



## **CREDIT POLICY & STRATEGY OF THE LANDSCAPE DEVELOPMENT FUND (LDF)**

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The “**CREDIT POLICY & STRATEGY**” embodies the terms and conditions of savings & credit program operation, monitoring & follow-up. The Chief of Party/ Director shall enforce consistent with these rules and principle and when he considers necessary.

The rules & procedures mentioned here in shall effect from 01 November 2004 The Chief of Party/Director or his/her authorized representative of the shall approve any operational changes to the Credit Policy & strategy.

Prepared for  
Community Development Center (CODEC)  
&  
Rangpur Dinajpur Rural Service

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## **1.0 Introduction**

The Nishorgo Support Project under its partnership with the Government of Bangladesh, USAID is providing targeted technical support to aspects of the Nishorgo Program. Nishorgo is a Government of Bangladesh Program that receives financial support for protected areas management from USAID and the Asian Development Bank. The Nishorgo Support Project works closely with the Forest Department and key conservation stakeholders to develop and implement a co-management approach to help conserve the country's large tracts of protected areas. The Support Project focuses on large tracts of protected areas where partnerships for conservation are essential.

The Project is working at five initial pilot sites to begin adapting a protected area co-management approach for Bangladesh. Initial sites include the Lawachara National Park, the Rema-Kalenga Wildlife Sanctuary and Satchuri Reserve Forest (proposed as a new Wildlife Sanctuary), the Teknaf Game Reserve and the Chunati Wildlife Sanctuary.

The Nishorgo Program aims to protect and conserve Bangladesh's forests and biodiversity for future generations. At the heart of Nishorgo is a focus on building partnerships between the Forest Department and key local and national stakeholders that can assist in conservation efforts.

Nishorgo Program activities are:

- ◆ A marked slowing of biodiversity loss in targeted protected areas;
- ◆ Active and formalized participation of local communities dependent on forest resources;
- ◆ An increase in the number of protected area sites and the capacity to receive visitors;
- ◆ Formalization of a protected area management system;
- ◆ Improved hydrological and other services from forests;
- ◆ Improvement in the income and livelihoods of people living in and around protected areas;
- ◆ Job creation and enterprise development associated with protected areas and nature;
- ◆ A more active and vibrant partnership for nature conservation between citizens and the Forest Department

These interrelated activities have given a special emphasis to creation of suitable alternative income generating & jobs opportunities for economic empowerment through specialized savings and credit program activities provide a synergy effect resulting in increases in income, assets building, leading to the livelihoods and social status for the poor in targeted protected areas.

## **2.0 Landscape Development Fund (LDF)**

In Bangladesh, Co-management agreements to conserve protected forest areas are unlikely of themselves to generate significant direct economic benefits to rural households. The protected forest areas are legally owned by the State. For conservation to occur, the income streams that local stakeholders may have obtained from protected forest use need to be generated from elsewhere. In order to address this need for improve economic opportunities, IRG places co-management efforts in the name of “**LANDSCAPE**”. IRG’s Landscape contexts are:

- ◆ Address the needs of households and co-management activities in the context of the broader economic, natural resource and socio-institutional environment.
- ◆ Provide framework to manage resources for multiple uses.
- ◆ Addresses interaction between economic growth, population growth and the natural resource base.

The IRG team has suggested a suitable methodology to finance alternative income generating and ecosystem development activities including financial feasibility of any proposed activity. A revolving fund will be set-up to keep theses AIG activities and other ecosystem improvements going over the medium-term. Under the approval of GOB, Tree Farming Fund (TFF) is implementing under FSP, like this project, Landscape Development Fund (LDF) for AIG activities to be used.

With the above views, IRG has allocated startup fund termed **LANDSCAPE DEVELOPMENT FUND (LDF)** with Tk 17,346,000 (\$ 300,000) to support the micro-credit activities based on Alternative Income and Employment Generating Activities (AIEGA) & small enterprises for the adult male and female members of the targeted protected areas under NSP. It is noted that a member is qualified to receive loans from LDF does not constitute an obligation for NSP to extend a loan. The ability of NSP to meet loan demands will depend on the liquidity of LDF.

NSP will also take initiatives to link the stakeholders with other MFIs in the protected areas or try to exploit the resources from the Local Agriculture Extension Department and Department of Fishery as well as other Government Department.

## **3.0 Target Members**

The target member of the NSP is that those who are permanently residing in the targeted protected communities of Bangladesh and their total asset value do not exceed the price of locally three acre (300 decimal) of cultivable land & other assets values does not exceed Tk 1 lac or annual family income does not exceed Tk. 1 lac.

NSP may also be worked with two other categories of people belonging to the areas:

- ◆ A significant number of persons who have socially and economically up-graded have become self-sufficient and skilled people belonging to the communities inside and outside of target areas. These people represent a local force and possess management & leadership capacity. From these people may be included those who are involve with enterprise development program and to be created employment generation for the target stakeholders under PA and to be linked the product with market chain.
- ◆ A group of hardcore poor in its development package.

#### **4.0 Objectives of LDF**

- a. Sharing of economic benefits from protected areas with local participating stakeholders and reduce dependency on forest resources within protected areas.
- b. The purpose of the savings scheme is to encourage the habit of regular saving among the members, to mobilize local resources, to provide safe keeping of members' money, to earn interest to the members, and to provide security base for loans from the Landscape Development Fund.
- c. The purpose of the Land Development Fund is to provide target members access to loans for alternative IGAs & small enterprise on reasonable terms.
- d. Facilitation of eco-friendly private sector investment than can provide key services to protected areas.

#### **5.0 Strategies**

For ensure economic empowerment of the target members, NSP has been undertaken the following strategies through savings & credit program:

- a. Ensuring the assistance and participation of group/individual, implement demand based savings & credit program efficiently and effectively under a particular policy.
- b. Establishment of group discipline in where the members will regularly practicing their participation, decision making, establish control and ensure institutional accountability spontaneously and effectively.
- c. Rather than normal micro-credit program for the better-off members, provide new micro-finance program for members those who are a well-off and endeavourer to create entrepreneurs mainly on seasonal, productive and alternative income generating activities as well as activity based credit program to help targeted protected areas.
- d. Provide demand based credit and other support program for hard core of male and female.
- e. Conduct studies for identification of local resource based alternative income generation and employment opportunities for target people and undertake pilot testing for verification if required.
- f. Enhance members' participation in alternative income generating activities and provide necessary programs like skill development, increase awareness and data enrichment.
- g. It is pre-condition to be included with credit program for completion of various skill developments training as per training policy & guidelines.

- h. To be provided emergency credit in special circumstances in combination with the creation of a special fund for such purpose.
- i. To be establish close linkage between household credit and enterprises development program.

In all above cases, necessary steps to be undertaken for enhancement of female participations.

### **5.1 Relevance**

The importance, relevance and necessity of savings and credit are described as under:

**Importance of Savings:** The savings deposits will be helpful for capital accumulation and productive investment, enhance competency level to take new initiative to initiate small enterprise, easier to face disaster, ensure life security, assist to achieve self-dependency and self-reliance, create unity among the target members, use as security money for getting loan, develop frugality among the members, increase personal and national savings and lessen risk of credit program etc.

**Importance of Credit:** The credit activities will be create opportunities to seek employment, members remain free from exploitation of traditional money lender and/or Dadandars, improve professional skill and use of appropriate technologies, mobilization of internal local resources, procure necessary capital for financial activities, ensure self-dependency of members and secure income generation etc.

### **5.2 Effectiveness**

- a. It will be easier and effective to implement program with effectual participation a disciplined group which can be lift up the program solvency.
- b. Improve the effectiveness of weekly/fortnightly/monthly meeting and institutional capability and increase members' participation in program implementation.
- c. Members will make alliance to achieve their socio-economic empowerment.
- d. Enhance family income by the participation of female members in financial activities.
- e. Alternative income & employment generating activities will make sure the members' especially stakeholders under PA ensure their income round the year.
- f. An entrepreneur class will emerge by building of members' skill and capacity.
- g. By dint of program diversity, members will use their skill and capacity effectively and choose their project as the desire.

### **5.3 Impact**

The impacts at family, social and national level to be observed through NSP's landscape development program intervention for improvement of poor peoples' economic empowerment. These are as under:

#### **5.3.1 Impact on family level**

- a. Accumulation of own capital & resources and various assets will be created.
- b. Purchasing ability will increase comparatively for improvement of livelihoods.
- c. Female members will contribute for the development of their family and enjoy their dignity and participate in family decision making process.
- d. It will create opportunity to achieve efficiency for alternative income that will ensure accumulation of capital and make the members free from bondage/exploitation of village money lenders/dadandars.

#### **5.3.2 Impact on Social level**

- a. By attaining economic self-sufficiency of the family, social awareness will be increased that will be helpful for making the new generation as an auspicious citizen.
- b. Members will achieve the capacity to negotiate with various service providers/institution in society.
- c. By using of resources locally in proper way and time, unemployment problem will be solved and socio-economic status will be grown up in some extent.
- d. The brutality of non-institutional loan specially village money lenders will be lessened gradually.
- e. A more active & vibrant partnership for nature conservation between citizens and the Forest Department.
- f. Vigorous and extensive participation of poor peoples in various social activities which will be accelerated to create public opinion in favor of overall development of locality.

#### **5.3.3 Impact on National level**

- a. Accumulation of individual savings, national savings will be increased.
- b. By the implementation credit program for economic development and social awareness will be elevated that help to solve many more national problems.
- c. A positive impact of increasing financing on productive purposes and increasing income on production, the GDP will be enhanced.



- d. Through proper utilization of local resources, blooming of alternative industries of different types will be taking place.
- e. More than 50% of total population of the country is female, so this huge female population will participate in development activities.
- f. Reduce dependency on Forest resources within protected areas.

#### **5.4 Sustainability**

With an object of socio-economic development of target communities of protected areas, NSP has been implementing landscape development program along with other programs for the empowerment of its target members to ensure their sustainability in the following stages:

##### **5.4.1 Members' sustainability**

- a. Skill and awareness level will be increase, by which their thinking level will be developed.
- b. Alternative income generating activities will make sure the members' income flow round the year and by dint of program diversity, members will use their skill and capacity effectively and increase their efficiency to integrate themselves with changing time & necessity.
- c. It will create the opportunity to raise awareness about their health so that a huge portion of their income will be saved by reducing medical expenditure.
- d. Members will achieve the capacity to saturate with various service providers/institutions in society and will get the services and facilities provided by them.
- e. Will be capable to calculate yearly profit and loss and try to prevent misuse/depreciation in all respects.
- f. It will be easier to establish their rights to access into and control over the local markets.
- g. Will step ahead to solve the problems of their own and society.

#### **5.4.2 Program sustainability**

- a. Members will be disciplined through institutional approach.
- b. Members' participation and responsibility & accountability will be increased to implement the programs.
- c. Rising of members capacity, they will feel encourage to take productive projects which will create the opportunities to increase investment that reduce the risk of loan repayment gradually.
- d. It will create the opportunity to raise awareness about their health & environments so that a huge portion of their income will be saved by reducing medical expenditure.
- e. For implementing the economic and all other bio-diversity programs, members will continue with their participation.
- f. Active and formalized participation of local communities dependent on forest resources.
- g. Members will have to identify their duty/responsibilities to achieve their rights.

Considering the above objectives and strategies, the rules and regulations of LDF for the target groups are described as under below:

#### **6.0 Formation of Groups**

The process of group formation is as under:

- a. A user group will be formed to the nearest spot where member will be 10-20.
- b. The user group shall be established with adult members (male/female) and they will conduct a weekly/fortnightly/monthly meeting with particular day & time.
- c. Members shall apply for membership as per prescribed format supplied by the NSP.
- d. The process of user group formation should be followed by the group's bi-laws.

#### **7.0 Qualification of Borrowers**

Qualification of borrowers who will receive loans from LDF is as under:

- a. Shall be adult members (male/female) as individual or of the user groups established under the NSP.
- b. The age limit of the capable members within above 18 to 50.
- c. Shall be a permanent resident in that particular area.
- d. Maximum one member (male or female) from each household may be eligible for getting loan on a family scheme at a time.
- e. In case of female members should be married.
- f. One adult member (blood relation) of the family (age within above 18 to 50) along with the borrowers will be guarantor the repayment of the loan with interest within the agreed period.

- g. In case of new member, who have been members for at least 04 weeks/fortnight/month and have participated 100% that particular weekly meetings and have made the prescribed deposit to the Savings fund for at least 100%.
- h. Shall get an orientation or training on skill training mainly IGA selection, planning and management.
- i. Who are not having any outstanding loans or other debts with NSP and who do not have any outstanding loans from other NGO's and/or financial institutions.
- j. The fact that a member is qualified to receive loans from LDF does not constitute an obligation for NSP to extend a loan. The ability of NSP to meet loan demands will depend on the liquidity of LDF.
- k. Before/during submission of application for loan from LDF, each applicant will have to provide 2 copies her/his photograph (once) to the respective NGOs site office. The Program in charge of the borrowers and the Site Facilitator or his/her authorized person will have to attest the photograph.

## **8.0 Savings Fund**

- a. All user groups shall establish savings schemes to which the members will make individual, weekly/fortnightly/monthly contributions.
- b. The mandatory savings rate per meeting is Tk. 10/-.
- c. The savings collected are deposited in a savings account in a scheduled bank in the name of the partner NGOs.
- d. Profit shall be provided against individual savings from earned bank interest.
- e. The individual members' savings shall be recorded with savings passbooks.
- f. In case of emergency circumstances (e.g. accident, natural disaster, medicine etc.), members can withdraw their deposited savings by keeping 20% but during the further loan, the required savings balance should be fulfill.

## **9.0 Type, Condition and Duration of Loans**

### **9.1 General conditions**

It is assume that financing from LDF, out of total members, 20% members will be engaged with small Enterprises. On the other hand, 80% members will be engaged with micro credit followed by Alternative Income Generating Activities (AIGA). In both cases will be emphasized on financing against productive purposes.

As per need assessment, the figures of Small enterprise and micro credit plus AIGA may be changed. The projects & required fund will be finalized after need assessment.

There are no restrictions as such on the purposes for which loans can be given, but NSP has the right to reject applications for purposes that are not found feasible or desirable. Loans shall not be given for investment in the usury/*dadan* (advance from traditional moneylender) market.

Loans may be given to individual members for their own individual purposes, as well as to user groups for collective purposes. Loans shall be repaid according to a repayment schedule agreed between the borrower and the partner NGOs. The schedule should be based on generally weekly/fortnightly/monthly repayments.

## **9.2 LDF operates with the following types of loans:**

- ◆ Short Term Loans (STL) - up to 12 months of repayment or 45 weekly installments or equivalents to required fortnightly/monthly installment or as per nature of the projects.
- ◆ Special Loans- from 3 months to maximum 24 month or equivalents to required weekly/fortnightly/monthly installment or as per nature of the projects.

### **9.2.1 Short Term Loans (STL)**

This category includes all loans that will have to be repaid within 12 months or 45 weekly installments or equivalents to required fortnightly/monthly installment or as per nature of the projects (along with interest) from the date of disbursement.

Short-term loan will recover within 45 weekly or equivalents to required fortnightly/monthly installment or as per nature of the projects installments within 52 weeks. There is an option, borrower(s) can repay the last five installment outstanding loan with interest at a time after eight months if the borrowers regularly repaid loan as per installment up to eight months.

NSP will aim at having the majority of its loans within the STL category, to give as many of the members as possible the opportunity of benefiting from the LDF.

The maximum loan amount for STL to individuals is Tk 15,000 and loan amount will be subject to individual decision or as per nature of the projects.

### **9.2.2 Special Loan (SPL)**

This category includes Semi-Mid-term and Mid-Term types of loans that will have to be repaid from 3 months to maximum 24 months or equivalents to required weekly/fortnightly/monthly installment (along with interest) from the date of disbursement.

The loan ceiling of Special loan to individuals is Tk 16,000 to Tk 50,000 and loan period will be determined considering the project & borrowers capability/experienced on project but under any circumstances, the period shall not be exceeded two years. The above loan ceiling may be increased as per nature of the project as well as experienced & capability of the borrowers. The SPL can also be used for Demonstration & partnership business purposes.

### **9.2.3 List of Projects ( AIGAs)**

The list of financing for economic activities of new production technologies:

- A. Non-Timber Forest Production:
  - i. Bamboo and Cane
  - ii. Medicinal Tree Plantation
  - iii. Tree Nursery
  - iv. Bee Keeping
- B. Horticulture:
  - i. Vegetable Gardening
  - ii. Floriculture/Orchid

- C. Fishery:
  - i. Capture
  - ii. Culture
  - iii. Drying
- D. Integrated Homestead Farming
- E. Milk Cow Rearing/Cow Fattening
- F. Poultry

The above AIGAs may be selected considering the geographical situation and interest of the people.

### **10.0 Service Charge on Loan**

- ◆ Service charge on loans is charged annually and is calculated on flat rate method and the will be @ 8% per annum.
- ◆ Amount of interest & principle will be realized from each borrower in every weekly/fortnightly/monthly installment as per agreed schedule on flat rate basis after disbursement.
- ◆ Out of 8% service charge income, 3% to be kept as provision for bad debts, 2% to be kept for RMO activities and remaining 3% will be added with Landscape Development Fund as an accumulated surplus.
- ◆ The role of RMO with these activities may be determined after conducting feasibility study and need assessment. The mode of benefit of RMO may also be determined on the basis of result of study.

### **11.0 Bank Interest**

All bank interest (net of all charges) will be income of credit activities and will be kept with accumulated surplus which will be added with Landscape Development Fund.

### **12.0 Loan Procedures**

The brief loan procedures are described are as follows:

#### **12.1 Application**

- ◆ Members of user groups, who qualify for loans according to this policy, may apply for loans from LDF.
- ◆ The members of the user groups shall make applications in the prescribed form according to NSP's procedures.
- ◆ All loan applications must, before being forwarded to the partner NGOs site office; the group committee shall have to give an undertaking to recover the loan with interest if the borrowers fail to repay the loan within the agreed period.
- ◆ At least one family member will have to put their signature on the loan application, loan contract form and acknowledgement of loan at the time of loan receipt.
- ◆ Loan should be received by the members in presence of President/ Secretary of user group.

- ◆ Two copies of photograph of loanee and required revenue stamp should be ensured from the applicant members at disbursing day.

## **12.2 Approval**

- ◆ At the partner NGOs site office, the NGO staffs (Field Organizers) scrutinize the loan applications.
- ◆ After scrutiny, the Site Facilitator, if satisfied, shall either approve (if within her/his discretionary power of approval) or recommend the loan application and forward it to the Technical Support & Project Coordinator (TS &PC) or his/her designated person.
- ◆ At the Project Coordinator Office, the application shall be checked by the Technical Support & Project Coordinator (TS &PC) or his/her designated person and if found in order and satisfied, shall approve the proposal.

### **Authorization for approval is as follows:**

- ◆ As per monthly disbursement plan, the Site Facilitators can approve all STLs to individual members' upto Tk 15,000.
- ◆ As per monthly disbursement plan, the Technical Support & Project Coordinator (TS &PC) or his/her designated person can approve all Special Loan to individual members up to Tk. 50,000.

## **12.3 Disbursement**

- ◆ Loans are disbursed to the borrowers against their acknowledgement on the prescribed forms.
- ◆ One member from each household will only get a loan from LDF on a family scheme at a time.
- ◆ The membership will nominate a successor for his/her property that will get all property of the deceased member. If the borrower has no successor, the VO will make the decision concerning liability.
- ◆ All loans will disburse as per loan ceiling.
- ◆ The borrowers should come into the site office at the time of loan disbursement.
- ◆ Site Facilitator will disburse the loan in the presence of the respective Field Organizer.
- ◆ Loan will disburse daily as per plan.
- ◆ Loan may disburse through cheque or cash from loan recovery.

## **12.4 Repayment**

Repayment of loans shall take place according to the agreed weekly/fortnightly/monthly repayment schedule. The borrowers shall pay the installments to persons assigned by partner NGOs to receive payments. Payments may/will normally take place at the regular meetings of the group or direct to the site office. It is, however, only when money is received by partner NGOs, and an official receipt has been issued, that repayment is considered to have taken place.

### **13.0 Waivers of loans and/or interest**

On principle, NSP will not write-off principal loan or waive interest. But as it will be especial program for the targeted protected areas considering target areas, target members, pilot & demonstrations project, the following steps may be taken in case of borrower's death, natural disaster, pilot project and demonstration project:

- ◆ The membership will be transferred to the nominated successor who will be responsible to repay the outstanding loan along with interest.
- ◆ The Chief of the partner organization or his/her authorized person may waive borrower's loan interest, provided the proper documentation is submitted to partner organization.
- ◆ If the borrower has no successor or unable to repay by the successor, the partner NGOs management will take decision regarding the outstanding loan along with interest. In that case all savings will be adjusted against present outstanding loan at first and remaining balance amount will be adjusted from bad debts provision.
- ◆ In case of any disaster or in very special cases or loss on pilot testing & demonstration, the chief of the partner organization has the option to waive interest payment on an outstanding LDF loan and/or outstanding loan balance amount will be adjusted from bad debts provision. In that case, proper documentation is submitted to partner organization.
- ◆ The above system will follow in every year.

### **14.0 Organization and LDF Administration**

The partner NGOs are responsible for the overall operations of the Savings & Credit Program and for monitoring and administration of the LDF.

Loan approval, disbursement and collection of loans are decentralized to the Field Offices and Site Offices as described in this policy. The Technical Support & Project Coordinator (TS & PC) will make effective coordination with the partner NGOs' for smooth operations related to the Savings & Credit Program.

The partner NGO shall have established administrative procedures based on the Credit Policy, as well as efficient monitoring and accounts & records keeping systems to support and control the operations of the LDF. The systems shall be decentralized and computerized to the extent to which it is feasible.

The LDF shall be audited regularly by the External Auditor.

## **14.1 Responsibility**

### **14.1.1 Responsibilities of Field Organizer**

- ◆ A Field Organizer will operate and look after 05-10 user groups including 100-200 members.
- ◆ Responsible for all activities of group such as- conduct meeting, attendance, savings deposit, loan disbursement, recovery of installments, training, workshop etc. as per plan.
- ◆ Program Organizers will directly responsible to the Site Facilitator for their over all activities.
- ◆ A Field Organizer should verify physically of loan project of each group.
- ◆ Responsible for prepare User group-wise monthly savings & credit report with other activities.

### **14.1.2 Responsibilities of Program Officer**

- ◆ At the site office, the Program Officer will be responsible for overall monitoring & supervision of above activities.
- ◆ Program Officer should physically verify and follow-up a number of loan project of each group and prepare a follow-up report thereof.
- ◆ Necessary feed back should be provided to the concern loanee and Field Organizer as per follow-up reports.
- ◆ Identify the loanees who are failed to utilize or regular repay their loan and not to continue the loan program farther more with them for next time.
- ◆ Responsible for prepare Field Organizer-wise monthly savings & credit report with other activities.

### **14.1.3 Responsibilities of Site Facilitator**

- ◆ At the site office, the Site Facilitator will be responsible for specially monitoring & supervision of above activities.
- ◆ A Site Facilitator should physically verify and follow-up a number of loan project of each group and prepare a follow-up report thereof.
- ◆ Necessary feed back should be provided to the concern Program Officer as per follow-up reports.
- ◆ Responsible for prepare monthly savings & credit report with other activities for site office.
- ◆ After proper scrutiny and as per disbursement plan, the Site Facilitators can approve all STLs to individual members' upto Tk 15,000.

In addition, the TS & PC or his/her designated person will be responsible for overall monitoring & supervision, project follow-up, approval of Special loan and compilations of total reports and necessary steps for smooth operation and control of LDF.



## 14.2 Process of Report/MIS

The process of are as follows:

- ◆ Concern Field Organizer (FO) will prepare monthly report on each group and to be submitted to the Program Officer.
- ◆ Respective Program Officer (PO) should be analysis the FO's report and compile the FO-wise report and make both quantity & qualitative report and to be submitted to the Site Facilitator.
- ◆ Site Facilitator should be analysis the PO's report and compile the PO and FO-wise report and make both quantity & qualitative report and to be submitted to the TS & PC or his/her designated person.
- ◆ TS & PC or his/her designated person will prepare monthly total report and to be submitted to the Chief of the partner NGOs.
- ◆ The respective partner NGOs will submit quarterly/half-yearly and yearly report to the NSP regularly.

## 15.0 Ownership of the LDF

The Landscape Development Fund will be used as a Revolving Loan Fund for essence of Micro Credit based on AIGA and small enterprise. The fund shall only be used in accordance with this Policy. Until project completion, the authority and/or ownership will be lying with the partner NGOs. After completion of the project, NSP will decide who will be owner of the fund.

**Timely Credit**  
**Adequate Credit**

**Not too much**  
**Not too little**

**Not too early**  
**Not too late**