
• Chair Person of CFMCC/PF-EC	Above Tk. 25000/-
• CFMC/VCF-EC	To sanction all Revolving Fund loans

6.0 Accounts:

- All the financial transactions will be recorded in the books of accounts;
- Writing the books of accounts will help in:
 - Verifying the accuracy of financial dealings,
 - Recording for future reference,
 - To know how much fund have received, spent and balance amount available,
 - Help the community members to know about financial transaction,
 - Help audit the accounts by the Social Audit Committee and others when needed.
- Preparing vouchers for all the receipts and payments of money,
- These vouchers will be entered into Cash Book & Ledger Book,
- Receipts & Payment Book will be prepared from Ledger Book,
- Using the Receipts and Payments Book's balances of different heads the statements of receipt and payment; Income & Expenditure; and Balance Sheet will be prepared,
- Maintaining the following books of accounts.



7.0 Reporting Financial Progress:

- Finance and Accounts Committee will prepare monthly financial progress report (Statement of Receipts and Payments); the Cashier of CMC will prepare it;
- The financial progress reports are placed in the Collaborative Forest Management Committee (CFMC)/VCF-EC and Collaborative Forest Management Coordination Committee CFMCC/Executive Committee of People's Forum (PF-EC).
- Finance and Accounts Committee will also submit monthly/quarterly reports to Accounts Officer/Junior Consultant (Cost Center). Accounts Officer/Junior Consultant will report to DFO and DFO will submit it to the PMU within stipulated date of the next month.

8.0 Precautions to Prevent Misuse of Funds:

- The project support will be stopped in case of financial irregularities;
- The CFMC/CMEC will be responsible for correcting any such irregularity;
- The following precautions would be taken to prevent financial irregularities:
 - The Social Audit Committee will regularly audit financial records and report to CFMC/VCF-EC and the CFMCC/PF-EC on a regular basis,
 - The CFMCC/PF-EC will verify all the financial transactions on a monthly basis and correct errors, if any;
 - All the financial transactions are recorded in the books of accounts without delay and if possible, on the same day;
 - VCSC will prepare financial reports and submit those to the CFMC/VCF-EC and CFMCC/PF-EC.

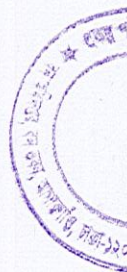


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Cash Book

For the Month of2019

Vr. No.	Particulars	LF No.	Tk. (Cash)	Tk. (Bank)	Date	Vr. No.	Particulars	LF No.	Tk. (Cash)	Tk. (Bank)

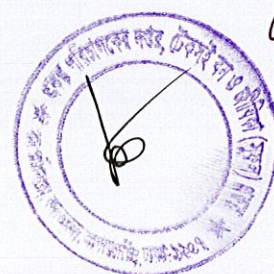


Name of Institution.....

Address:

Ledger Book

Date	Particulars	Folio No.	Debit Taka	Credit Taka	Balance Taka



Name of the VCSC:

Union:

Upazilza:

District:

Voucher No.

Date:

Head of Account:

Receipt Voucher

Period:..... from.....

Particular	Taka	Paisa
Total Taka		
In words:		

Signature of Cashier

Signature of Convener



Name of the VCSC:

Union:

Upazila:

District:

Voucher No.

Date:

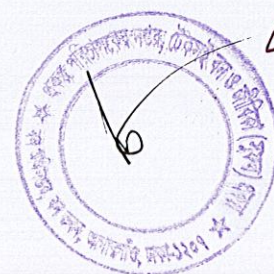
Head of Account:

Payment Voucher

Particular	Taka	Paisa
Total Taka		
In words:		

Signature of Cashier

Signature of Convener



Bank Reconciliation Statement

As on -----

Name of Bank: ----- Bank Limited

Account no. - -----, -----Branch, Regional-----,

Balance as Per Bank Statement as on -----Tk. -----

ADD: Amount not yet credited (received) by bank

Date	Details	Amount
		-
Total amount not yet credited		-

Sub - total

DEDUCT: Un-presented Cheques

Date	Cheque no.	Payment against	Amount	Subsequent Position
Total Un-presented Cheques				

Sub - total

DEDUCT: Entries not yet recorded in receipt and Payment Book

Date	Details	Amount
	Receipts:	
	Deduct payments:	

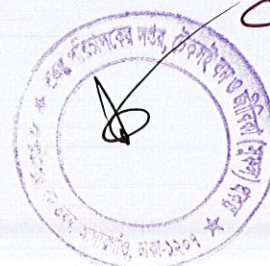
Balance as per receipt and Payment Book as on -----Tk. =====

Cashier-----

Convener -----

VCSC/FAC

VCSC/FAC



Cheque Issue Register [For VCSC]

Sl.	Date	Cheque number	Particulars of payment	Cheque issued in favour of	Amount in Taka	Signatory			Recipient's Signature
						Convenor	Secretary	Cashier	



Chapter- 3

Community Procurement



1.0 Introduction:

CFMC/CMEC receives Community Development Fund for implementing various activities in village as per approved proposals. In order to implement the various activities, it may have to procure various materials like office furniture and fixtures, construction materials etc. It may have to hire the services of trainers, veterinary surgeons, technicians and engineers to help to plan and implement some activities. All such procurement will be carried out through community procurement. Community procurement involves:

- How to procure various items/materials required for implementing Community Development Plan.
- How to make sure that the procurement of the items in a manner that ensures goods or services are delivered or received at the right cost, right time, right place, right quantity and right specification.
- How to procure items as per specifications that meets the purpose of Village Development Plan.

This will help to know and follow the norms, procedures and methods of procurement to be adopted.

2.0 Community Procurement:

The step-by-step activities of the selected community accomplished with the help of Procurement Committees to procure goods or materials or services or works by paying money for implementing various village fund activities is called **Community Procurement**. As the Community Fund belongs to everyone in the village, has to go for the procurement following the principles of transparency, accountability and good governance.

3.0 Items to be procured:

The items included in the Community development plan may be classified as follows:

3.1 Goods/materials:

Table, chair, book, pen, brick, tin, cement, sand, steel pipe, bamboo etc. All the materials, equipment, machinery, consumables etc. as per requirement for the implementation of a development proposal.

3.2 Services:

The specialized supports will be required from skilled persons like trainers, teachers, masons, electricians, veterinary doctors and other professionals and experts. These are also rental / hiring of machines and space/office, land lease, transport etc. Some examples of services are hiring vehicle, renting office, renting machines, technical assistance for installation of tube-wells,



construction of roads, culverts, cyclone/flood shelter, estimation and drawing of various kinds of construction works, implementation support for sub-projects etc. It is needed to hire individuals, agencies/firms, service providers for capacity building, marketing linkages, monitoring works etc.

3.3 Construction Work

Construction of small infrastructures like roads, culverts, tube-wells, latrines, water treatment plants etc are done by engaging community members themselves, hiring skilled and unskilled labourers. In bigger cases, a construction firm/contractor is hired to do the job.

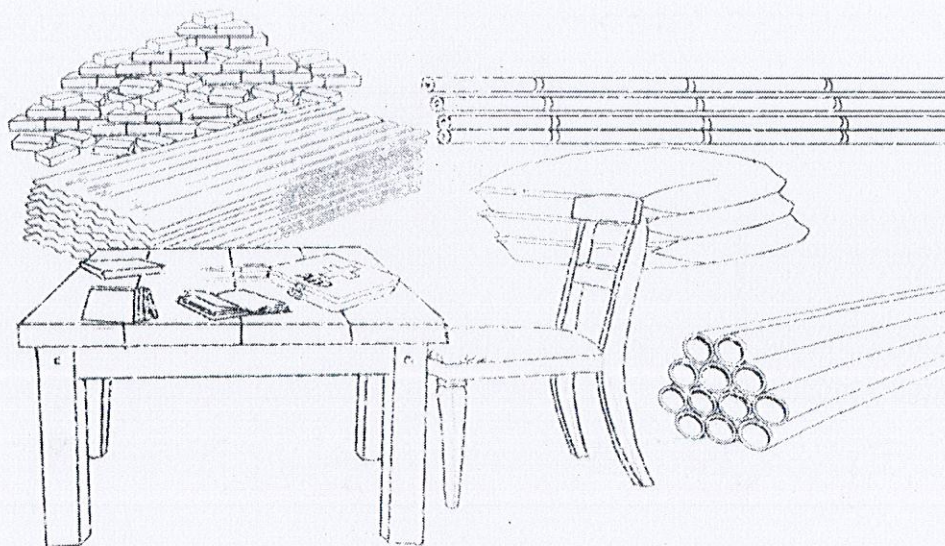


Fig 5: Goods to be procured

4.0 How it will be purchased?

4.1 Direct Purchase:

Items can be procured directly depending on prices, quality, specification of goods and services based on qualification and experience of a specialized person or from firms.



4.2 By Inviting Tenders/Quotations in Sealed Envelopes:

By inviting tenders from the suppliers/shopkeepers, it can be collected through price quotation of the required items. Suppliers/shopkeepers will quote their prices in written and send in a closed and sealed envelope. This is called *quotation*. None will be able to know which supplier has quoted what price before opening the envelopes.

4.3 By Inviting Tenders through Newspaper Advertisement:

In the case of any big purchase (above TK 5 Lac), it can be purchased through inviting tenders in the newspapers and magazines, internet, etc. This notice can be displayed in a common place, bus stop, market, Upazila & Regional Offices etc. Youth members of the community can help disseminate such a procurement notice to the entire community.

Procurement Committee to help buy goods or materials or services or works.

- The Procurement Committee shall be formed comprising of four (4) members among FCV/VCF. The convener of the Procurement Committee shall have not to be a member of the CFMC/VCF-EC/CMEC;
- At least 50% members of the Procurement Committee shall have to be present during the procurement;
- The Procurement Committee can seek technical assistance from any expert/ experienced persons during any specialized purchase.

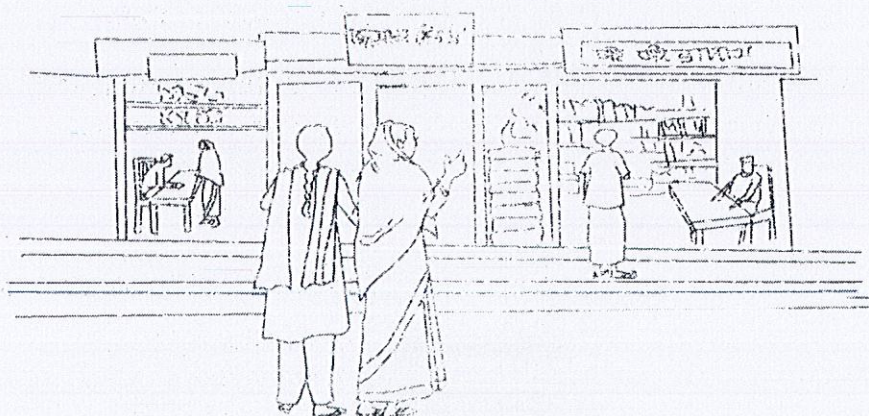


Fig 6: Increased the buying capacity of women in the community



5.0 Different procurement methods and limits are given below:

Methods	For Purchasing Goods	Services	Construction works and labor services
Direct Purchase	a) Up to the amount Tk. 25,000 per purchase: Procurement Committee will decide. b) Up to the amount Tk. 25,001 to 50,000 per purchase: upon recommendation of social audit committee during preparation of procurement plan.	Up to Amount Tk. 25,000/- per purchase: Most suitable person as decided by the Procurement Committee.	a) Up to Amount Tk. 5 Lac (Five Lac): Decision of Procurement Committee b) For an estimate amount between Tk. 5 Lac to 10 Lac per purchase: Upon recommendation of the CFMC/VCF-EC during preparation of procurement plan.
Purchase through quotation	Up to the amount Tk. 5 Lac per purchase.	Up to the amount Tk. 2 Lac (Typical Services: Service Provider, technical services for small construction works, expert person, transport, rental, land lease etc.)	Works estimated above Tk. 5 Lac to 10 Lac per purchase. Hiring small construction or manpower firms.
Purchase through inviting tenders in the Newspapers	For an estimate above Tk. 5 Lac per purchase.	Firm goes for hiring for estimate above Tk. 2 Lac. (Typical Services: Service Provider, Medium and large construction technical services, expert person, transport, rental, land lease etc.)	Works estimated Tk. 10 Lac above.



* Committee can fix the above limits of procurement for direct purchase, purchase through quotation etc. within the upper limits upon approval of Collaborative Forest Management Coordination Committee (CFMCC)/PF-EC.

5.1 Use of Procurement Methods and Limits:

The goods and services will be procured by using applicable methods and within the procurement limits. It can be reduced and fixed the limits of procurement of goods and services within the upper limits. The Procurement Committee can recommend what type of procurement method can be applied for each situation. For each of the items, wherever feasible, a combination of procurement methods can be used. For example, for constructing the office/culvert:

- If it is decided to buy various materials required separately,
- If it is hired skilled labors directly and provide all the unskilled labor requirement by engaging selected community members;
- If required, it can be used a local contractor to help concrete the roof/slab for which the CFMC/VCF-EC may not have the required equipment and specialized supervision;
- Under special consideration, it can be purchased some items e.g. bamboo and of similar types directly from the market or from individuals with the consultancy of experienced persons;
- In exceptional circumstances, such as emergency situations due to natural disasters or in response to urgent involvement requirement to avoid disaster situations of greater loss, procurement will be made through direct contracting irrespective of cost limit upon recommendation of the CFMC/VCF-EC.

6.0 Procurement Plan:

Procurement Committee receives the list of items to be procured over a specific period from the CFMC/VCF-EC.

While working out the village development plan, a detailed list of items to be procured for the implementation of sub-projects will be prepared. A list of services e.g. hiring trainers, book-keepers, service providers etc for the implementation of some other activities, will be also prepared and this list is called *Procurement Plan*.

A procurement plan will be prepared based on the requirement as well as items available within and surrounding village communities. The summary of the procurement plan is given in the following two formats:



Format of Community Procurement Plan:

A. For Goods & Works:

Items to be Procured	Quantity	Estimated cost (In Taka)	Procurement Method	Evaluation of Quotations (Date)	Purchase Order/Work Order (Date)	Receipt of Item (Date)	Awarded individual's/ Farm's name & address	Remarks
Name of the Sub-project:								
Source of fund:								
Materials								
1.								
2.								
3.								
Works								
1.								
2.								

B. For Services:

Service to be procured	Required number of person/firms	Estimated Cost (In Taka)	Procurement Method	Evaluation of proposal (Date)	Contract signing (Date)	Duration of Service (Date : Form - to)	Awarded individual's/ Farm's name & address	Remarks
Name of the Activities / Sub-project:								
Source of fund:								
1.								
2.								
3.								

7.0 Steps in purchasing goods/materials:

Any of the methods can be followed based on the estimated prices of the goods and materials.

	Direct Purchase
Step-1	Procurement Committee receives the list of items to be procured over a specific period from CFMC/CMEC (Village Procurement plan).
Step-2	The Procurement Committee receives requisition (list of items to be procured for the specific activities) from the Sub-project Committee or any other committee through the CFMC/VCF-EC (Format-1).
Step-3	The Procurement Committee prepares a procurement plan as per requisition received through CFMC/VCF-EC (Format-2).
Step-4	The Procurement Committee members will try to get the prices from more than one source/through quotations (if possible) in order to purchase the items.

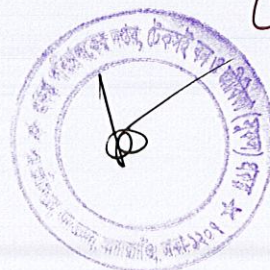


Step-5	The Procurement Committee members along with Finance Committee members will go to the market. Members will visit available suppliers at the market and check the prices and quality. Members will buy the items required that meet the quality and prices.
Step-6	The purchased items shall be approved by the CFMCC/PF-EC in terms of quantity, quality and prices. The details are recorded in the minutes of the purchase committee.

	Purchase through Quotations	Purchase through Invitation of Tender through newspapers
Step-1	The Procurement Committee receives list of items to be procured over a specific period from CFMC/VCF-EC (Procurement Plan)	
Step-2	The Procurement Committee receives requisitions (list of items to be procured for the specific activities) from the Sub-project Committee or any other committee through the CMEC/CFMC (Format-1).	
Step-3	The Procurement Committee prepares a procurement plan as per requisition received through CFMC/VCF-EC (Format-2).	
Step-4	The Procurement Committee collects quotations from 3suppliers/ shops. (Format- 3) The Procurement Committee receives sealed quotation from the supplier/ shopkeeper (Format-4)	The Procurement Committee publishes notice inviting sealed tenders in public places like UP office, market places, etc. The Procurement Committee receives sealed tenders.
Step-5	The Procurement Committee opens the sealed envelope in front of other community members and records the prices in a register.	
Step-6	The Procurement Committee decides from whom to procure as per specification, offered price and quantity. (Format-5). The details are written in the minutes of the Procurement Committee.	
Step-7	The CFMC/VCF-EC approve the recommendation of the Procurement Committee.	
Step-8	The Procurement Committee issues a purchase order in format-6.	
Step-9	The materials are received and transported to the village and entered in stock register.	
Step-10	The Social Audit Committee (SAC) verifies the items procured.	
Step-11	The FAC makes payment to the supplier.	
Step-12	The details of procurement are written on the display board.	
Step-13	CFMCC/PF-EC will arrange monthly progress sharing meeting with all respective committees and report to the DFO.	

Emergency Procurement after Disasters:

The procurement of necessary items as per the capability of the village concerned in the wake of a natural disaster and before getting sufficient support from the government and non-government.



8.0 Key Rules in Procurement:

Transparency	- Procurement activities must be carried out in an open and transparent way with full knowledge of the CFMC/VCF-EC. It should be known to all in the CFMC/VCF-EC, leaving no scope for confusion. - Procurement committee members will remain aware about causing no lose to the community. - The details of procurement should be displayed on notice boards in public places of the village. - Procurement activities should be clearly recorded and any member in the community or outside the community can verify these records.
Inclusion /Equal Participation	- Equal opportunity must be given to all suppliers interested in supplying items to the CFMC/VCF-EC. - Goods or services must be procured by quotation or services by evaluating proposals from more than one source - Priority should be given to hiring local Labourer, individuals etc. based on the quality and price - At least 50% of the members of the Procurement Committee shall have to be female and be present during the procurement.
Equal Decision / judgment	- Identical evaluation procedures must be adopted - Equal pay and benefit for equal work done without discrimination between male and female workers /service providers etc. - The procurement of necessary items as per requirement during any natural disaster will be deemed as emergency procurement.
Accountability	- The Procurement Committee members undertake procurement functions with utmost care and remain answerable for all decisions and actions taken. - Any Procurement Committee member found indulging corruption is liable to be expelled from the committee. - No member of the Village Association shall accept directly or indirectly any undue benefit or advantage on account of a procurement action.
Ensure the Quality & Timely delivery	- Goods must be purchased through technical specifications/good quality and purchased in competitive price according to procurement limits - During the supply, goods must be verified/ensured by Social Audit Committee along with technical persons - Purchase and supply of goods and services must be done according to the time schedule - Suppliers are allowed to supply the goods in lots according to requirement in order to implement the sub-projects.
Availability of Procurement Guidelines & Trainings	- The Community Operational Manual on Procurement will assist the community in procuring goods, services and works - The regular report by Social Audit Committee on procurement process is mandatory. - Regular training of procurement & other committee members on procurement.



Formats

a) Materials/ Goods:

Format-1

Requisition (List of Materials/Goods to be procured)

(Relevant Committee will prepare this)

A) Material :

Sl. no.	Description of the materials	Quantity	Estimated cost (in Taka)	Estimated delivery time	Place of delivery

Names and signatures of the members of the committee:

1.

2.

3.

Approved by Convener :

Signature & date :

Name :

Convener , CFMC/VCF-EC :



Format of Procurement Plan (Materials/goods)

(Procurement Committee will prepare this)

SL. No.	Description of the Materials	Quantity	Estimated cost (in Taka)	Method of Procurement	Date of Direct Purchase/Expected Date of issuing Purchase Order	Expected Date of Supply

Names and signatures of the members of the Procurement Committee:

- 1.
- 2.
- 3.

Approved by Convener :

Signature & date :

Name :

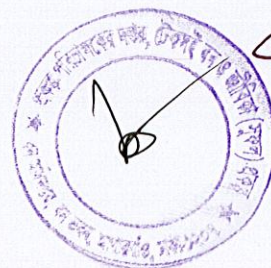
CFMC/VCF-EC :

Recommended by procurement Committee (PC) (When required)

Signature & date :

Name :

Convener, PC :



Format for request for quotation/price (materials/Goods)

(Procurement Committee will prepare this)

Mr./ Begum / Mssrs.....

Date :

Address.....

Subject: Request for Quotation (Materials/Goods).

Dear Sir./ Begum

You are invited to submit the quotation/price offers as per following:

1. Brief description of materials/goods and price :

SL. No.	Brief description of materials/goods	Quantity	Unit price	Transportation cost	Total price	Expected date of delivery

Total price: TK. (.....)

2. Quotation will have to be submitted in a sealed envelope.
3. Prices will be quoted for all required items. Prices quoted for partial goods/materials will not be accepted.
4. The quotation shall remain valid up to (...date.....)
5. The purchase order will be given to the lowest bidder, subject to fulfilling the quality, quantity, delivery place and time-line and other applicable conditions, if any.
6. The materials shall be delivered to (.....place.....) within (.....date.....)
7. One copy of the bill should be submitted after the supply.

Sincerely Yours,

Signature:

Name :, Date :

Convener, Procurement Committee.



Format for submission of Quotation/Price (Materials/Goods)

(This form is to be filled in by the Suppliers/ Shopkeeper)

Convener

Procurement Committee

Address.....

Subject: Submission of Quotation for Materials / Goods.

Dear Sir,

I am/we are pleased to submit the quotation/ price for materials/Goods as per following:

Sl. No.	Brief description of materials/goods	Quantity	Unit Rate	Transportation cost	Total price	Last date of delivery

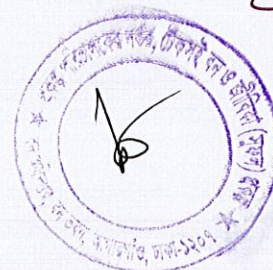
Sincerely Yours,

Signature:

Name of Supplier:

Date:

Address :



(Format of Quotation Evaluation (Material/Goods)

(Procurement Committee will prepare this)

Name of the Material (s):		Name of the supplier/shopkeeper			
Quantity:					
		M/S.	M/S.	M/S.	M/S.
Unit price					
Total price					
Proposed delivery time					
Ranking					

Recommendation of the Procurement Committee:

Names and Signatures of the members of the Procurement
Committee:

1.

2.

3.

Approved by Convener :

Signature & date :

Name :

CFMC/VCF-EC :



Format of Purchase Order

Collaborative Forest Management Committee (CFMC)/Co-management Committee

Address.....

M/S.

Date:.....

Address.....

Subject: Purchase/Supply Order for Supplying materials/ goods.

Dear Sir,

With reference to your quotation dated , you are requested to supply the items described below under the following terms and conditions:

1. Description and price of the item:

- a) Item :
- b) Quantity :
- c) Unit Price :
- d) Total price: (Including transport cost)

2. The above items should be supplied to (place.....) within (date.....).

3. If you fail to supply the items within the specified date, a penalty of Tk per day will be imposed from the next day, which will be realized from your bill.

4. One copy of the bill should be submitted after the supply.

Signature:

Name:

Convener, PC



Format of Contract of Procuring Services (Individual Person)

Collaborative Forest Management Committee (CFMC)/Co-Management Committee

Address:

Subject: Service Contract

Chairman (CFMC/VCF-EC)..... and Mr./Begum..... are hereby signing the contract, dated, under the following terms and conditions. The terms and conditions are as follows:

1. Name of the service provider:
2. Address:
3. Details of services to be delivered :
.....
.....
4. The following are the deliverables from the service
.....
.....
.....
5. The above services/ task has to be completed within days/months.
6. Contract Price: Total Tk...../-.
7. The amount, which are due, will be paid in the following manner :
a)
b)
c)
7. One copy of the bill should be submitted on the completion of the service.

On Behalf of the (CFMC) /VCF-EC:	Service Provider:
Signature:	Signature:
Name:	Name:
Convener, CFMC/VCF-EC	Address:
Address:	



Format for Request for Quotation/Price (Construction Works)

(Procurement Committee will prepare this)

Mr./ Begum/ MS

Date:

Address.....

Subject: Request for Quotation/Price (Construction Works)

Dear Sir/ Madam:.....

You are invited to submit the quotation/price offers as per the following:

1. Brief description of construction works and price;

SL. No.	Description of the construction works	Unit	Unit price	Quantity	Total price	Expected date of completion of works

Total price : TK. (in word.....)

2. Quotation/price will be submitted in a sealed envelope.
3. Prices will have to be quoted for all the required items. The prices quoted partially will not be accepted.
4. The quotation/ price shall remain valid up to (date.....).
5. The above construction works shall be completed within (date.....).
6. If you fail to complete the construction work within the specified date, a fine of Tk per day will be imposed from the next day which will be deducted from your bill.
7. One copy of the bill should be submitted on completion of the works. Partial/running payment may be allowed.
8. The plan and estimate for the works are attached.

Sincerely Yours,

Signature:

Name :, Date :

Convener, Procurement Committee, Address.....



Format for submission of Quotation/Price (Construction Works)

(This form is to be filled in by suppliers)

Convener

Procurement Committee

Address.....

Subject: Submission of Quotation for Construction Works

Dear Sir,

I/we are pleased to submit the quotation/ price for works as per the following:

Sl. No.	Description of construction works	Unit	Unit rate	Quantity	Total price	Expected date of completion of works

Total price : Tk. (.....)

Sincerely Yours,

Signature:

Name of the individual/firm;

Date:

Address :



Format of Quotation Evaluation (Construction works)

(Procurement Committee will prepare this)

Name of the Construction works		Names of the Individual/Firms			
Quantity:					
		Mr./ Begum/M/S.	Mr./ Begum/M/S.	Mr./ Begum/M/S.	Mr./ Begum/M/S.
Unit price					
Total price					
Proposed completion time					
Ranking as per price					

Recommendation of the Procurement Committee:

Names and Signatures of the members of the Procurement Committee:

1.

2.

3.

Approved by Convener :

Signature & date :

Name :

CFMC/VCF-EC :



Format of Work Order for Construction Works

Collaborative Forest Management Committee (CFMC)/Co-Management Committee

Address:

Mr./ Begum/M/S.

Date:.....

Address.....

Subject: Work Order for Construction Works

Dear Sir,

With reference to your offer dated, you are requested to complete the construction works under the following terms and conditions:

1. Description and price of the construction works:

a) Name of the construction works:

b) Details of work to be done (Brief description of required materials, services, labor cost etc). The plan and estimates of the work attached.....

c) Total price:

2. The above construction work has to be completed within (.....date.....)

3. If you fail to complete the construction work within the specified date, a fine of Tk per day will be imposed from the next day.

4. Payment:

a) 100% on completion of the work.

b) Part payment:

i)

ii)

iii)

5. One copy of the bill should be submitted after the completion of the work.

Signature:

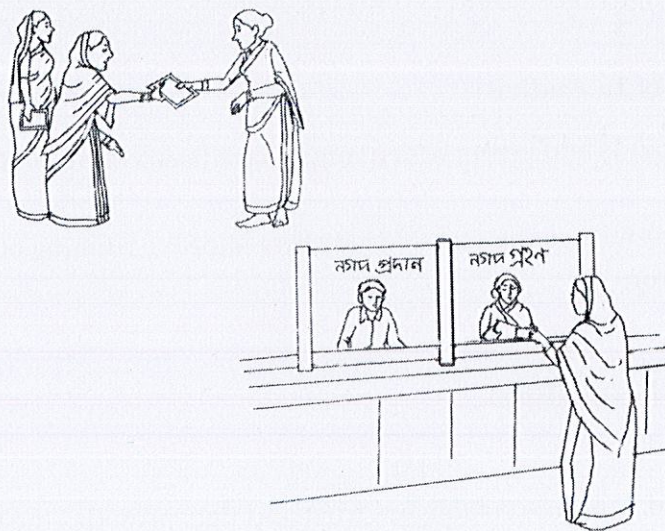
Name:

Convener, PC



Chapter- 4

AUDIT



1.0 Definition of Audit:

Audit means, the independent examination of financial information of any entity whether profit oriented or not and irrespective/impartial of its size, or legal form, when such examination is conducted with a view to expressing an opinion thereon. The term financial information encompasses financial statements.

Financial statements as defined by International Accounting Standards committee covers Balance Sheet, Income Statement, statement of change in financial position, notes and other statement and explanatory material which are identified as being part of financial statement.

2.0 Objectives of Audit:

Objective of an Audit can be divided into two types, (i) Primary and (ii) Secondary.

Primary objective of an Audit is:

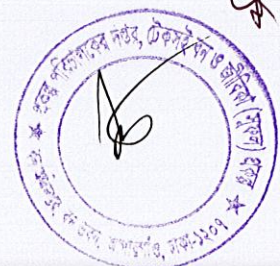
- To express expert opinion as to whether the financial statements on which it has been asked to report give true and fair view of the state of affairs of the organization and its profit or loss for the period under review.
- Verifying the accuracy and dependability of data being processed through the accounting system.

Secondary objective of an Audit is:

- To discover frauds and errors which might have been committed, whether intentionally or not?
- To provide assistance to his client to help him improve running of the business and prevent frauds and errors.

3.0 Principles of Auditors:

- Integrity:
The integrity of Auditors establishes trust and thus provides the basis for reliance on their judgment.
- Objectivity:
Auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
- Confidentiality:



Auditor respects the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

- Competency:
Internal Auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

4.0 Roles of Auditors:

- Risk management:
 - Auditors identify all auditable activities and relevant risk factors, and assess their significance.
 - Investigating
 - Evaluating.
 - Identify potential trouble spots.
 - Communicating.
 - Anticipating emerging issues.
 - Identifying opportunities.
- Control Environment:
 - Evaluate efficiency & effectiveness of controls.
 - Recommend new controls where needed – or discontinuing unnecessary controls.
 - Use of control frameworks
 - Control self- assessment
 - Provide education on risks and controls
- Governance
 - Auditing provides assurance to management and the audit committee that risks are understood and managed properly.
- Analyzing Operations
 - Review operations, policies, and procedures
 - Help ensure goals and objectives are met
 - Make recommendations to improve economy and efficiency.
- Assuring safeguards
 - Evaluate procedures to safeguard assets
 - Technological safeguards
 - Emerging issues



5.0 Advantages of an Audit:

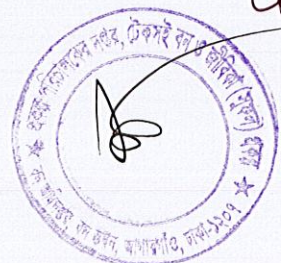
The advantages of an audit are innumerable. Followings are the advantages:

- An audit can detect errors and frauds in initial stage. So, their negative effects cannot intensify.
- The employees always remain careful to commit any error and fraud as the financial statements are subject to audit at a regular interval.
- Audit keeps the accountants regular and vigilant and as they know the auditor will complain against them if the accounts are not kept up to date or if there is any irregularity.
- Audit lends credibility to the financial statements. So, money can be borrowed on the basis of audited accounts.
- In case of disposal or acquisition of business, purchase consideration may be determined on the basis of audited balance sheet.
- Audited accounts are reliable to different government authorities, for example, VAT and Tax, etc.
- The auditor may give valuable advice during the course of audit.

6.0 Procedure of Audit:

Following procedure will be followed to carry out the Audit. It will be done as per rules of Bangladesh Standard of Audit (BSA). The audit procedures are:

- Prepare of audit plan.
- Initial discussion with respective team members.
- Verify internal control process.
- Verify cash and bank balance.
- Verify bill and voucher with proper approval.
- Verify check register.
- Verify payment procedure (Comply with PPR 2008).
- Verify procurement procedure (material requisition, procurement plan, request of quotation, submission of quotation, prepare comparative statement, purchase order).
- Physically verify of assets with register.
- Verify loan payment agreement.
- Default loan analysis and find out the reasons.
- Financial statement prepared as per rules of Bangladesh Accounting Standard (BAS).



7.0 Following Audit will be done under the project:

a) Internal Audit:

- The Chartered Accountants Firm will be engaged for capacity building of concern committees under the entire cost center.
- The Chartered Accountants Firm will audit all the financial transaction by the community*.
- The Audit firm will follow TOR and agreement which is cleared/accepted by the WB and BFD*.
- The audit firm will be selected through appropriate competitive process which is initially reviewed by the WB*.
- The Audit will cover the expenditures incurred under all the project components with a special focus on the amounts disbursed and spent by all the cost centers and communities*.
- The Internal Audit will cover community level financial transaction and efficiency of the internal control arrangements*.
- The project performance, operational aspects will also be covered under this Audit*.
- The Audit will be conducted semi-annually and will provide feedback to the project management on any control weakness and issues (If any) that require management action*.
- Internal Audit reports along with the corrective actions taken by the cost center & respective sub-committee to address the control weakness (if any) will be shared with the WB.
- The Audit will be preferable after the third-party monitoring simultaneously.
- FAC will be liable for any of its disallowed/ineligible expenditure activities and ultimately solve the problem.

b) External Audit:

- The External Audit will be done by Foreign Aided Project Directorate (FAPAD).
- The Audit will especially focus on the amount of disbursement by DFO/cost center and amount of different expenditures carried out by the respective CFMC/VCF-EC, FACs and other sub-committees.
- CFMC/VCF-EC will receive Community Development Funds (CDF), Livelihood Development Funds (LDF) & other funds from cost center/DFO. This committee will be responsible for disbursement and mandated expenditures.
- The Procurement Committee (PC) and FAC will be responsible for the violation of any kinds of Procurement Act, Rules, Policy & Procedures.
- Village Credit and Savings Committee will be responsible for group savings and Livelihood Development Fund (Revolving) activities.



- Finance and Accounts Committee will submit monthly/quarterly reports to the CFMCC/PF-EC and Cost Center within the time frame. Then cost center will submit it to the PMU.
- The PMU will provide the Audit Report to the WB.
- Accounts Officer/Junior Consultant will audit and advice any kinds of financial transaction in community level, if required by DFO/Cost center.
- Ultimately any ineligible/disallowed expenditure by the CFMC/VCF-EC or sub-committees will be recoverable from the respective committees and audit observations will be resolved by the committees.

c) Social Audit:

Social Audit Committee is responsible for carrying out the Social Audit. For this purpose, 4-member Social Audit Committee under CFMC/VCF-EC will be formed with the selected members from the Forest Conservation Village (FCV)/Village Conservation Forum (VCF).

- The Social Audit Committee will audit the financial transactions monthly basis including Books of Accounts and records.
- The SAC will submit its reports to the Member Secretary of CFMC/VCF-EC.
- The SAC will follow the guideline of COM;
- This committee will verify all the FAC, PC and VCSC activities.

