

Internship Report

BRAC University

BRAC Business School

The Competitive Grant Making Procedure and Financial Health Analysis of Arannayk Foundation

**Submitted to:**

Ms. Tasneema Afrin

Academic Supervisor

BRAC University

**Submitted By:**

Jessie Namnika Daru

09104027

Spring 2013

**Date of Submission: 30<sup>th</sup> May, 2013**

30<sup>th</sup> May, 2013

Ms. Tasneema Afrin

Lecturer, BRAC Business School

BRAC University, Dhaka, Bangladesh

Dear Madam,

It is a great pleasure for me to submit the report on “The Competitive Grant Making Procedure and Financial Health Analysis of Arannayk Foundation”. I am submitting this report as the part of my Internship Program. I have tried my level best to make this report effective, credible, informative as well as insightful.

This report contains detailed description about how Arannayk Foundation provides and manages grant offered to implementing entities. I have also tried to offer a view into the financial health of this organization.

This is the first time that I have done this kind of study in a complete form and I have tried our best to complete the study in proper way. It is true that it could have been done in better way if there were no limitations. I hope that you will assess my report considering the limitations of the study. Your kind advice will encourage us to do further research in future.

I Remain Madam,

Yours' most obediently

---

**Jessie Namnika Daru**

**09104027**

**BBS Department**

## **Acknowledgement**

I would like to provide my heartiest appreciation to BRAC University as well as my Academic Supervisor Ms. Tasneema Afrin, Lecturer, BRAC Business School, BRAC University and my Internship Supervisor, Mr. Farid Uddin Ahmed, Executive Director of Arannayk Foundation, for providing me the ground to earn good insights about the activities related with Financial Management in Arannayk Foundation. This has indeed been a good way of learning and I really appreciate their efforts towards giving me a proper line of directions.

I am also are cordially thankful to my reporting supervisor Mr. Abedul Hoq Chowdhury, Head of Finance and Administration Department of AF for assisting us spontaneously regarding this project. Without his time and dedication, our depth of knowledge about the subject matter could not be flourished within the short period of time. This work would not be possible without the cooperation and assistance of some generous hands.

## Executive Summary

The goal of this report has been to find out about how a funding organization manages its financial health and how it offers grants to implementing entities. The Report titled as '***The Competitive Grant Making Procedure and the Financial Health of Arannayk Foundation***' discusses about how a unique not for profit funding organization manages its fund and how it maintains its financial aspects. For ease of understanding, the report has been segmented into **five** parts.

The **first** part contains information on everything regarding the report, its origin, the objective of this report, the limitations and much more. The **second** part contains information regarding the Arannayk Foundation, its vision, mission and objectives. The **third** part contains information regarding the activities and tasks that I had to perform during my internship. The **fourth** part contains the analysis part of my report where I have conducted an analysis on the financial health of Arannayk Foundation and have described the Competitive Grant Making Procedure of the organization in detail. In the **last** part, I have given some recommendation and have concluded my study.

The Arannayk Foundation uses the Grant Making Procedure to provide grants to different implementing entities. The **six** steps consists of the Financial Planning step, the Program Development step, the Approval of Board step, the Public Call for Proposals step, the Evaluation step and the Grant Making step.

I have also analyzed the financial health of Arannayk Foundation. I have showed the program efficiency, fundraising ability and implementation efficiency through the tools given by **Kathleen Mikitin** in her book '***Financial Management Handbook for Governing Bodies of Environmental Funds***'.

## Table of Contents

Content No.	Content Name	Page no.
<b>Letter of Transmittal</b>		
<b>Acknowledgement</b>		
<b>Executive Summary</b>		
<b>Chapter 1: Introduction</b>		
1.1	Introduction	1
1.2	Objective	1
1.3	Scope	1
1.4	Methodology	2
1.5	Limitation	2
1.6	Contact Person	3
<b>Chapter 2: Organization Overview</b>		
2.1	Overview of Arannayk Foundation	4
2.2	Mission of Arannayk Foundation	4
2.3	Operations of Arannayk Foundation	4
2.4	Partners of Arannayk Foundation	5
2.5	Resources of Arannayk Foundation	5
2.6	Expected Results of Arannayk Intervention	6
2.7	Board of Directors	6
2.8	Functioning Units	6
<b>Chapter 3: Task Performed and Job Responsibilities</b>		
3.1	Nature of the Job	10
3.2	Specific Responsibilities of the Job	10
3.3	Different Aspects of Job performance	10

<b>3.4</b>	Suggestions	11
<b>Chapter 4: Analysis</b>		
<b>4.1</b>	Scope of AF Grants	13
<b>4.2</b>	Eligibility Criteria of AF Grants	14
<b>4.3</b>	The Grant Making Procedure	15
<b>4.5</b>	Steps of Grant Making	16
<b>4.6</b>	Grant Agreement	20
<b>4.7</b>	Budget Approval	21
<b>4.8</b>	Grant Disbursement	21
<b>4.9</b>	Monitoring and Evaluation	23
<b>4.10</b>	Extension of Ongoing Projects	26
<b>4.11</b>	Grants for Backstopping support to on-going projects	26
<b>4.12</b>	Financial Health Analysis of AF	26
<b>Chapter 5: recommendations and Conclusion</b>		
<b>5.1</b>	Recommendations	29
<b>5.2</b>	Conclusions	29
<b>Abbreviations</b>		
<b>References</b>		
<b>Appendix</b>		

## 1.1 *Origin of the Report*

---

The BBA students of BRAC Business School of BRAC University have to go through a 3-month long internship program. This internship program aims at letting the students get a taste of different activities in real life setting.

I have been assigned to the Arannayk Foundation, also known as the Bangladesh Tropical Forest Conservation Foundation. My three-month long internship period started from 1<sup>st</sup> January 2013 to 31<sup>st</sup> March 2013.

I worked in the Finance and Administration department. The activities that I performed during this period had been challenging yet thrilling. This internship experience has exposed me to experiences that has helped to get a better view at how real offices work and how you can incorporate your academic learning in real life.

## 1.2 *Objective of Study*

---

Only theoretical knowledge is not enough for a student as it only gives them knowledge on how different things but it does not tell them how to incorporate that knowledge to solve problems. Therefore, the broader objective of the internship program has been to introduce us with real life experience.

The **main objective** of this report, however, is to know how an organization manages its financial resources. More specifically, how Arannayk Foundation's financial resources are managed.

The other objectives are as follows:

- To learn about Arannayk Foundation, its structures, and how it functions
- To get acquainted with its policies and procedures and analyzing them
- To gather knowledge about its financial management system and analyze it
- To find out this organization's strengths and weakness
- To offer some recommendation and solutions where necessary

## 1.3 *Scope*

---

In this report, I have only concentrated on the Competitive Grant Making System and Financial Stability of just Arannayk Foundation but not on other fund giving organization of Bangladesh.

## 1.4 Methodology

---

In order to prepare the report properly and efficiently, I used both primary data and secondary data.

### The Primary Data Source:

I collected my primary data by talking with by talking with Mr. Abedul Hoq Chowdhury, the Finance and Administration Manager of AF and with Mr. Abdul Quddus, the Senior Program Officer of AF.

### The Secondary Data Source:

I collected secondary data from various kinds of documents such as the Memorandum of Association and Articles of Arannayk Foundation, from the various agreements that took place between AF and implementing entities.

## 1.5 Limitation

---

There are some limitations in this study. The foundation has a very small Secretariat and mainly operate its functions through outsourcing. Limited staff members remains very busy with huge work load. Moreover following constraints were faced:

- Inadequate data to compare with similar kind of organizations because it is a unique organization in Bangladesh
- Inadequate data from other similar kinds of entities working under TFCA outside Bangladesh has been difficult
- Lack of published materials.



## 1.6 Contact Person



**FARID UDDIN AHMED**  
Executive Director

### **Arannayk Foundation**

Bangladesh Tropical Forest Conservation Foundation

House-120 (Apt. 4A), Road-1, Block-F  
Banani, Dhaka-1213, Bangladesh

Tel : +88-02-9873275, 01713040583

Fax : +88-02-9873248

Email : [farid@arannayk.org](mailto:farid@arannayk.org)

Web : [www.arannayk.org](http://www.arannayk.org)

A joint initiative of the Governments of Bangladesh and USA



**ABEDUL HOQ CHOWDHURY**  
Manager Finance & Admin.

### **Arannayk Foundation**

Bangladesh Tropical Forest Conservation Foundation

House-120 (Apt. 4A), Road-1, Block-F  
Banani, Dhaka-1213, Bangladesh

Tel : +88-02-9873275, 01713040584

Fax : +88-02-9873248

Email : [abedul@arannayk.org](mailto:abedul@arannayk.org)

Web : [www.arannayk.org](http://www.arannayk.org)

A joint initiative of the Governments of Bangladesh and USA

## *2.1 Arannayk Foundation*

---

Established in 2003, the Arannayk Foundation (AF) is a not for profit company that is limited by guarantee and is registered under Companies Act 1994 (section 28). It is a joint initiative of the Government of People's Republic of Bangladesh and the United States of America in response to the state of depletion of tropical forest resources. This is why; Arannayk Foundation has also been called as 'The Bangladesh Tropical Forest Conservation Foundation'.

## *2.2 Mission of Arannayk Foundation*

---

AF's mission is ***"to facilitate the conservation, protection, restoration and sustainable use and management of tropical forests in Bangladesh, which provide a wide range of benefits to mankind through working with public, NGO and private sector partners"***.

The main activity of Arannayk Foundation is to provide financial grants to different financial organizations or entities that are engaged in activities intended at conserving, protecting, maintaining and / or restoring tropical forests and biodiversity assets of Bangladesh.

## *2.3 Operations of Arannayk Foundation*

---

The Arannayk Foundation will serve as a catalyst to the protection and sustainability of forest biodiversity in Bangladesh. It will adopt the ecosystem approach and consider the entire range of possible goods and services in order to optimize the mix of benefits for a given ecosystem. The Arannayk will award grants, giving priority to activities proposed by NGOs and other private entities, academic and public institutions.

The Foundation will coordinate its project related activities and provide the needed technical and financial support to collaborate implementing NGOs, community based organizations and the private sector. Moreover, it will monitor the progress of all its supported programs. Forward-looking assessments will be made incorporating the lessons learned and experiences gathered by the interventions.

### *2.3.1 Long-term interventions*

The long-term activities of the Arannayk Foundation are:

- Inventory and assessment of tropical forests and their biodiversity through regular and systematic monitoring of natural forests;
- Selection of sites where activities can have a significant impact and produce quick results;

- Development and integration of database and measures for updating and availability of data;
- Development of proven models of community management of natural forests involving public-private partnership; and
- Promotion of sustainable social forestry by addressing the whole range of legal, institutional, technical, social, economic and marketing issues.

### 2.3.2 Short-term interventions

According to Arannayk Foundation, the following activities will be carried out in the short-term:

- Analyses of policy and legal issues on forest conservation and biodiversity;
- Selection of promising sites, and monitoring of changes and impacts of Arannayk interventions on local forest communities;
- Building partnership to support capacity building with the Government, key NGOs and the private sector;
- Awareness campaigns on specific local and national issues relating to Bangladesh forest and Biodiversity Conservation;
- Sustainable social forestry interventions through careful selection and planting of indigenous, naturalized and adapted multi-purpose tree species;
- Social forestry interventions include establishment of nurseries to ensure supply and variety of quality seedlings; promotion of non-wood products for immediate earnings; care and maintenance of newly established plantations involving poor people.

### 2.4 The Partners of Arannayk Foundation

---

The Arannayk Foundation works with a varied range of **public**, **NGO** and **private sector** partners. The **main target sector**, however, are the NGO partners and the community based organizations. They also work hand in hand with the **Forest Department** of Bangladesh, The **Bangladesh Forest Research Institute** and other key Government institutes that work to conserve forest. They have also think that different government and private organizations of various sectors such as the herbal companies, eco tour operators, the tea estates of Bangladesh etc. will work with them in future.

### 2.5 The Resources of Arannayk Foundation

---

Funds of AF are generated through endowment. The AF permits the management to mobilize the resources in various forms. They are-

1. *Grants*
2. *Loans*
3. *Contribution from different donors.*

The donors can be both national and international entities, private, government and individual organizations.

## *2.6 Expected results of Arannayk Interventions*

---

- Initiating and reforming forest conservation and biodiversity policies and dialogues
- Collecting, recording and sharing information on forest and its resources
- Introducing social forestry throughout Bangladesh
- Facilitating relationship and partnership among the Government, key NGOs and private sector
- Creating public awareness with regard to the need to protect and enhance forest resources.

## *2.7 Board of Directors*

---

A Board of Directors that includes independent **seven members** manages Arannayk Foundation. The members include-

1. *One representative from Government of Bangladesh*
2. *One representative from Government of USA*
3. *5 members from relevant civil society organizations*

The Current Board of Directors are as follows:

1. **Mr. Richard Greene**  
Mission Director, USAID, The Government of the United States of America, American Embassy, Baridhara, Dhaka
2. **Dr. Mohammed Nasiruddin**  
Joint Secretary (Development), Ministry of Environment & Forests, Government of the People's Republic of Bangladesh, Bangladesh Secretariat, Dhaka
3. **Barrister Raja Devasish Roy**  
Chakma Raja, Chair, Taungya, Rangamati
4. **Mr. Salahdin Imam**  
Chief Executive Officer, Radius Enterprises
5. **Mr. Ishtiaq Uddin Ahmad**  
Country Representative, IUCN Bangladesh
6. **Dr. Engr. Kazi Ali Azam**  
Chief Advisor, INDEX Bangladesh
7. **Professor Dr. Md. Anwarul Islam**  
Chief Executive, Wildlife Trust of Bangladesh

- 8. Mr. Farid Uddin Ahmed**  
Executive Director & CEO, Arannayk Foundation

## *2.8 Functioning Units*

---

In order to ensure smooth operation of AF, the Board of AF constitutes of **3** standing committees. These two committees are involved in preparing, analyzing and monitoring different kinds of financial programs and plans regarding grant making

To facilitate smooth operation of AF, the Board has constituted there Standing Committees who are involved in the process from preparation financial & program plans to grant making and monitoring. These are:

▪ ***Program Standing Committee (PSC)***

The PSC provides guidance in developing comprehensive program and implementation plan based on the strategic documents, setting up the priorities and performs periodic review of the plan. All in all, PSC does the following activities-

-This committee provides guidance in developing comprehensive program and implementation plan based on the strategic documents and the strategy of AF

-It also sets up different priorities for AF

-It reviews the plans periodically and corrects errors and further develops the plan

▪ ***Operation Standing Committee (OSC)***

The OSC advises on the operational guidelines for program implementation, suggests on selection methods, grant making procedures, management system and performs periodic monitoring of the developments.

-This committee provides advices on the operational guidelines for implementation of different kinds of program

-It offers suggestions on various kinds of selection methods such as on grant making procedure, management system, procurement system etc.

-It also performs periodic monitoring on development of AF and its program implementing entities

▪ ***Finance Standing Committee (FSC)***

The FSC supervises the development of financial plan, advises on investment plan and financial management, provides guidance to develop the grant making procedure, review & update the annual budget, policy, guidelines etc. and performs periodic monitoring of financial issues.

-The FSC supervises the development of financial plan

-It offers advises on investment plan and financial management

-FSC also provides guidance to develop the grant making procedure

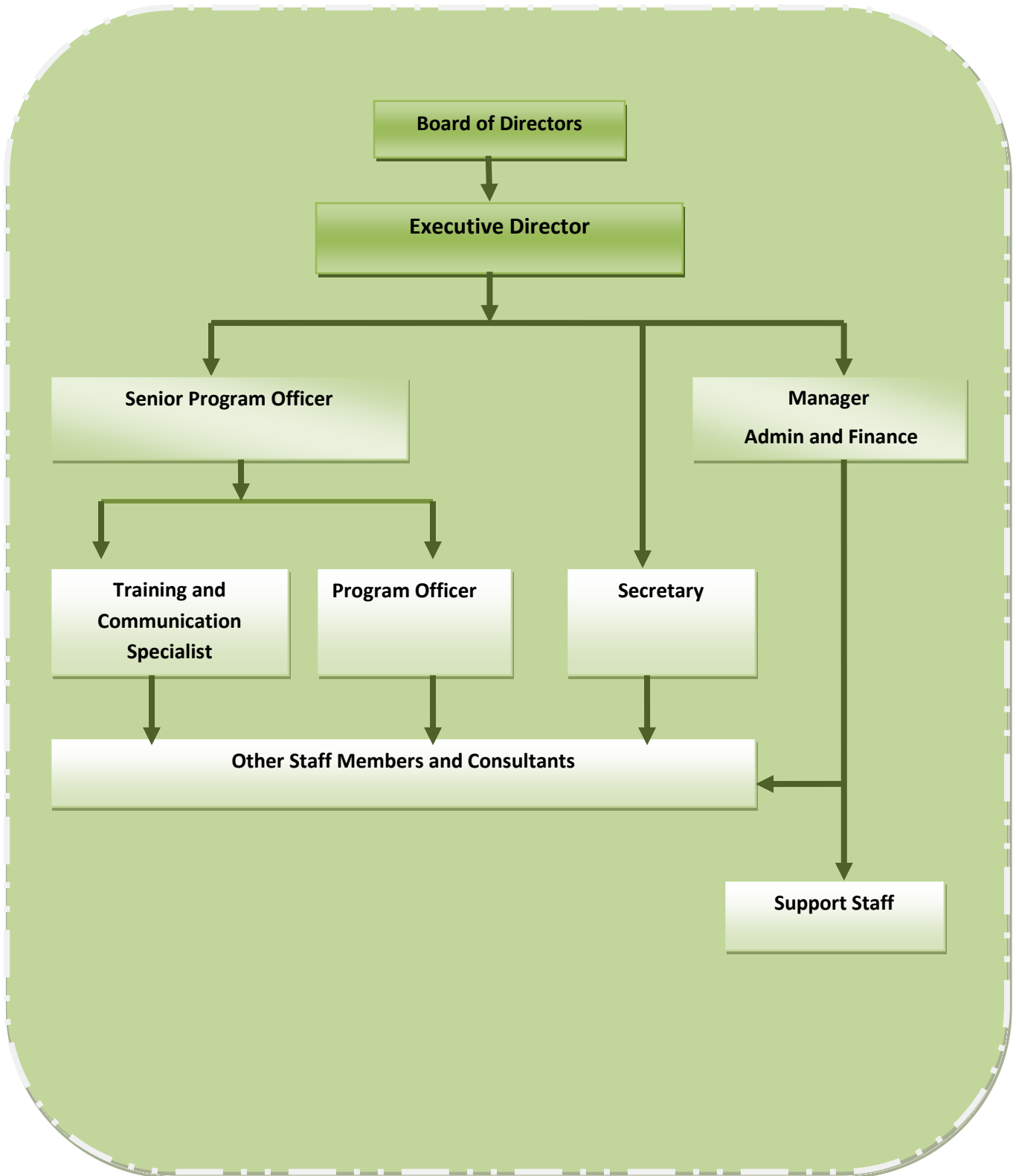
-It review & update the annual budget, policy, guidelines etc. and performs periodic monitoring of financial issues.

▪ ***Executive Secretariat***

The **Executive Director** heads the Secretariat of AF. There are two departments – i) **Finance & Admin. Department** and ii) **Program Department**. The AF Secretariat executes the programs of AF and performs overall functions such as managing, supervising, monitoring and evaluating under the guidance of the Board.

### 2.8.1 Organogram

---



### *3.1 Description / Nature of the Job*

---

I have had the opportunity in taking part in Arannyak Foundation's internship program as part of BRAC Business School's curriculum. I was placed as an intern in the Finance and Administration Department under the supervision of Mr. Abedul Hoq Chowdhury in the Head office situated at Banani, Dhaka.

As an intern working in the field of finance, I had the opportunity of taking part in development and implementation of policies. I had the chance of working with different financial policies and practices such as financial management, payroll, creating budget, budgetary control, accounting etc.

By getting the opportunity of working under the Finance manager of Arannyak Foundation, I have gained hands on experience on how to understand and follow financial trends.

### *3.2. Specific responsibilities of the Job*

---

During the internship program, I had to take part in different kind of activities ranging from simple tasks such as photocopying to helping in recruitment and preparing budget. I had to follow the accounting process and had to perform various kinds of activities such as-

- Collected, processed, verified .accounting related information from my vertical supervisor
- Worked on analytical and professional work assignments
- Assisted my supervisor in preparing weekly and monthly financial reports
- Utilized the official database, spreadsheets and other computer applications
- Learned to manage specialized information, reports, forms that dealt with fees, salary, billing and tracking of projects and implementing agencies
- Learned to enter information into the financial accounting system of the organization
- Gained experience in recruitment and performance appraisal of employees
- Follow up file documents whether all documents has been received from the implementing entities of not and go for direct calling to remind them
- Funding Documentation
- Evaluating proposals from entities
- Took part in reconciling bank statements in monthly basis

### *3.3 Different Aspects of Job Performance*

---



I performed my tasks in the Finance and Administration Department. The Finance Department is headed by the Manager Finance & Admin. and is directly responsible to the Executive Director. As part of the department, I took part in –

- Keeping proper records of all kinds of financial transactions and assets
- Prepare various kinds of financial and management reports
- Provide necessary advice in effectively and efficiently managing the organization.

Here, I had to input everyday dealings and transactions in the organization's accounting software. I had to create vouchers and sort the hard copies and store them. Not only did I have to work with Arannyak Foundation's transactions but I also had to work on the Planned Expenditure budget plan of the implementing entities for the quarter as well. First, I had to collect the Planned Expenditures that the implementing entities sent and then copy it back in the software to see whether they followed the prescribed format and whether there are any kinds of discrepancies regarding it.

I also had to produce and prepare financial statements with necessary notes and explanations. This was an important task as these statements will be used in preparing final account after the closing of this financial year and will be used to create necessary adjustments. After every transaction, I had to create vouchers. Depending on the nature of the transaction, I had to prepare the following vouchers-

- Payment voucher: for disbursement of money, both cash and bank.
- Receipt voucher :for receipt of money either in cash or cheque and through bank transfer
- Journal voucher :for recording income, expenditure and accounting adjustments

All of the payments had to be supported by cash memos, bills or by any other supporting documents. I also helped in preparing documents for cash and cheque payments and also in preparing salary statements.

I also had to opportunity to have a glimpse into how some of their human resources management works. I had been given detailed overview on how the recruitment procedure and performance appraisal takes place.

### *3.4 Suggestion*

---

- Training up the implementing entity's employees can help to manage software and to provide entries in organized manner can help to control the financial aspect properly.
- In AF, there are no specific human resources department. Therefore, the people from the head office have to take part in the recruitment system that often takes up their valuable time. They can therefore depend on outsourced recruitment procedure.

- The performance appraisal has rooms for improvement.

## 4.1 Scope of Arannayk Foundation Grants

---

Different kinds of organizations have different kinds of grant making procedures. Here, we will learn about the Grant Making procedure of the Arannayk Foundation (AF).

Before going in to the procedure, let us have a look at the scope of Arannayk Foundation Grants.

The AF analyses several things before providing grant. The factors that AF analyses are as follows-

### 1. **Program Areas**

The PSC or the **Program Standing Committee** of AF defines and selects specific programs upon approval of the Board. They define the program areas for which entities can apply for grant.

### 2. **Eligible Activities**

AF provides grants to entities that partake in the following types of activities-

- a) *Promoting conservation, protection, restoration, and sustainable use & management of tropical forest and biodiversity assets of Bangladesh.*
- b) *Promoting community based management of forests*
- c) *Improvement of silvicultural and watershed management practices*
- d) *Forest (biodiversity) inventory and related studies*
- e) *Ecological studies*
- f) *Habitat restoration*
- g) *Research work in support of biodiversity conservation such as breeding of endangered wildlife and development of multiplication techniques for endangered plant species*
- h) *Multiplication of endangered species of plants and animals*
- i) *Monitoring and documentation of forest health (cover, biodiversity, plant health)*
- j) *Promotion of non-consumptive use values of forests (e.g., eco-tourism), especially of PFAs*
- k) *Improvement of livelihood of poor people living in and around forests through promotion of community based and woman's enterprises and homestead agroforestry development activities*
- l) *Awareness campaign on biodiversity conservation*
- m) *Human and institutional capacity development of forest dependent communities and support organizations*
- n) *Promotion of enabling environment for the poor forest communities towards their access to, and sustainable management of, forest resources in their ancestral domains*

Arannayk Foundation Operating Manual, page 7

### 3. **Target Beneficiaries**

AF follows a strict policy to provide grants to the recipients based on the target beneficiaries. According to AF, the target beneficiaries **should** be forest dependent people and other stakeholders that should include but should not be limited to poor household and communities living in and around PFAs, common village forests, reserved forests and any other type of forests that have high bio-diversity values.

The interested entities have give emphasis on

- I. Improving the livelihood of poor and extremely poor communities
- II. Empowering women and extremely poor people.

#### **4. Grant Size**

AF provides grant that has duration of **1-3 years** and the budget for a certain entity for a complete life of a project cannot exceed US \$ 100,000 in equivalent BDT. However, exceptions can be made for deserving projects. The entities that can get more than US \$ 100,000 should be subjected to the following approval process:

- I. As per Clause 20 of AOA, both Government Directors shall approve any award or grant with a life of project total in excess of USD 100,000 (One hundred thousand US dollars) equivalent Bangladeshi Taka provided, however, if either Government Director fails to disapprove an award or grant within 30 days of its presentation, such award or grant shall be deemed approved by such Government Director.*
- II. Award or grants exceeding USD 300,000 will require further approval of the US treasury through USAID.*

Arannayk Foundation Operating Manual, Page 8

### ***4.2 Eligibility Criteria for Arannayk Foundation Grants***

---

Arannayk Foundation offers grants to the following types of entities that are subject to having legal standing for operating in Bangladesh and has had **at least 3 years** of relevant experience.

The entities can be:

- a) Non-government, environmental, developmental, educational and indigenous people's organization(s) and such other related organization(s) active in Bangladesh;*
- b) Scientific, academic and professionals organization(s) related to forests;*
- c) Other appropriate entities, including private-sector organizations, contributing to forest and biodiversity conservation in Bangladesh either by undertaking relevant activities as corporate social responsibility or by providing relevant services to others*
- d) In exceptional circumstances, the Government of Bangladesh, its departments and organizations.*

The entities that are not eligible for AF grants are the ones that-

- I. Promote any particular religious or political ideology
- II. Promote any particular belief or value

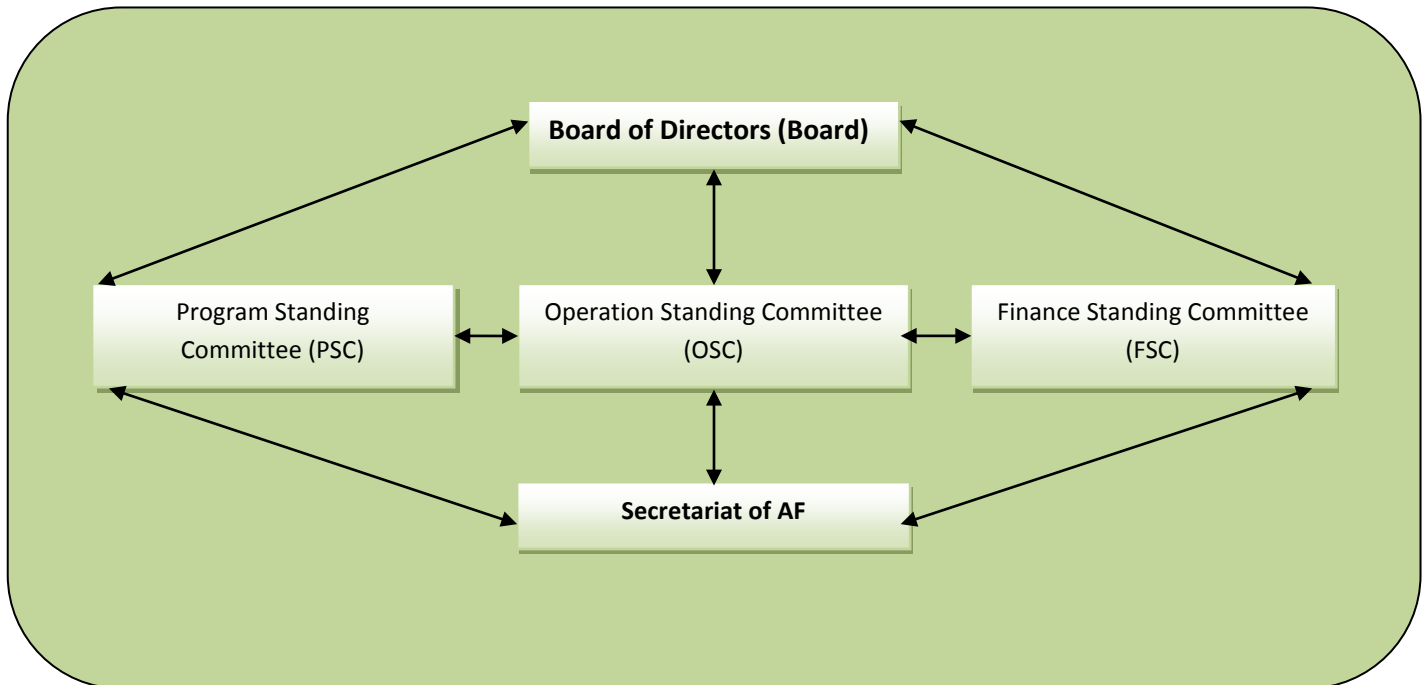
Eligible grant applicants of AF who bear a part of the total cost of a project either in cash or in kind (be it on their own or from a third source such as another donor) will get preference over other applicants.

### *4.3 The Grant Making Procedure*

There are **5 parties** that actively take part in the grant making procedure. They are-

1. The Board of Directors (Board)
2. Program Standing Committee (PSC)
3. Operation Standing Committee (OSC)
4. Finance Standing Committee (FSC)
5. Secretariat of AF

#### Operation of Grant Making Process



According to the **clause 19** of the **Memorandum and Articles of Association (AOA)** of AF, the Board shall

- *Determine the terms governing grants.*
- *Approve procedures and schedules for the grant making process, including procedures and schedules relating to public announcements, grant applications and review & monitoring.*

## 4.4 Steps for Grant Making

The activities that consist of the 6 steps have been given in short below:

STEPS	ACTIVITIES
Step-1: Financial Planning	Secretariat will submit the Program Budget to PSC and Core Budget to FSC for review. After review FSC will make recommendation on the budget for Board's approval
Step-2: Program Development	<p>PSC will examine the following documents developed by the Secretariat and make recommendation to the Board for approval:</p> <ul style="list-style-type: none"> <li>▪ AF Programs and Projects</li> <li>▪ Panel of Professionals to make "Peer Review Team" (PRT)</li> <li>▪ Program Implementation Plan (PIP) based on the approved annual program budget</li> </ul>
Step-3: Board's Approval	<p>Board will approve the following documents –</p> <ul style="list-style-type: none"> <li>▪ AF Programs and Projects</li> <li>▪ Panel of professionals to make PRT</li> <li>▪ Program Implementation Plan (PIP)</li> </ul>
Step-4: Public Call for Proposals on Approved Programs	<ul style="list-style-type: none"> <li>• Secretariat will send draft write-up on public call for proposals to the Convener of OSC with copy to all Board Members.</li> <li>• Secretariat will make public call, receive proposals within stipulated time and affix serial number on them.</li> <li>• From the approved panel, Secretariat will make a PRT comprised of three professionals, circulate electronically to the Convener of OSC with copy to all Board Members.</li> <li>• Convener of OSC will reconcile the comments received (if any) and send it to the Secretariat for action.</li> </ul> <p>Secretariat will send the proposals to PRT for review and evaluation</p>
Step-5: Independent Evaluation of the Proposals	<ul style="list-style-type: none"> <li>• Secretariat will provide guidelines to PRT for developing a set of uniform evaluation criteria. Secretariat will circulate these criteria to the convener of OSC with copy to all Board Members.</li> <li>• Convener of OSC will reconcile the comments received (if any) on the criteria and send it to the Secretariat for action.</li> <li>• The members of PRT will prepare a list of the applicants and make independent evaluation. Minimum qualifying score will be 60% for ranking.</li> <li>• PRT will provide a complete evaluation report with first rank of 5 proposals with recommendation for awarding grant.</li> </ul>
Step-6: Grant Making	<ul style="list-style-type: none"> <li>• Secretariat will place the first rank of 5 proposals with recommendation of PRT to the Board. (If desired by the Board, Team Leader of PRT may be invited to make presentation). <ul style="list-style-type: none"> <li>• Board will review and approve the proposals for awarding Grant.</li> </ul> </li> <li>• Secretariat will prepare Grant Agreement and circulate electronically to the Chair of the Board with CC to all Board Members. The Chair will reconcile the comments received (if any) and send it to the Secretariat for action.</li> </ul> <p>Secretariat will disburse grant based on Grant Agreement signed between AF and the Grant Recipient.</p>

The Arannayk Foundation grant making process comprises of the following 6 steps:

- Step-1 :** Financial Planning
- Step-2 :** Developing Programs/Projects
- Step-3 :** Board's Approval
- Step-4 :** Public Call for Proposals on Approved Projects
- Step-5 :** Independent Evaluation of the Project Proposals
- Step-6 :** Grant Making

These steps have been discussed below:

### ***Step-1: Financial Planning***

The AF Secretariat has to prepare an **annual financial plan** (budget) for a particular year prior to the **beginning** of each financial (operating) year. This budget is based on the estimated amount of fund that will be available for spending for that year. The budget will have **two** broad head for expenditure:

- a) Core Costs (core staff salary and other expenses of the AF Secretariat)
- b) Program Costs (the amount that can be spent as grants).

In order to prepare the program budget, the costs of ongoing projects have to be estimated first and then the remaining fund should be allocated for making new funds.

After a draft budget is created, the Secretariat shall send it to the Convener of Finance Standing Committee (FSC) and copy of it to the other members. The convener of FSC will communicate with the members through meeting or inter-personal communication and then provide feedback and reconcile the feedbacks. If there is scope for improvement then the AF Secretariat will be made aware of it.

The Secretariat will present the final draft of the annual budget in a Board meeting for its approval by the Board.

### ***Step-2: Developing Programs/Projects***

The AF Secretariat will instigate the following actions in order to develop new programs/projects for which grants shall be awarded during the year.

- a) Identify and prioritize potential programs/projects through various means such as the following:
  - Review strategic plan of AF
  - Consult with the members of the POSC
  - Follow the guidelines provided by the Board in different occasions/meetings
  - Consult with relevant departments/professionals/organizations/stakeholders
  - Organize seminar, workshop, consultative meetings, professional dialogues to share ideas

and concepts

- Review the programs of other departments/organizations/institutions
  - Undertake field visits to the potential sites and discuss with the local communities/beneficiaries.
  - Gather regional and global information on conservation of tropical forests and biodiversity.
- b) Prepare a write-up describing the concepts of the proposed new programs/projects
  - c) Estimate budget for each new program/project considering overall fund availability for new projects
  - d) Prepare a roadmap (program implementation plan) for awarding the grants
  - e) Send the plan to the members of POSC

The Convener of POSC may gather and reconcile comments of POSC members (if any), either by discussing the matter in a meeting or through inter-personal communications or will provide consolidated feedback to the Secretariat.

The Secretariat will present the final draft of the program to the Board members in a Board meeting for approval.

### ***Step-3: Board's Approval***

Board will approve the following documents as per recommendation of the PSC:

1. Document-1: AF Programs and projects.
2. Document-2: Panel of professionals to make Peer Review Team (PRT).
3. Document-3: Program Implementation Plan (PIP).

### ***Step-4: Public Call for Proposals on Approved Projects***

The AF Secretariat will send the write-up on public call for proposal to the POSC. It will also send a copy to all Board Members and make public call for proposals for the programs/projects approved by the Board. It has to be published in **at least two** national dailies (one Bangla, one English) with detailed guidelines, forms and evaluation criteria posted on the AF website. The applicants shall be asked to present their proposals on prescribed formats.

AF receives proposals within a stipulated time mentioned in the advertisement. When AF receives proposals, it –

- a) Affixes a number on each proposal received
- b) And makes a list of the received proposals.



## ***Step-5: Evaluation of Project Proposals***

The Project Proposals received by Arannayk Foundation is evaluated through a **4-step** evaluation process as described below.

### ***I. Compliance with the Call for Proposals:***

Secretariat checks whether the applying entity complied the key terms and conditions mentioned in the advertisement (newspaper and AF website) and sorts out the responsive and non-responsive ones. The main points to be checked are:

- (a) Whether the entity is of a type eligible for the Arannayk Foundation grant,
- (b) Whether the entity has the necessary legal status for receiving the grant (e.g., valid registration certificate in case of a NGO),
- (c) Whether the project proposal has been received, or postmarked, within the deadline mentioned in the advertisement, and
- (d) Whether the documents submitted complied with the instructions regarding the structure and whether page limit of the proposal is as per the guideline.

### ***II. Evaluation of the Proposals by PRT:***

The responsive proposals is evaluated by an independent **3-member** Peer Review Team (**PRT**) using their special analysis tool called **Project Proposal Evaluation Tool (PPET)**.

Secretariat will compile the scores of the three PRT members and will calculate the averages. Proposals receiving 60% or higher scores (average) will be considered as qualifying ones and shortlisted. Secretariat will rank the qualified proposals.

If the name or organization of any PRT Member is included in the proposal under evaluation, the concerned Member will immediately inform the AF Secretariat for his/her replacement in the team.

### ***III. Field verification and assessment by AF Secretariat:***

Secretariat will assess the physical facilities, existing human resources, quality of work, institutional strengths especially their field level existence and track record in the field and administrative / financial management system of the qualified/shortlisted entities by visiting their offices and fields, reviewing relevant documents, interviewing their key staff members, project beneficiaries and other stakeholders and will assign a numeric score to each of them using the field evaluation tools.

Secretariat will then combine weighted scores of the PRT members and that of the Secretariat allocating 60% and 40% weights, respectively and rank the candidate (qualified) proposals based on the combined scores.

Secretariat will submit the combined scores along with other remarks and recommendations to the Board for decisions.

Since the AF Secretariat makes the field verification/physical assessment and the Board of Directors finally approves the grants, none of them should be included in the PRT to evaluate the project proposals.

#### *IV. Decision by Arannayk Foundation Board:*

The Board will review the results of the evaluation process and the remarks and recommendations of the AF Secretariat and will make the final selection for awarding grant.

### **Step-6: Awarding Grant**

Secretariat will notify the proponents of the successful proposals and shall enter into discussion (and joint visit to the project area, if needed) with the latter in order to improve the project plan and budget break-up.

After both parties agreed to make necessary improvements in the project plan and budget break-up, AF Secretariat will establish the Grant Agreement with the project proponent using the basic format presented in Annex-6. The specific terms and conditions may vary depending on the nature of the project.

### ***4.5 Grant Agreement***

---

After the selected entity has been informed about their selection, they are invited for signing agreement with AF.

In the Grant Agreement, several important information has to be given.

First and foremost, the two or more parties between which the agreement is taking place is mentioned. Complement information regarding the entities such as name, address and which party shall play which part is also mentioned.

Other important agreement issues that are present in the paper are as follows:

- The terms of agreement : here the duration of the agreed project and the possibility of reduction or expansion of project duration if any incident occurs is stated.
- Project Proposal : The time frame after which detailed and inception project report and documents are to be submitted is mentioned.
- Grant Amount : The total amount of awarded grant is mentioned .
- How the grant should be disbursed by the second party.
- Details regarding transaction and information regarding bank account through which grant will be awarded.
- how the project will be monitored, the monitoring period, whether the disbursement of grant will be with held and in which conditions it will be done etc.

- how the financial aspects should be managed such as management of supporting documents related to transaction, the book keeping system, how financial report should be prepared, for how long the supporting documents have to be stored etc.
- how and when the auditing of the project will be conducted and by whom.
- whether there are any kind of refunding policy, the rules, regulations, restrictions regarding refund policy
- the name of key personnel
- how confidentiality will be managed, who can use the information and for what purpose, up to which extent the information can be used by both the parties etc.
- agreement related to copyright of intellectual property regarding the materials used and made
- issues regarding indemnity, insurance, ownership of properties and non consumable goods, logistics
- how vat and tax should be applied
- the terms regarding breaching of agreement and what should be done in those cases
- termination conditions
- Amendment of agreement etc.

Last but not the least, the representatives of both the parties along with the witnesses will sign the agreement.

#### *4.7. Budget Approval*

---

The Program budget is prepared by the implementing entities.

It is the Head of Finance and Administration Dept. that consolidates the budget and submits it to the Finance Standing Committee for review.

After review of the budget, the Finance Standing Committee shall recommend/endorse it for approval of the Board.

#### *4.8. Grant Disbursement*

---

- The AF Secretariat will provide an orientation (both technical and financial) to the grant recipients and install a Grant Management Software (GMS) to record and report the project transactions as per detailed guidelines provided in the “Financial Management, monitoring and evaluation tool” for the implementing partners as part of the operating manual of AF.

- The AF Secretariat will disburse grants to the implementing entities (IEs) in quarterly installments or as specified in the grant agreement and on the basis of satisfactory physical and financial progress reports submitted by the grant recipient.
- After the signing of the Grant Agreement, the grant recipient shall designate separate bank account(s) at any scheduled bank of Bangladesh and submit a payment authorization form to AF with required information. All the payments will be made through this designated bank account unless otherwise specified in the grant agreement.

The first installment shall be disbursed by the Secretariat upon receipt and approval of the work plan and planned expenditure for the first quarter of the project.

The subsequent installments shall be released on a quarterly basis unless otherwise specified in the grant agreement after the Secretariat receives from the implementing partners, and approves, the following documents (preferably in soft copies) as described in detail in the “Financial Management, Monitoring and Evaluation Tool” part of the AF operating manual.

- a) Financial report (FR) for the last quarter, using the prescribed format
- b) Planned expenditures (PE) for the next quarter, using the prescribed format
- c) Cash/Bank Book showing the transactions made in the reporting quarter.
- d) Bank statement (BS)
- e) Bank reconciliation statement (BR), if the balance shown in bank statement does not match with the balance shown in grantee’s books of accounts
- f) Technical progress report of the reporting quarter
- g) Work plan for the next quarter in supporting the planned expenditure

Within the first quarter, the grant recipient shall submit an inception report to AF, including the revised project document (prepared in consultation with AF Secretariat) and Annual Plan of Operation for the first year.

The Implementing Entity shall follow standard accounting and book keeping system for recording transactions and financial reporting which will be in accordance with the Bangladesh law and International Accounting Standard (IAS) adopted in Bangladesh Accounting Standards (BAS). It will maintain original vouchers, receipts and other supporting documents (e.g., quotations, approvals) at their office premises as would be required by the auditors.

The project account of the Implementing Entity shall be audited by AF or an accounting/auditing firm as designated by AF annually and/or at the completion of the project or at any time that AF may consider appropriate.

## 4.9. Monitoring and Evaluation

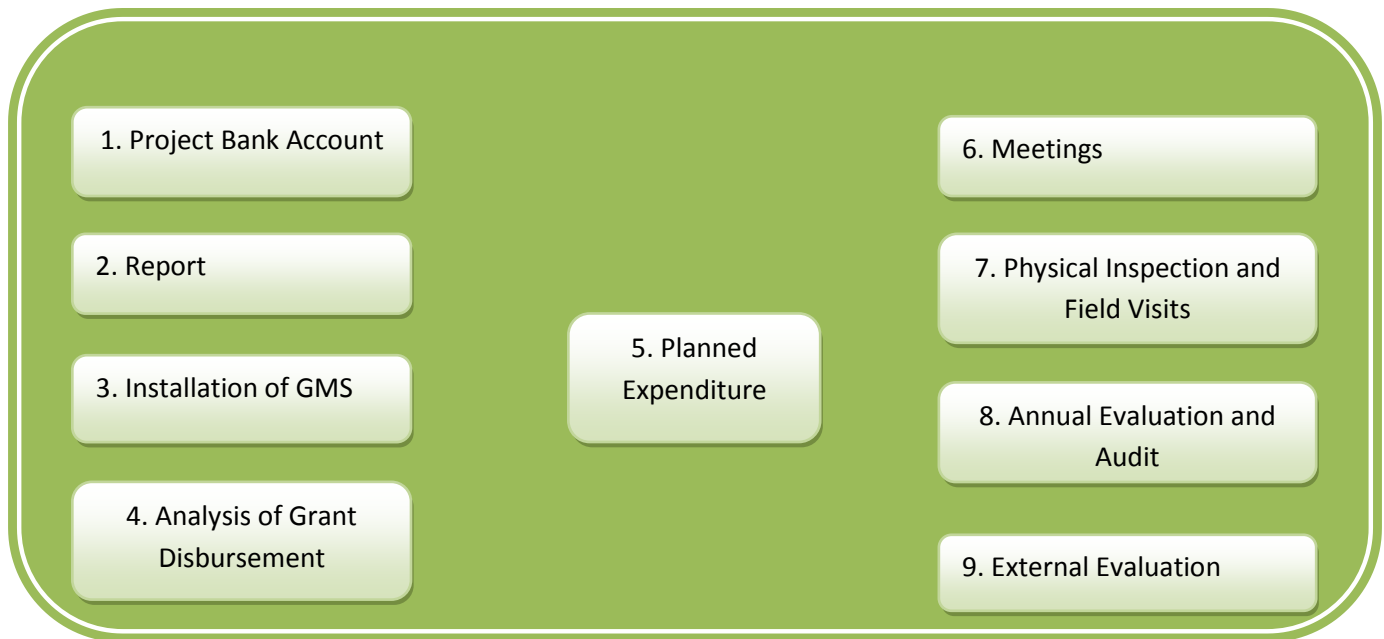


Fig. : Monitoring Tools

AF uses several monitoring tools. They are as follows.

### 1. Project Bank Account

After the Grant Agreement has been signed, the IEs have to open a separate bank account in any of the scheduled banks of Bangladesh. Then, they have to submit the payment authorization form to AF with the necessary information as required by AF.

AF conducts all project related transaction through that designated bank account.

Depending on occurrence of special situation or need, AF can also conduct transaction through the mother account or the main account of IE. This way, AF can monitor what is going on with their grants.

### 2. Report:

The implementing entities have to submit two types of report-

- **Quarterly Report** – this report mainly focuses on progress against objectives and targets

- **Annual Report** – this report gives importance on the outcome of all the activities, lessons learned and recommendations

### **3. Installation of GMS:**

The AF secretariat has special software through which they monitor and maintain their grant. This special software is known as GMS or the Grant Management Software. AF secretariat installs and trains the IEs to use this software.

IEs can record, report and analyze their financial information on it. The GMS software is network-based software that can be monitored from the main AF office.

### **4. Analysis of Grant Disbursement**

Grants are disbursed to the IEs on quarterly basis. The AF secretariat approves grant installments only if the physical and financial reports of the IEs prove to be satisfactory. The submitted reports are checked against AF manual or against the specified grant agreements.

#### **a. First Installment of Grant:**

The AF secretariat disburses the first installment of grant only after they receive the work plan and planned expenditure.

Then the AF secretariat goes through the report to see whether the requirements have been met and if there is no discrepancy then first disbursement of grant is given for the first quarter of the project.

#### **b. Subsequent Installments of Grant:** The subsequent installments shall be given after the Secretariat receives and approves the following documents submitted by the grant recipients:

- I. Soft copy of the GMS updated by the grant recipients up to the reporting quarter that includes:
  - Cash Book
  - Financial report (FRpt) of the reporting quarter
  - Planned expenditures (PExp) for the next quarter
  - Outstanding Management - Advance & Prepayments Report (OSM)
  - BR (Bank Reconciliation Statement), if the closing balance shown in bank statement does not match with the closing balance shown in the FR
- II. Technical progress report of the reporting quarter with work plan.

## **5. Planned Expenditure:**

The implementing entities have to record details of their transaction in the Planned Expenditure book provided by AF. Planned expenditure is the total planned expenditure for the next quarter. It contains a separate statement showing estimated cost break down as per budgeted line item for the following quarter with a brief description of the amounts estimated is also provided separately.

This helps in monitoring how the implementing entities are doing. This way it becomes easier for AF to monitor how much the implementing entities have spent and in which spheres they have spent the grant and whether there has been shortage or excess of fund etc.

If any expenditure, that has been planned for particular quarter is not spend then it will be carried on to next quarter in which it will be spent.

## **6. Meetings:**

Quarterly meetings are held by AF secretariat with the project coordinators of implementing entities. These meetings focus on progress of last quarter and plans of upcoming quarter.

## **7. Physical Inspection & Field Visit:**

At least once in every year, the AF secretariat will visit the field offices of the project.

It is done to monitor the financial activities that will include-

- Cursory review of the financial documents such as project vouchers and supporting papers with their approved policies/guidelines.
- Cursory review of their practices within the internal control framework.

However, the visit will not be limited to only the aforementioned reviews. The AF secretariat will also discuss with the project finance staff regarding their financial management issues, constraints and good practices.

## **8. Annual Evaluation & Audit:**

The project account of the Implementing Entity shall be audited by an accounting/auditing firm as designated by AF Secretariat annually or at the completion of the project or at any time that the Secretariat may consider appropriate. The auditor will also evaluate their project financial management and internal control system.

## **9. External Evaluation:**

Nearing the completion of a project, external evaluation is held. Local experts are called to do the evaluation.

For the projects that have duration of 4+ years, a mid-term external evaluation is conducted.

#### *4.10. Extension of ongoing projects*

---

If an implementing entity proposes for an extension or another phase of an ongoing project then the Secretariat will review their case. However, it will happen only and only if the implementing entity does so with a pragmatic work plan and budget. The AF Secretariat will review the case as per the recommendation of the evaluation report and seek for approval from the Board.

This kind of extension **does not** go through the competitive grant making process that the new projects require. It is the Executive Director of AF that approves the change in project duration and budget revision within the total approved grant of grantee.

#### *4.11. Grants for backstopping support to on-going projects*

---

If an ongoing project needs a technical backstopping support from a specialized organization or expert (e.g. for a research work) or to perform an additional activity the cost of which cannot be covered by its existing (Approved) budget then the AF Secretariat might provide a supplementary grant for that purpose. This supplementary grant is either

- given directly to the implementing entity, or
- to the service providing entity.

However, AF Secretariat needs approval from the Board. Another thing to note is that the backstopping / supporting organization / expert is selected by the AF Secretariat in consultation with the POSC members. This type of grant **cannot exceed US \$ 10,000**.



## 4.12 The Financial Health Analysis of Arannayk Foundation

Financial Health of AF						
Year	Program Expense	Total Expense	Actual Disbursement	Projected Disbursement	Program Ratio	Disbursement Ratio
2006	3702868	11131380	11131380	25769382.83	0.332651298	0.431961
2007	8367527	16422623	16422623	31863720.73	0.509512214	0.515402
2008	12157654	20776963	20776963	31863720.73	0.585150679	0.652057
2009	14502277	24028105	24028105	63912242.99	0.603554754	0.375955
2010	28843025	39518849	39518849	61244108.38	0.729854885	0.645268
2011	41700264	53961523	53961523	93,794,677	0.772777744	0.575315
2012	52101011	64233600	64233600	138696454	0.811117717	0.463124

Here,

We get the program ratio by dividing Program Expense by Total Expense.

We get the Disbursement ration by dividing Actual Disbursement by Projected Disbursement.

**Program Ratio** helps to measure the efficiency of the fund providing organization. It is calculated in the organization as a whole and higher program ratios mean that most of the resources are being devoted to various program activities. We can see that the program ratio has increased every year. It means that more funds have been effectively used for programs by the organization.

The **Disbursement Ratio** is used to monitor the effectiveness of grant programs. It helps to see whether there has been progress in usage of grants. Here, in every year, we see that actual disbursement have always been lower than the projected disbursement. It means that the realism of projects fell short and therefore some of them were not implemented according to plan.

Years	Total Cost of fund-raising	Fund received						Fund raising Ratio	Fund raising Ratio (lag period adjusted) i.e., Cost of ith year/Fund received in (i+1)th year	Fund raising Ratio (cumulative)
		BCCTF Project	ICIMOD-Medplant Project	EU Project	GIZ - Chunati Project	BCCRF Project	Total			
2010	747,882						0			
2011	1,375,151						0	0.031		
2012	491,150				43,995,000		43,995,000	0.011	0.059	
2013	220,311					307,800,000	307,800,000	0.001	0.008	

Here, we have tried to analyze the fund raising ability of the organization through **Fund Raising Ratio**. We have calculated fund raising expenses and then divided it by the amount of fund raised. However, as I could not find data before the year 2010, I have not added it on the aforementioned table.

The lesser the fundraising ratio is, the better it is because it means that the organization is spending less amount of money to get a certain unit of fund currency. Just by analyzing the last two years, we can see that it has been effective in raising funds.

## 5.1 Recommendation

---

Throughout my internship, I have found that Arannyak Foundation has the opportunity to further improve in the following areas:

- The employees of Arannyak Foundation have to provide their time in raising funds and in other activities regarding accumulation of fund. However, the time costs have not been recorded properly. They can record this, as this will help them to find out how much time and energy they have spent on gaining certain funding and projects.
- Even though the CGMP process is a thorough and methodical, because of its features, it is lengthy. Thus, it requires time and energy from the AF employees. A thorough analysis can be done to shorten the process.
- As the call for proposals are given in just two main daily newspapers, many interested organizations, who do not keep any of the two following daily newspapers, might not send project proposals because they were not notified.
- While working on the organization, I found that some of the implementing entities still have confusion regarding the Grant Management Software of AF and therefore they send the budgets in wrong format. Arranging for a training session will help clear the confusion and thus save time and recording of inaccurate data and also eliminate data redundancy.
- It will be better to visit the projects at least twice a year, as just one visit is not enough to help judge whether the implementing entities are doing their work correctly or not.

## 5.2 Conclusion

---

It had been a great opportunity to work in Arannyak Foundation as it is one of the most unique organizations of Bangladesh. Before becoming an intern, I had no idea on what not for profit organizations are and what role they played for the growth of a country. Even though they are not adding up to the GDP directly, as they are helping to develop a country in various aspects, they are helping in the growth of a country.

Through my internship report, I have tried to portray how this unique organization works and how its financial performance have been. However, I feel that it would have been better if I could compare its performance with other organizations of its kind but could not find any information on organization like it.