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Enhancing Access to Capital within PA Landscapes through Microfinance and Grants

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The second of five core objectives of the Nishorgo Support Project and the Government of Bangladesh's Development Project Proforma (DPP) was to support "Interventions and Investments for Improved Ecosystem Management". IRG had proposed, and this was subsequently incorporated into the Nishorgo Support Project, a "Landscape Development Fund." The intended use of this Fund was described in IRG's proposal as follows:

> The IRG Team will suggest a suitable methodology (revolving fund, for example) to finance alternative income generating (AIG) and ecosystem development activities (including financial feasibility of any proposed activity). The credit system will adapt successful aspects of existing credit programs run by CARITAS, RDRS, and CODEC [IRG's original NGO partners for Nishorgo Support Project]. A revolving fund will be set up to keep these AIG activities and other ecosystem improvements going over the medium-term.
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> The Government of Bangladesh recently passed the necessary orders to operationalize the Tree Farming Fund (TFF) guidelines developed under the Forestry Sector Project. A similar approach could be used to set up a Landscape Development Fund (LDF) for alternative income generation (AIG) activities. Such a Fund would provide Resource Management Organizations (RMOs) with resources for community development programs. It will receive initial funds from the project and would act as a mechanism for ensuring sustainability of project activities even after the project is over. IRG has allocated USD 300,000 as startup funding for the Fund. The LDF will be linked to other rural development programs including micro-credit activities being implemented in the project area. Short-term loans to the members of a RMO will allow their initial capital to grow and become an economic asset, thereby reducing the RMO's dependence on project funding.

The original intention in the Nishorgo Support Project, had therefore been to enhance access to capital within the five Nishorgo pilot landscapes through a combination of a revolving fund as well as a grant fund for "community development programs." However, as noted in chapter 12, this concept changed; the present chapter elaborates the evolution of this two-part strategy at Nishorgo sites and draws a number of lessons.

Starting Assumptions and Subsequent Adaptations

Microfinance at Nishorgo Sites

The IRG proposal for Nishorgo Support Project suggested that microfinance, or revolving funds, might be put in place, to be managed or overseen by what became the Co-Management

Organizations (CMOs). By 2004, CMOs were still in an early stage of development, and the Nishorgo team was forced to review the feasibility and practicality of pursuing CMO management of microfinance. Indeed, the Nishorgo team reviewed the approach to use of microfinance more generally, whether managed by CMOs or by participating partner NGOs.

The team recognized that expecting newly formed CMOs to act as microfinance institutions was unrealistic, in light of – among other factors – the complexity of such an effort and the time it would take to build such capacity. The team recognized that Bangladesh had ample microfinance delivery systems in the rural areas, so viable opportunities for expanding economic activity might come from other institutions rather than being directly supplied by the CMOs using LDF resources. In light of both the constraints of the nascent CMOs and the capacity of other microfinance institutions, by late 2005 the Nishorgo effort dismissed the idea of the CMOs directly managing microfinance themselves.

However, the question remained of whether the Nishorgo effort should allocate funds to partner NGOs for microfinance, or establish agreements with existing microfinance providers under which they might allocate their own microfinance to Nishorgo beneficiaries.

Concerns about Microfinance Delivery Approach

As the project evolved, the need for accessing capital at landscape level remained. The Nishorgo team reviewed the feasibility and appropriateness of allocating funds directly through its partner NGOs for use as microfinance. Nine concerns arose over this.

Dangers in Asking the Same Institution to do Both Microfinance and Social Mobilization

There is an inherent contradiction between interventions focused on social empowerment through awareness building and motivation and others focused on microfinance. The former demands a more interpersonal communication approach concentrating on providing social support to raise the capacity of participants in conserving Protected Areas. The latter, on the other hand, is based on the principles of enterprise viability, giving loans and recovering the principal and interest, often treating the beneficiaries harshly if they fail to conform to established norms and discipline of the microfinance business. The blending of the two paradigms was considered likely to be counterproductive, particularly when the primary focus of the Nishorgo effort was to change the mindset of community members through awareness building and motivational campaigns.

Once an NGO focuses on microfinance, its abiding concern revolves around getting new borrowers, disbursing more funds, and collecting repayments regularly. It has commonly occurred that NGOs in Bangladesh that began with a social empowerment agenda dropped that agenda once they entered into microfinance (Feldman: 2003). In other cases, NGOs have separated the staff and divisions involved with microfinance from those involved with social empowerment and mobilization, often for administrative reasons. But when the interventions are managed separately, it has had the effect of distancing economic interventions from those that involve advocacy or empowerment.

In Nishorgo's experience during the first and second years of implementation, the NGO partners assumed that they would be directly providing microfinance, based on the their understanding of text of the IRG proposal (quoted above). The Nishorgo team observed that NGOs focused on forming groups, and the assumed role of introducing microfinance drove their interactions with communities. This resulted in more time being allocated to user group formation (the ultimate lending group for microfinance) as opposed to building the larger and more complex co-management bodies: the CMOs (both Councils and Committees).

Those Doing Forest Extraction Typically are Ultra Poor, and this Group is not Easily Targeted Through Microfinance Programs

One of the central threats to forest regeneration is the constant combing of the forest for woody biomass of any kind, carried out by thousands of ultra poor individuals, predominantly women. These ultra poor, often surviving hand-to-mouth, lack the ability to save regularly and be good candidates for microfinance. Given their socio-economic status, neither our Nishorgo NGO partners nor the other major microfinance providers typically target this group. Their extreme poverty makes it hard to work with them. Accordingly, it would have been difficult to ensure that Nishorgo's proposed microfinance ended up in their hands.

Risks to PA Resources from Inability to Repay Loans

Throughout 2004 and 2005, the Nishorgo team heard repeated claims that many individuals who could not pay their microfinance loans from BRAC, ASA, and other microfinance institutions (MFI) were turning to illegal felling and clearing in order to repay loans. We became increasingly concerned that allocating project resources to NGO-led microfinance might exacerbate this problem and have a negative backward impact on the PAs.

Partner NGO Staff Costs for Implementing Microfinance

Pursuing a microfinance approach as part of the Nishorgo approach would have had considerable implications for staff costs of the Nishorgo Support Project. We calculated that one Field Organizer (Nishorgo's lowest level field personnel) could reasonably meet with two groups per day, that each group would have an average of 20 members, and that the Field Organizer would meet with each group once per week (the standard NGO approach). Under these assumptions, a single Field Organizer working just on microfinance would only be able to directly impact 240 households. At the time, Nishorgo had four Field Organizers at Lawachara National Park, so if they concentrated only on microfinance, they would not directly reach even a thousand households within the entire landscape, and they would have little time left for other social mobilization activities.

In light of the time required to execute microfinance, the Nishorgo team recognized that its opportunity cost would be a reduction in time allocated to core issues of governance and strengthening of the fledgling CMOs.

Length of Time Required to Transfer Microfinance to Local Institutions

When microfinance is allocated under USAID contracts, the entire allocated revolving microfinance funds must be transferred out of the project team and managed by the beneficiaries prior to projected closure. This requirement created additional issues for Nishorgo's approach.

As the Nishorgo team looked at the NGO-led microfinance option in 2004 and 2005, it seemed unlikely that the NGOs would be able to build up the local groups to take over complete operation of microfinance activities before the planned project end in May 2008. Under the USAID MACH project, the NGO Caritas had managed a microfinance fund, but it transferred the funds to community organizations only after eight years, a luxury that Nishorgo would not have.

Government Distrust of and Meddling with Microfinance

Few isssues stimulate greater antagonism between the Government and NGOs than the issue of microfinance, and the central issue involved is the loan terms required by NGOs. Nishorgo was a Government-approved project, and we saw increasingly over the years 2004 and 2005 that a microfinance program led by the team would cause us to be caught in a direct conflict between the interests of our partner NGOs to operate an economically viable finance program and the interests of the Government in ensuring that usurious rates were not used. For example, in 2005 when microfinance was still under consideration, the Minister of Environment and Forests, in a Nishorgo Steering Committee meeting, stated that he would not accept any interest rate over 8 percent. At the same time, both CODEC and RDRS were of the opinion that any interest rate under 10 percent was neither sustainable nor feasible for the NGOs or the ultimate beneficiaries.

The history of the Forestry Sector Project (FSP) made this antagonism on microfinance even more clear, as the Government had for years raised issues with implementing FSP NGOs about what an acceptable rate of interest should be, and over how much the NGOs would benefit from the microfinance resources made available to them (Forestry Sector Project 2001).

Criteria for Microfinance Beneficiary Selection versus Criteria for Conservation Beneficiary Selection

When NGOs form groups with the end of implementing a microfinance program, a number of standard criteria are applied in the selection process. Critical criteria include that the groups should be poor, should have a minimum level of social cohesiveness, and should have some ability to save regularly and to repay loans. These microfinance-oriented participant criteria, however, were not naturally compatible with the targeting of conservation related activities.

The Nishorgo effort focused on identifying those ultra poor who depended on the PAs for their livelihoods. Initially, the partner NGOs began to form groups with the traditional microfinance criteria in mind. Later, they were reoriented towards identifying those ultra poor that were either directly dependent on the PA resources or the poor who could help protect neighboring PAs from illicit felling through community patrolling. This implied a different strategy for selecting and working with participants in the landscape, and thus a different target group.

Opportunities to Leverage Microfinance from Existing Local Microfinance Institutions (MFIs)

At each Nishorgo site, no less than three MFIs were present in 2005 with full-scale operations. These included BRAC, ASA, and Grameen Bank, with a host of more local NGOs also providing the service. Initial meetings with ASA and BRAC made it clear that they were indeed interested in providing credit to worthy beneficiaries in Nishorgo sites. Subsequent discussions with the Nishorgo NGO partners themselves (CODEC and RDRS) made it clear that they would consider allocating their own microfinance in support of the Nishorgo effort, but managed by staff outside the Nishorgo field team.

Discussion and Implications

Considering these concerns and issues, the Nishorgo team opted at the end of 2005 to close any discussion of providing microfinance from Nishorgo funds. Nishorgo would focus on strengthening the new CMOs. This included creating economic opportunities, but would be achieved by leveraging access to microfinance resources available from sources outside of Nishorgo funds.

Accordingly, in 2006 and 2007, the Nishorgo team worked out agreements under which partner NGOs would provide their own microfinance funds and staff in support of Nishorgo goals. In the three northern sites, RDRS brought in its own microfinance staff and resources from its Rangpur office, with a special focus on indigenous communities in and around the Nishorgo PAs. This microfinance contribution of RDRS has continued after the closure of the Nishorgo Support Project. In the southern sites, the project team established a Memorandum of Understanding with the Cox's Bazar-based microfinance provider Mukti, under which they would allocate their own microfinance to viable user groups that had been formed by the Nishorgo team.

At the same time, the Nishorgo team would maintain its focus on putting in place a Landscape Development Fund that would provide matching grants to support community-targeted landscape investment capital, as reviewed below.

The Landscape Development Fund Grants Program

The procedures manual for use of the LDF (Nishorgo Support Project 2006) was submitted to USAID in 2006, and approved in early 2007. The LDF grants program ran for just over one year.

The main objective of the grants was to provide support to the CMOs to implement broad-based community initiatives that would provide community incentives for biodiversity conservation and economic growth. The LDF activities were overseen by the Nishorgo Support Project team. Potential grantees included the eight existing CMOs at the time, covering: Lawachara National Park; Rema Kelanga Wildlife Sanctuary; Satchuri National Park; Teknaf, Whykheong, and Shilkhali (all Teknaf Wildlife Sanctuary); and Chunati and Banshkhali (both in Chunati Wildlife Sanctuary).

Each Co-Management Committee submitted project proposals to a Grants Review Committee (GRC) that included the Nishorgo Support Project Chief of Party or his designate, the Forest Department's Project Director, and the IRG Grants Coordinator. Observers to this GRC included the two Regional Coordinators for the three northern and five southern CMOs respectively, as well as the USAID COTR.

The project proposals were reviewed in two stages. They were initially scrutinized by a Regional Grants Officer and then by the IRG Grants Coordinator to ensure that they meet minimum standards. In a second stage, proposals were formally reviewed by the GRC where they were approved, denied or received comments from the GRC. GRC members reviewed LDF project proposals based on the strategic fit with the objectives of the LDF and based on best value. Projects accepted by the GRC were forwarded to the USAID Cognizant Technical Officer for official approval.

Between April 2007 and June 2008 36 projects were approved with total grant expenditures of 10,863,150 Taka and CMO counterpart contributions of 2,228,981 Taka.

Out of these 36 LDF projects, eight were either terminated or only partially completed. All these concerned construction on FD PA land, with six of those eight including shops that were to have been operated by and for the CMO. These structures were delayed due to objections raised by the Forest Department over facilities that would be owned by CMOs located on government lands, and those objections could not be resolved before the Nishorgo Support Project closed.

Landscape Development Fund Grants Awarded to Nishorgo Co-Management Organizations and Completed in the Period April 2007 through June 2008

Grant Title and Activity	Recipient CMO	Grant Amount (Taka)
Entrance road repair in Satchuri Tipra Bosti through a bamboo stair	Satchuri	34,000
Strip plantations along 9 km of roads under Paikpara and Dewargach Union Parishads to reduce forest dependency and generate new forest resources	Satchuri	202,365
Strip plantations along 12 km of roads under Kamalganj Union Parishad to reduce forest dependency and generate new forest resources	Lawachara	269,318
Earth work for filling up ditch in road and construction of a retaining wall through community participation	Lawachara	573,056
Renovation of lake to create alternative income through fish culture for Mochoni Community Patrol Groups	Teknaf	653,424
Strip plantation along 25 km of roads through community participation	Rema Kalenga	562,125
Three Nishorgo libraries with range of books for adults and youth	Banskhali	329,733
Rural infrastructure development program	Chunati	337,841
Construction of a wooden bridge from Chanbari to Debrabari Tipra Bosti road by community participation	Rema Kalenga	977,588

Grant Title and Activity	Recipient CMO	Grant Amount (Taka)
7 km strip plantation along Whykhong Union Parishad roads to reduce forest dependency and generate new forest resources	Whykheong	168,869
3 km roadside plantation to meet fuel wood and timber needs of local stakeholders of Baharchara Union Parishad	Shilkhali	76,000
10 km CMO participatory forestry project	Chunati	220,000
Two environmental libraries with range of books for adults and youth	Shilkhali	220,133
Five Nishorgo libraries with range of books for adults and youth	Teknaf	548,924
Four Nishorgo libraries with range of books for adults and youth	Whykheong	454,126
Milk cow rearing program for Community Patrol Group members	Lawachara	492,250
Milk cow rearing program for Community Patrol Group members	Satchuri	242,982
Income generating program for six Community Patrol Groups through fishing by tana jal in the sea	Shilkhali	459,440
Biodiversity preservation through e-governance (for computer use and access by the community)	Lawachara	105,979
Biodiversity conservation through e-governance (for computer use and access by the community)	Satchuri	239,374
Establishment of tourists shop at Kalenga site, Chunarughat	Rema Kalenga	236,064
Biodiversity conservation through e-governance (for computer use and access by the community)	Rema Kalenga	238,758
Biodiversity preservation through e-governance (for computer use and access by the community)	Whykeong	103,000
Biodiversity preservation through e-governance (for computer use and access by the community)	Teknaf	106,100
Biodiversity conservation through e-governance (for computer use and access by the community)	Shilkhali	106,100
Biodiversity preservation through e-governance (for computer use and access by the community)	Chunati	96,872
Employment creation for women through toloi (mat) making	Banshkhali	401,500
Biodiversity preservation through e-governance (for computer use and access by the community)	Banshkhali	104,217
Total funds in completed LDF grants		**8,560,138**

Elders of the Dolubari village southwest of Lawachara received a grant from the LDF for this improved access path for rickshaw. [Nishorgo Support Project]

Grant made to Rema Kalenga Co-management Committee for roadside plantations. [Philip J. DeCosse]

Lessons Learned

The multi-year process of working to increase the availability of capital for investments in Nishorgo PA landscapes led to a number of lessons.

The approach and process for NGOs to directly implement microfinance programs create conflicts with the empowerment objectives of co-management. When Nishorgo partner NGOs believed that they would directly implement microfinance with project staff and resources, then the preparation of communities to receive that microfinance became a driving force defining field level organization. The NGOs placed high priority and staff allocation to creating Forest Resource User Groups with the intention of extending microfinance to those groups later on, with an emphasis in those group discussions on the livelihoods opportunities that would become available to the groups. This allocation of resources in 2004 and 2005 was associated with reduced attention to the core empowerment and rights issues necessary to support cohesive community involvement in PA co-management. While formation of such livelihoods-based groups is important to co-management, the attention given to it due to the expectations of microfinance resulted in too little emphasis on governance.

Empowerment, as defined within the Nishorgo team in these early years, tended to be understood as economic empowerment, and often through the provision of microfinance. The result of this focus on economic empowerment was a reduced willingness of the Nishorgo team to allocate energy and resources to the messy and conflictual processes of helping nascent CMOs assert the rights they were obtaining through Government policy decisions. Ensuring that the partner NGOs did not in the end directly implement microfinance created the additional benefit of pushing them to focus more directly on this empowerment process.

Expecting any NGO to simultaneously support both economic empowerment and political empowerment in the field requires careful management and oversight. Certainly, the easier course for NGO staff is the economic empowerment route. It is known and has been practiced by many NGOs throughout Bangladesh. But the process of working with a mix of government and community representatives is far more complex and alien to the standard operating procedures of NGOs in Bangladesh. Succeeding at implementation of both dimensions of empowerment requires careful planning and oversight.

The model of establishing such leveraged partnerships within co-management target areas could viably be continued at other sites. Once the Nishorgo team had worked out modalities for a partnership with existing site-level microfinance providers, capital did become available to Nishorgo Forest Resource User Groups without the concomitant costs to the team's focus on other empowerment activities.

The Landscape Development Fund grants program demonstrated the effectiveness of introducing capital within the landscape in ways that would at the same time improve the well-being of the affected communities and raise the status of the Co-Management Organizations that were implementing and managing the LDF grants. Response from both communities and the Forest Department to the LDF program were extremely positive. The CMO designed proposals and managed funds successfully, and their interventions raised the CMO profile as a social organization working in support of the community.

Other similar grant funds can and should be sought on behalf of the CMOs at existing and new co-management sites. With the kind of targeted capacity building provided by the Nishorgo team, CMOs would be able to expand their ability to manage similar small grants throughout targeted areas. Recent initiatives by the Government of Bangladesh to make available challenge funds for climate change adaptation and other purposes to government agencies, NGOs, and community organizations offer opportunities for CMOs in PAs and other community organizations in wetlands to obtain funds for improving local infrastructure and natural resource management provided the mechanisms are simple and transparent.

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