

# **OPERATIONAL MANUAL**

for the

**CARIBBEAN BIODIVERSITY FUND**

## Abbreviations

ASB	Accounting Standards Board
APB	Auditing Practices Board
CBF	Caribbean Biodiversity Fund
CQS	Consultants' Qualifications
GEF	Global Environment Facility
KfW	KfW Entwicklungsbank, known as the German Development Bank
LCS	Least-Cost Selection
NPATF	National Protected Areas Trust Fund
QBS	Quality Based Selection
QCBS	Quality and Cost-Based Selection
RFP	Request for Proposals
SOFA	Statement of Financial Activity
SORP	Statement of Recommended Practice
TNC	The Nature Conservancy
TOR	Terms of Reference

# Caribbean Biodiversity Fund Operational Manual

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## 1 INTRODUCTION

This operational manual (the “Operational Manual”) is intended to support the administrative and financial operations of the CBF, which is recognized as a non-profit organization by the Charity Commission for England and Wales and registered as No. 8204716 on September 6, 2012. Capitalized terms used but not defined herein shall have the meanings given to them in the Articles of Association of the CBF (the “Articles”), attached hereto as Exhibit 4. This Operational Manual is complementary to the Operational Manual of the Sustainable Financing & Management of Eastern Caribbean Marine Ecosystems Project under which the CBF was established.

The CBF was created with support from the German government, through KfW and BMZ, TNC, and the GEF, which is represented by the International Bank for Reconstruction and Development (“World Bank”), acting as the GEF’s Implementing Agency).

The objects of the CBF are to promote for the benefit of the public the conservation, protection, management and expansion of the National Protected Areas Systems of those Caribbean countries and other Caribbean jurisdictions as the Board may by special majority vote decide to include as participating countries (“Participating Countries”) by providing a sustainable flow of funds to support, without limitation, enforcement, infrastructure, monitoring needs and other activities that contribute substantially to the conservation, protection and maintenance of biodiversity within the National Protected Areas Systems or any other area of environmental significance of the Participating Countries.

This Operational Manual is to be used by the Directors of the CBF, its Chief Executive Officer and any persons or entities engaged by the CBF to ensure its effective operation and achievement of its stated Objects. This Operational Manual aims to provide guidance for carrying out the obligations of the CBF as these are set out in the Articles, the Companies Act 1985, the Companies Act 2006, the Charities Act 1993 (the “Acts”) and any other applicable laws.

## 2 STRUCTURES AND ORGANIZATION

Exhibit 1 to this Operational Manual is a diagram that depicts the projected structure of the CBF and the flow of funds that will result from its operations as a grant making entity.

The CBF's initial beneficiaries are the eligible not-for-profit NPATFs<sup>1</sup> that have been established (or will be established) in the Participating Countries.

## 2.1 **The Board of Directors**

The Directors manage the business of the CBF and exercise all the powers of the CBF unless the Directors are subject to restrictions imposed by the Acts, the Articles or any Member Resolution.

The Directors' responsibilities include:

- a) Approving, periodically reviewing and modifying (as necessary) the policies and procedures that guide the operations of the CBF;
- b) Approving, periodically reviewing and modifying (as necessary) this Operational Manual;
- c) Authorizing the opening of bank accounts;
- d) Designating signatories for accounts, contracts and any other instruments that commit the CBF's resources;
- e) Contracting with an investment manager, investment consultant, custodian, registered agent and any other professional service provider that is engaged in the interest of sound operation of the CBF;
- f) Appointing and supervising activities of a Chief Executive Officer to attend to the Board's operational and administrative needs;
- g) Controlling the use of funds; and
- h) Appointing or replacing an independent outside auditor.

## 2.2 **The Chief Executive Officer**

The Chief Executive Officer will be appointed by the Directors and is responsible for the general and active management of the affairs of the CBF, subject to the supervision and control by the CBF's Board of Directors. The Chief Executive Officer will ensure that the instructions of the Board are carried out and that the Board receives the necessary operational support to meet and transact the business of the CBF. The Chief Executive Officer shall have the specific duties set forth herein and in the CBF's Articles, and such other duties as the Board may from time to time prescribe.

The Chief Executive Officer's responsibilities include:

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<sup>1</sup> Several of the Participating Countries have decided to broaden the scope of their respective NPATFs to channel funding for purposes other than the enhancement of protected areas and national protected area systems, to include, for example, activities relating to adaptation to climate change.

- a) Reporting to the Board on the activities of the trust, and promptly, regularly and fully informing the Chairperson of the Board about the current affairs, activities and finances of the CBF, and for obtaining the Chairperson's advice and approval in all cases where this may be required by the Articles, Bylaws or this Operational Manual;
- b) Calling a meeting of the Directors at the request of the Chairperson elected by the Directors or if requested to do so by a Director;
- c) Circulating notices of general meetings on behalf of the Directors;
- d) Participating in Board Meetings from time to time as requested by the Board and ensure that appropriate staff members are available to assist at Board meetings;
- e) Verifying that any proxy appointment is consistent with Article 13 of the Articles;
- f) Ensuring that minutes are taken at all Board meetings;
- g) Overseeing preparation of the Annual and Directors' Reports;
- h) Ensuring that all required documents are filed with the Secretariat and Registered Agent;
- i) Preparing or causing to be prepared and signing contracts, leases, tax returns, grant agreements, applications for permits and registrations, and all other written documents on behalf of the CBF, subject to any approvals by the Board;
- j) Liaising with Governmental organizations, local communities, NGOs, businesses, donors, and the media.
- k) Collaborating with members of the Board to plan and agree on a future fundraising strategy for the CBF.
- l) Preparing plans, strategies, budgets and RFPs, including long-term strategic plans, annual operating plans, internal operations manuals and policies, and annual budgets, for the consideration of and approval by the Board;
- m) Coordinating with other initiatives in order to achieve greater efficiencies and synergies, access additional potential sources of funding, and raise awareness of any potential negative impacts on biodiversity that could result from proposed or current donor-funded, government-funded and private-sector-funded initiatives;
- n) Hiring and supervising CBF staff based on Board-approved budgets and authorization;
- o) Preparing and maintaining financial records and accounts, either directly or by supervising other officers and staff or professional service providers who may be charged with that responsibility;

- p) Administering, monitoring, and evaluating Board-approved transfers of funds to the NPATFs, including ensuring that NPATFs submit financial and technical reports as required by the Vertical Agreements between the CBF and NPATFs, resolving any issues involving an NPATF's failure to perform as agreed or failure to report in a proper and timely manner as required, and reporting to the Board on all of the preceding;
- q) Maintaining relations with the Investment Manager and/or Investment Consultant; and
- r) Reporting to CBF donors per financing and/or grant agreements.
- s) Ensuring that all other tasks assigned by the Board are performed and instructions of the Board are carried out in order for the CBF to achieve its Objects.

In his or her relations with the Board and the Registered Agent, the Chief Executive Officer must

- ensure that information which is relevant to the secretarial affairs of the CBF is provided promptly;
- notify the Registered Agent promptly of any changes to the Directors or their particulars, and to the accounting reference date; and
- ensure that minutes are taken of all meetings of the Board, Board Committees and general meetings in accordance with the Articles and provide such minutes to the Registered Agent.

The terms of reference for the Chief Executive Officer role are attached hereto as Exhibit 3.

### 2.3 **The Registered Agent**

The Board is the principal source of instructions to the Registered Agent. The Registered Agent will coordinate with the Chief Executive Officer in providing services that will enable the CBF to comply with the following legal requirements of the Acts:

- a) Maintain:
  - The register of Members, who shall initially be TNC and KfW;
  - The register of Directors;
  - The register of charges (if any) on the CBF's assets;
  - Minute books of the proceedings of general and Board meetings; and
  - Any other documentation that is required to comply with the Articles, the Acts or other applicable laws.

- b) Provide a registered office facility in the United Kingdom to ensure that statutory registers and the minute books for the company are available to the public and the company's officers, members and auditors in accordance with the Acts and any other applicable laws;
- c) Provide a safe-keeping facility for the company's title documents;
- d) Prepare the statutory accounts for the CBF;
- e) Handle necessary notifications and compliance requirements arising from appointment (or resignation) of Directors and/or Members (up to twice a year);
- f) Draft minutes approving the statutory accounts;
- g) Prepare and lodge the signed annual return at UK Companies House;
- h) Submit the company's statutory accounts to UK Companies House;
- i) Keep records of information and documentation provided by asset manager retained by CBF;
- j) Other services approved by the Board;

In the early days of the CBF, the Registered Agent may also be called upon to help the CBF's Directors understand UK legal requirements and highlight any changes in these requirements to the extent that they are applicable to the CBF.

## 2.4 **Conflicts of Interest**

The CBF has established a conflicts of interest policy (the "Conflicts Policy"), a copy of which is attached hereto as Exhibit 2. In general, the Conflicts Policy provides guidance on the legal requirements and sets out the policy of the CBF in relation to conflicts of interest. The following is a general overview of the Conflicts Policy:

Each of the Directors and staff of the CBF (including the CBF Chief Executive Officer) must declare in a written statement addressed to the Chairperson of the Board the nature and extent of any interest, direct or indirect, which he or she has in a proposed transaction or arrangement with the CBF or in any transaction or arrangement entered into by the CBF which has not previously been declared, unless the transaction or arrangement is permitted by the Articles.

A Director should absent himself or herself from any discussions of the Board in which it is possible that a conflict will arise between his or her duty to act solely in the interests of the CBF and any personal interest (including but not limited to any personal financial interest).

The unconflicted Directors may (subject to such terms and conditions, if any, as they may see fit to impose from time to time, and subject always to their right to vary or terminate such authorisation) authorise:

- any matter which would otherwise result in a Director infringing his or her duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest;
- a Director to accept or continue in any office, employment or position in addition to his or her office as a Director of the Company and without prejudice to the generality of Article 23 of the Articles may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises;

The Director in question and any other interested Director are not counted in the quorum at any Board meeting at which such matter, or such office, employment or position, is approved and it is agreed to without their voting or would have been agreed to if their votes had not been counted.

An interest includes both direct and indirect interests, but excludes interest which may arise due to the Director's involvement in the management of a not for profit beneficiary of the CBF.

## 2.5 **General Meetings**

Written notice of a general meeting must be sent to Members in advance of the meetings following the procedures set forth in Article 8 of the Articles.

The Chief Executive Officer must record and keep (or cause to be recorded and kept) accurate and complete minutes of all meetings of Members, which must include:

- The approved agenda;
- Names of Members present and, if relevant, the proxies of any Members and the appointor of the proxy;
- Proceedings;
- Decisions taken at the meeting; and
- Decisions taken by written resolution since the last meeting.

The Chief Executive Officer must file a copy of all such minutes with the Registered Agent.

## 2.6 **Meetings of the Board of Directors**

Written notice of meetings of the Board must be sent to Directors in advance of the meetings following the procedures set forth in Article 8 of the Articles.

Meetings shall be presided by the Chairperson. The Vice-Chairperson shall replace the Chairperson and exercise all of the powers and duties of the latter in the event of an absence or vacancy of the Chairperson. In the event of the absence or vacancy of both the Chairperson and Vice-Chairperson, the Directors in attendance shall appoint from among themselves a meeting Chairperson.

The Board may in its reasonable discretion grant to any party observational rights, revocable by the Board at any time, relating to meetings of the Board (the “Observer Rights”). Observer Rights will be granted to such parties in accordance with Article 17.5 of the Articles and those parties may include representatives from the following:

- Participating Countries’ governments (“CBF Focal Point”);
- Partners; and
- Civil society members.

The Chief Executive Officer must keep and record (or cause to be recorded and kept) accurate and complete minutes of all meetings of the Board, which must include:

- The appointments of Officers made by the Directors;
- Proceedings;
- Meetings:
  - names of the Directors present at the meeting;
  - decisions taken at the meetings; and
  - where appropriate, the reasons for decisions;
- Decisions taken by written resolution since the last meeting.

### **3 OPERATIONS**

#### **3.1 Funding of the Secretariat**

The CBF Secretariat was previously funded by way of the provision by KfW of €150,000 from its initial €10,000,000 allocation to the CBF to support the Secretariat’s start-up costs (including personnel, basic office supplies, computer, utilities, printing costs, travel, and fees associated with annual CBF audits). In each fiscal year, the CBF Secretariat’s administrative expenses will be funded, as approved by the CBF Board of Directors, by way of the allocation of a percentage of the monthly average of the value of the CBF’s endowment over the preceding thirty six (36)

months (or such number of months as are available for the calculation), calculated by reference to the monthly figures which are notified to the CBF by its investment manager (the “Reference Endowment Value”), and by way of external funding identified by the Secretariat as reasonably appropriate for such purposes.

Unless otherwise approved by the Members, in each fiscal year the CBF may not use for its administrative expenses more than one percent (1%) of the Reference Endowment Value. The CBF intends that any funds to be used for administrative expenses or otherwise shall not be distributed from sums representing capital in the CBF’s endowment and it shall use all reasonable endeavours to disburse any such funds from the income and gains of the CBF’s investments, save that the CBF Board of Directors reserves its discretion in that regard in order to secure the operational capability and stability of the CBF Secretariat.

### **3.2 The Secretariat and its Functions**

The Secretariat will be managed by a Chief Executive Officer, with administrative support outsourced to a financial services firm. The Secretariat will keep established an office within one of the Participating Countries, initially provided by way of a donation by TNC of office space for the Chief Executive Officer within one of its offices in the region, as a cost-saving measure to the CBF Secretariat.

The Secretariat’s responsibilities will include:

- General operational and administrative support to the CBF;
- Prepare, as requested by the CBF Board of Directors from time to time, an annual budget for the CBF Secretariat’s operations;
- Managing fiduciary services, including tracking funds with the investment manager, notifying the investment manager of the timing of transfers of investment proceeds to NPATFs, instructing the investment manager on allocating new capital to benefit specific NPATF endowments, etc.;
- Coordination and review of annual funding requests (containing workplans) and annual reports of usage of previous year’s funds from NPATFs in preparation for presentation to CBF Board;
- Quarterly reporting on investment management returns, fund transfers, etc. to the donors, NPATFs, and the Board;
- Assisting the Board in respect of overall CBF policy development;
- Facilitating meetings of the Board;
- Coordinating the annual audit of the CBF; and
- Managing promotional activities (press releases, web presence, etc.)

### 3.3 Fund transfers to NPATFs

Prior to the transfer if any payments pursuant to this paragraph 3.3 the NPATF will have followed the eligibility approval procedures as directed by the Board from time to time, the current version of which is set out at Exhibit 8.

The Vertical Agreement, a form of which is attached hereto as Exhibit 5, shall govern the transfer of funds from the Charity to the NPATFs, together with any detailed payments procedures and guidelines determined by the Board from time to time, the current versions of which are attached hereto as Exhibit 9. Each year, the Board shall consider requests from each NPATF for payments to each of them pursuant to the Articles and to each Vertical Agreement with an NPATF.

In each fiscal year, the CBF Board of Directors may approve up to an amount representing five percent (5%) of the Reference Endowment Value to be transferred to the NPATFs in proportion to each NPATF's allocation of the total contributions from the donors as set out in the schedule of donor contributions and country allocations, the current version of which is included in section 4 and which shall be updated by the CBF Secretariat from time to time; and

The CBF Board of Directors may approve an amount representing proportionate and reasonable assistance for the costs and expenses of the set-up and operationalization of any NPATF to be distributed from the income and gains of the CBF's investments at the CBF's absolute discretion and the CBF may distribute any such amount prior to the relevant NPATF's entry into a Vertical Agreement or at such other time, in each case at the CBF's absolute discretion.

Transfers to the NPATFs will be made at such times and in respect of such periods as are specified in any detailed payments procedures and guidelines determined by the Board from time to time, the current versions of which are attached hereto as Exhibit 9, and otherwise at the CBF's discretion in accordance with the relevant Vertical Agreement.

As prescribed in the Articles (§§ 27 and 28), the Board may make a payment to an NPATF only if certain conditions are met. Among them, the NPATF must:

- have as its main purpose the conservation of biodiversity in the National Protected Areas System;
- have first entered into a binding Vertical Agreement with the CBF, (except in the discretionary circumstances described in Article 27.4 of the Articles and above in this paragraph 3.3);
- comply with the obligations in respect of use of funds described and set out in paragraph 3.5(b) of this Operational Manual; and

- comply with any detailed payments procedures and guidelines determined by the Board from time to time, the current versions of which are attached hereto as Exhibit 9.

The CBF intends that any funds to be transferred to an NPATF under this paragraph 3.3 shall not be sums representing capital in the CBF's endowment and it shall use all reasonable endeavours to transfer any such funds from the income and gains of the CBF's investments, save that the CBF Board of Directors reserves its discretion in that regard for any reasonable purpose.

### 3.4 **Matching Requirement**

The CBF has as one of its key objectives to promote the establishment of sustainable finance mechanisms by the NPATFs, in collaboration with other stakeholders that would attract additional donors and resources to each of the NPATFs supported by the CBF. These sustainable finance mechanisms would in turn provide the Matching Requirement (as defined below) required by the CBF. This is an essential element of the sustainable finance architecture for conservation being established in the Caribbean region. The intent is for these mechanisms to be sustainable, new and additional.

Transfer of the allocations above is made provided that, starting on the second (2nd) anniversary of the date of a NPATF's entry into a Vertical Agreement, it shall be required to generate new and additional funding, through sustainable finance mechanisms, on an annual basis for supporting the CBF's objects as set out in the Articles. This new and additional funding must be of an amount no less than the annual disbursements made by the CBF to the NPATF in each applicable disbursement period (which amount is hereafter referred to as the "Matching Requirement").

If an NPATF fails to generate its annual Matching Requirement in its entirety, then the amount of the NPATF's pro-rata share of the CBF allocation of the Reference Endowment Value to that NPATF shall be reduced by any amount which is equal to the shortfall between the Matching Requirement and the amount that is actually generated that year by the NPATFs. With regard to the Matching Requirement, the Vertical Agreement specifically requires NPATFs to provide to the CBF within forty five (45) days of the first day of each fiscal year an acknowledgement from the NPATF's Executive Director that the NPATF has deposited in a bank or financial institution on terms acceptable to the CBF an amount representing its Matching Requirement.

### 3.5 **NPATF disbursements to beneficiaries**

- (a) Disbursements of funds from the NPATFs to local government agencies and civil society beneficiaries in Participating Countries (based upon annual funding requests, i.e. workplans submitted to the CBF and approved by the NPATF's Board of Directors) will be governed by rules prescribed in the applicable Vertical Agreement. For the period of the World Bank's participation in the "Sustainable Financing and Management of Eastern Caribbean Marine Ecosystems" Project, these disbursements will likely be considered demand-driven sub-projects which must adhere to the World Bank's anti-corruption guidelines and a procurement plan.

(b) In addition, each NPATF agrees to use any funds transferred by the Charity to pay only for:

- government agencies beneficiaries’ Direct Project Implementation Costs;
- civil society beneficiaries’ Direct Project Implementation Costs and Indirect Project Implementation Costs; and
- projects that are consistent with internationally recognized environmental and social safeguards,

and further agrees not to use any funds transferred by the Charity to pay, directly or indirectly, for:

- activities relating to the extraction of non-renewable natural resources; or
- any other use not consistent with these Articles.

“Direct Project Implementation Costs” for the purposes of this paragraph means costs that are additional to existing government budgets and incurred directly from activities associated with projects aimed at the NPATF’s objects, and the implementation thereof, including, but not limited to management plans, workshops, sustainable livelihood activities, and other specific project activities.

“Indirect Project Implementation Costs” for the purposes of this paragraph means costs incurred indirectly from activities associated with projects aimed at the NPATF’s objects, and the implementation thereof, including, but not limited to project accounting costs, and other indirect costs.

### **3.6 Procurement of Goods and Consultant Services for the CBF**

Once the CBF is operational, the CBF Secretariat will be responsible for procurement of goods and consultant services in accordance with rules prescribed in this Operational Manual, which include, but are not limited to, services that may be provided by accountants, auditors, lawyers, investment consultants and investment managers. The following considerations guide the CBF’s process for selecting consultants for services to be provided to the CBF:

- (a) the need for high-quality services;
- (b) the need to give qualified consultants an opportunity to compete;
- (c) the need for transparency in the selection process; and
- (d) the need for economy and efficiency in the services to be delivered.

The CBF recognizes that, in the majority of cases, these considerations can best be addressed through competition among qualified short-listed firms in which the selection is based on the quality of the proposal and, where appropriate, on the cost of the services to be provided. The

CBF also recognizes that the services it requires are likely to involve international competitive selection.

Consultants are expected to provide professional, objective, and impartial advice and at all times and to hold the CBF's interests paramount. To this end, the CBF will apply its best effort to identify whether the following potential or real conflicts of interest are present in the selection process:

- Conflict between consulting activities and procurement of goods, works or services that will be supplied to the CBF or previous involvement in the selection process.
- Conflict among consulting assignments: Neither consultants (including their personnel and sub-consultants) nor any of their affiliates shall be hired for any assignment that, by its nature, may be in conflict with another assignment the consultants have accepted for the CBF.
- Relationship with CBF staff: Conflict arising when the consultants (including their personnel and sub-consultants) have a business or family relationship with the CBF secretariat's staff or a CBF Director, or anyone else with a material interest in or control over the CBF.

The Board is the final authority for decisions related to potential or real conflicts of interest in the selection process.

#### Competitive Selection of Consultants

The Board is responsible for contracting with an investment manager, investment consultant, custodian, registered agent and any other professional service provider that is engaged in the interest of sound operation of the CBF. The Board will appoint a Chief Executive Officer to attend to the Board's operational and administrative needs.

The following are **key components of the competitive selection process** and are subject to review by the Board *ex ante* or *ex post* in the selection process, as they deem necessary:

Terms of Reference ("TOR") that define clearly the objectives, goals, and scope of the assignment and provide background information (including a list of existing relevant studies and basic data) to facilitate the consultants' preparation of their proposals.

**Budget.** A well-thought-through cost estimate is prepared to earmark realistic budgetary resources.

**Advertising.** Information is disseminated by appropriate means in order to obtain proposals from several qualified firms. Pre-identification of experienced firms may be sought through "expressions of interest". The information requested should be the minimum required to make a judgment on the firm's suitability and not be so complex as to discourage consultants from expressing interest. TORs should be advertised for a minimum of 30 days.

*Short-list.* A sufficient number of qualified firms is available for having a short list of firms with competitive costs. In general, a short-list will comprise no less than three firms.

*Request for Proposals (“RFP”).* RFPs should include (a) a Letter of Invitation (i.e. the services sought, the details of the CBF and the date, time, and address for submission of proposals); (b) Information to Consultants (i.e. necessary information that would help consultants prepare proposals), (c) the TOR, and (d) a proposed contract or special contractual obligations that would not be considered standard in an agreement to provide services or are specific to the assignment.

*A Rating System for Evaluating Proposals:* The quality of a technical proposal is rated taking into account: (a) the consultant’s relevant experience for the assignment, (b) the quality of the methodology proposed, (c) the qualifications of the key staff proposed, and (d) transfer of knowledge, if required in the TOR. Weighted numerical ratings, consistent with the type and complexity of the assignment and taking into account any pre-selection using the above criteria, will be used to score the proposals.

The following *methods of selecting consultants* are employed by the CBF. The Board approves the method prior to initiation of the selection process.

*Quality and Cost-Based Selection (“QCBS”):* QCBS uses a competitive process among short-listed firms that takes into account the quality of the proposal and the cost of the services in the selection of the successful firm. Cost as a factor of selection is used judiciously. The relative weight to be given to the quality and cost should be determined for each case depending on the nature of the assignment.

*Quality-Based Selection (“QBS”):* QBS is used for complex or highly specialized assignments for which it is difficult to define precise TOR or assignments that have a high downstream impact and in which the overriding objective is to have the best experts. Because of the emphasis on the quality of the proposal, the RFP may request submission of a technical proposal only (without the financial proposal), or request submission of both technical and financial proposals at the same time, but in separate envelopes (two-envelope system).

*Fixed Budget:* This method is appropriate only when the assignment is simple and can be precisely defined and when the budget is fixed. The RFP indicates the available budget and requests the consultants to provide their best technical and financial proposals in separate envelopes, within the budget. TORs should be particularly well prepared to make sure that the budget is sufficient for the consultants to perform the expected tasks. Evaluation of all technical proposals is carried out first, then the price proposals are opened in public and prices read out aloud. Proposals that exceed the indicated budget are rejected. The Consultant who has submitted the highest ranked technical proposal among the rest should be selected and invited to negotiate a contract.

*Least-Cost Selection (“LCS”)*: This method is only appropriate for selecting consultants for assignments of a standard or routine nature (audits, engineering design of noncomplex works, and so forth) where well-established practices and standards exist. Under this method, a “minimum” qualifying mark for the “quality” is established. Proposals, to be submitted in two envelopes, are invited from a short list. Technical proposals are opened first and evaluated. Those securing less than the minimum qualifying mark are rejected, and the financial proposals of the rest are opened in public.

*Consultants’ Qualifications (“CQS”)*: This method may be used for small assignments for which the need for preparing and evaluating competitive proposals is not justified. In such cases, the Borrower should prepare the TOR, request expressions of interest and information on the consultants’ experience and competence relevant to the assignment, establish a short list, and select the firm with the most appropriate qualifications and references. The selected firm should be asked to submit a combined technical-financial proposal and then be invited to negotiate the contract.

The CBF recognizes that non-competitive selection is an exceptional practice that may be justified in certain cases. In those cases, the following selection method may be used:

*Single Source Selection (“SSS”)*: SSS does not involve a competitive selection process and may be appropriate only if it presents a clear advantage over competition such as (a) for tasks valued at less than US\$25,000 that represent a natural continuation of previous work carried out by the firm, provided they do not exceed 25% of the original contract value and (b) in emergency cases, such as in response to disasters and for consulting services required during the period of time immediately following the emergency, (c) for very small assignments or (d) when only one firm is qualified or has experience of exceptional worth for the assignment. All such SSS cases are subject to the prior no-objection of the CBF Board.

The Board must ensure that all assignments are carried out, and all payments are made, in conformity with the approved conditions of signed contracts.

### Operational Costs

Whenever feasible, the comparison of three quotations should be followed.

### Contracting of staff

For the contracting of staff, the same key components of the competitive selection process mentioned above apply. The Board will prepare in advance of each contracting process a comprehensive tender document that specifies details of timelines, application and evaluation procedures.

### 3.7 **Environmental Safeguards**

The proceeds from the CBF are expected to facilitate the expansion of the Protected Area (“PA”) network in the Caribbean region and create the enabling conditions for more effective management of PAs, and therefore, are expected to generate significant positive environmental benefits in conserving the natural integrity and biodiversity of the Participating Countries. Expansion and/or strengthening of management effectiveness of National Protected Areas Systems may be achieved through a range of activities, including without limitation promoting for the benefit of the public the conservation, protection, management and expansion of the National Protected Areas Systems of the Participating Countries by providing a sustainable flow of funds to support, without limitation, enforcement, infrastructure, monitoring needs and other activities that contribute substantially to the conservation, protection and maintenance of biodiversity within the National Protected Areas Systems or any other area of environmental significance of the Participating Countries. Implementation of these activities may have adverse environmental consequences, including without limitation damage to coral and reef systems from mismanaged activities; disturbances to bird, mammal, and fish species from poor tourism practices; and noise, dust and air pollution from small infrastructure works (such as a visitor center and boardwalk). These adverse environmental impacts are expected to be minor, localized and preventable through responsive mitigation measures. An initial screening for potential environmental impacts associated with the design, construction, and use of any activities using environmental guidelines and the identification of measures to mitigate the impacts identified, must be undertaken by proponents at the national level consistent with this Operational Manual, the Vertical Agreement and the respective country’s legal and regulatory requirements. Environmental assessments would be conducted as needed.

### 3.8 **Social Safeguards**

The proceeds of the CBF are expected to catalyze positive social outcomes, for example, related to the improvement of natural resource and environmental conditions and potential economic benefits to local populations from improved tourism and other economic opportunities. However, there may be some potential nonphysical (economic) displacement issues associated with possible restrictions on resource use in, and access to, core areas of PAs. Some livelihood activities may be adversely impacted in MPAs, including without limitation the limiting of fishing areas through zoning, limiting fish catches, banning certain fishing techniques, or restricting certain types of fishing. In addition to those engaged in fishing, tourism operators and vendors, and resource extractors and harvesters (e.g. corals, sand, cockles) may also be adversely affected. For terrestrial PAs, livelihoods of tourism operators and vendors, farmers, hunters, and resource extractors (e.g. timber, firewood, plants), among others may be adversely impacted. It should also be noted that some restrictions on livelihoods may currently exist, but are often not regularly enforced due to capacity constraints. Hence, due to the overall conservation strategy of

the CBF, it may be necessary that persons or communities change some ongoing negative practices, such as limiting or restricting or prohibiting the use of certain areas or resources. The CBF, through each NPATF would address this issue by: (a) ensuring stakeholder consultations are carried out; (b) providing guidelines to proponents to include sustainable development action plans which would harmonize social strategy with conservation practices to offer sustainable alternatives to substitute damaging practices; and (c) undertaking adequate M&E to verify adoption of these guidelines.

#### **4 INVESTMENT OF FINANCIAL ASSETS**

The CBF holds contributions from KfW, TNC, and the GEF in the form of an endowment that is invested in order to generate long-term sustainable financing for carrying out the CBF's objects. The CBF may perform the same function with respect to other contributions as and when they are made available to it.

Initial capitalization funds will be channeled into sub-accounts for each of the eight participating countries as set out in the table below.

**DONOR CONTRIBUTIONS AND COUNTRY ALLOCATIONS**

<b>NPATF</b>	<b>KfW</b>	<b>TNC</b>	<b>GEF</b>
Antigua & Barbuda	€1,966,860	US\$300,000	US\$1,440,000
Bahamas		US\$5,000,000	
Dominican Republic	€6,566,200	US\$1,000,000	
Grenada	€1,966,860	US\$300,000	US\$1,440,000
Jamaica	€3,449,500	US\$500,000	US\$750,000
St. Kitts & Nevis	€1,966,860	US\$300,000	US\$1, 440,000
St. Lucia	€1,966,860	US\$300,000	US\$1,440,000
St. Vincent & the Grenadines	€1,966,860	US\$300,000	US\$1, 440,000
CBF Secretariat	€150,000		
<b>Total</b>	<b>€20,000,000</b>	<b>US\$8,000,000</b>	<b>US\$7,950,000</b>

#### **4.1 Investment Policy**

Exhibit 6 to this Operational Manual defines the broad lines of the philosophy that will guide the CBF in investing its capital. The CBF relies on the financial expertise of its Finance Committee to develop the investment policy and guidelines, as well as spending policy, which shall be discussed and considered for approval by the Board.

#### **4.2 Investment management performance evaluations**

The Board, in consultation with its Finance Committee, is responsible for evaluating the investment consultant's or investment manager's performance. The Board assumes this responsibility through annual meetings with the investment consultant or investment manager, and the Finance Committee carries out this responsibility through quarterly examinations and discussion of current year and cumulative results in comparison with a target portfolio and reference indices, by teleconference or physical meetings.

### **5 ACCOUNTS AND AUDITS**

#### **5.1 Accounts**

Accounts are prepared in accordance with the requirements under the Acts and the UK ASB code of practice. The Chief Executive Officer and his or her staff are responsible for keeping the accounts and for producing statements at the end of the financial year that present a true and fair value of the CBF's worth. The statements comprise: (1) a SOFA; (2) a balance sheet and (3) explanatory notes that explain in more detail how income and expenditure is made up and gives extra information about particular assets and payments.

#### **5.2 Audits**

The accounts of the CBF are subject to an annual audit in accordance with the procedures required by part 6 of the 1993 Companies Act, as amended by part 2 of the 2006 Companies Act or, otherwise, at the request of the donor, to provide independent scrutiny of accounts. In accordance with World Bank requirements, the auditor should be a registered auditor who, as an audit professional, applies auditing standards issued by the UK APB.

Audit terms of reference will specify that the auditor will (i) be a "registered auditor" who is registered with a recognized supervisory body in accordance with the Companies Act 2006 and (ii) use accounting recommendations and guidance of the SORP (2005 version, attached hereto as Exhibit 7) that supplement accounting standards for registered UK charities as reference point.

The auditors shall conduct annual audits for a period of three consecutive fiscal years at which time the Board will select a new auditor.

Per the terms of the Vertical Agreement, NPATFs must appoint an independent external auditor of internationally recognized standing and competence to audit the financial accounts of the NPATF on an annual basis. NPATFs must provide to the CBF such auditor's completed annual report.<sup>2</sup>

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<sup>2</sup> For informational purposes only. The financial statements of the several NPATFs will not be consolidated with the financial statements of the CBF. There need not be any relationship between the CBF auditor and the auditors of the several NPATFs.

## 6 REPORTING

### 6.1 UK Requirements

The table below sets out the various mandatory financial and reporting requirements of the CBF.<sup>3</sup>

Documents to be provided to Oversight Bodies in accordance with the Acts and other applicable laws:

Recipient	Document	Brief Description	Applicable directives <sup>4</sup>	Submission Date	Disclosure
Charity Commission					
	Annual Accounts	Presentation of the CBF's financial situation through its (1) sources of income and expenditure, and (2) assets and liabilities.	The entities created under the Companies Act, use the accrual accounting method and present: - PA profit and loss account - A balance sheet - Explanatory notes -	At the latest, 10 months after the close of the financial year.	Available to the public
	Audit	Financial audit of the CBF's accounts	The auditor is independent and applies the standards of the Auditing Practices Board	At the latest, 10 months after the close of the financial year.	Available to the public
	Annual Return including Summary Information Return	Update of general information on the CBF; summary of key aims, activities and achievements		At least once every 12 months	Available to the public
	Directors' Annual Report	A succinct but comprehensive report on the activities of the CBF for the past year. <sup>5</sup>	- A list of Directors in place at the end of the year and those who served in the course of the year. -The name, address, number and purpose of the CBF. -A declaration on	At the latest, 10 months after the close of the financial year.	Available to the public

<sup>3</sup> The submission dates for the documents required by UK oversight bodies differ from the submission dates required by donors. The latter appear in §6.2.

<sup>4</sup> Obligatory according to SORP 2005 of the UK Charity Commission or the Companies Act 2006.

<sup>5</sup> Sufficient information must be made available to allow various stakeholders to evaluate the performance of the CBF.

			<p>management of risks.</p> <p>-Accomplishments of the past year.</p> <p>-A summary of the arrangements for investing the assets.</p> <p>-Performance of the invested portfolio</p> <p>-Grant making policy.</p> <p>-Other subjects listed on the web site of the Charities Commission and in the Statement of Recommended Practices (SORP 2005).</p> <p>-Subjects that are desirable, but not mandatory.<sup>6</sup></p>		
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Companies House					
	Accounts	See section on accounts above	See section on accounts above	At the latest 9 months after the close of the financial year.	Available to the Public
	Audit	A statement from the Directors that the CBF is exempt (gross revenue is equal to or inferior to 500.000 GBP <sup>7</sup> )	The form of this statement is available from the Companies House	NA	NA
	Director's Report	See section on Director's Report above	See section on Director's Report above Must also include the topics required by Chapter 5 of the Companies Act 2006		
	Annual	Update of general		At least once	Available to

<sup>6</sup> According to Publication RS8 – *Transparency and Accountability*, the treatment of the following subjects is desirable to attain “best practice”: (1) The activities and amounts spent on the activities of the CBF; (2) Expenditures made on fundraising activities; (3) The impact of activities; (4) Management expenses of the CBF; (5) The policy for investing assets; (6) Sources for contributions received by the CBF.

<sup>7</sup> 592.000 EUR at the rate of 1 EUR = 0.845 GBP (July 2009).

	Return	information on		every 12	the public
		the CBF		months	

## 6.2 Donor Requirements

The CBF is also responsible for making various documents accessible to the Donors. In line with its obligations under the Grant Agreements signed with each Donor, the following documents must be made readily available:

### Documents to be provided to Donors<sup>8</sup>

Recipient	Document	Submission Date
KfW, World Bank, TNC	Investment Manager's Reports	Quarterly within 45 days of the close of the financial quarter.
KfW, World Bank, TNC, Public <sup>9</sup>	Audited Financial Statements	Annually, within six months of the close of the financial year to be defined in the donor Grant Agreements.
KfW, World Bank, TNC	Annual Report	Within six months of the close of the financial year to be defined in the donor Grant Agreements.
KfW, World Bank, TNC	Narrative and financial reports on activities financed by grants	Narrative reports should be issued quarterly, within 45 days of the close of the financial quarter.  Interim unaudited financial reports

<sup>8</sup> This section should be reviewed, and revised as necessary, after financing between the CBF and each of its donors have been finalized.

<sup>9</sup> The method of public dissemination will be determined by the CBF Board of Directors.

		should be issued quarterly, within 45 days of the financial quarter to be defined in the donor Grant Agreements.
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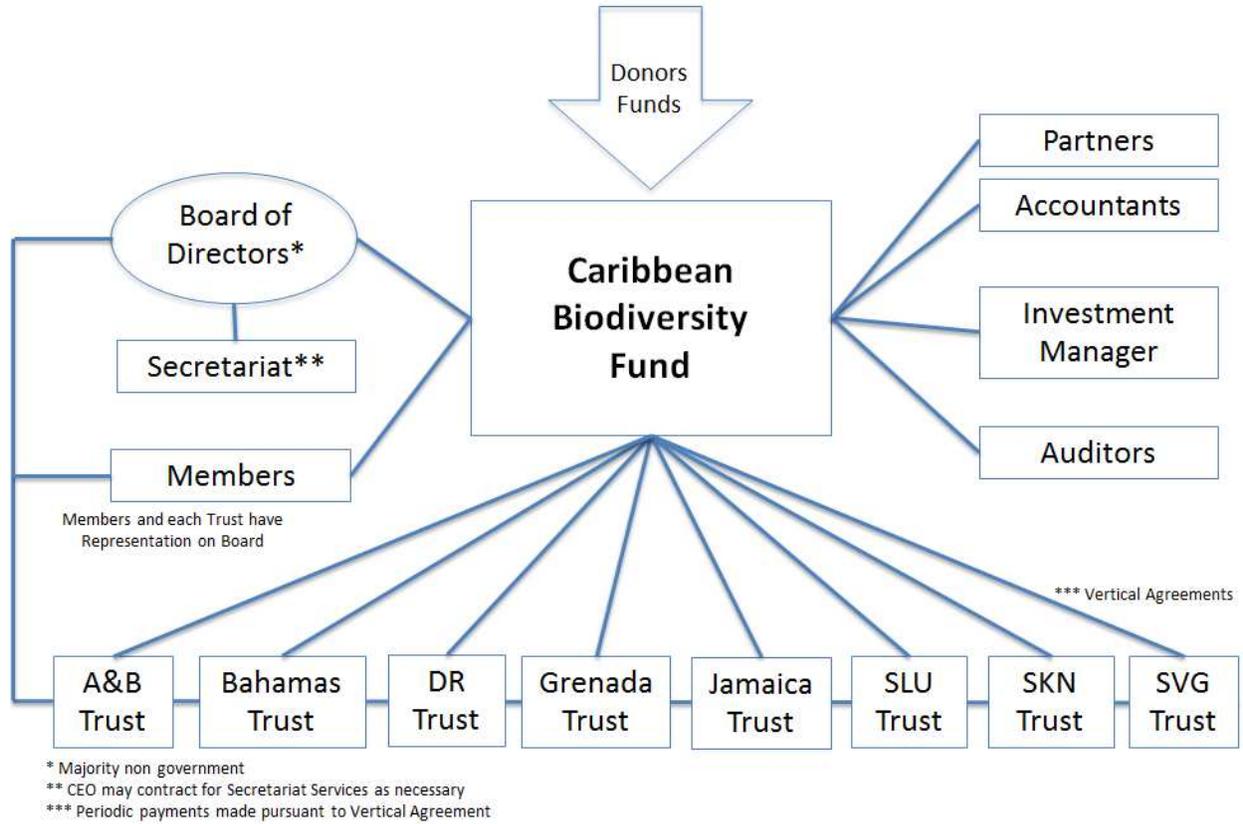
## 7 EVALUATIONS

The Board may, at its discretion, request that CBF be the subject of an independent evaluation covering any or all of the following: the effectiveness of its governance structures, grant-making operations and impact on conservation.

The CBF may itself be designated to be the subject of an independent evaluation that could cover the CBF alone, and/or the CBF and one or more NPATF. In such a case, the CBF and the relevant NPATF(s) must make all requested information readily available to, and cooperate fully with, the evaluators.

# EXHIBIT 1

## Caribbean Biodiversity Fund Organization and Funds Flow



## **EXHIBIT 2**

### **CONFLICTS OF INTEREST POLICY for the CARIBBEAN BIODIVERSITY FUND**



EXHIBIT 2 CBF  
Conflict of Interests F

## EXHIBIT 3

### TERMS OF REFERENCE - CBF CHIEF EXECUTIVE OFFICER

The Caribbean Biodiversity Fund (the “CBF”) is legally established as a UK Charity whose purpose is to conserve the unique biodiversity of the Participating Countries of the Caribbean region, by making grants to National Protected Areas Trust Funds (“PATFs”) in each such country.

The CBF seeks the services of a Chief Executive Officer to manage the CBF’s operations from its headquarters in Nassau, The Bahamas.

1. General. The Chief Executive Officer shall be responsible for the general and active management of the affairs of the CBF, subject to the supervision and control by CBF’s Board of Directors (the “Board”). The Chief Executive Officer shall be based in Nassau, The Bahamas and shall have the specific duties set forth herein and in the CBF’s bylaws, and such other duties as the Board may from time to time prescribe.

2. Reporting to the Board and Participation in Board Meetings. The Chief Executive Officer is responsible for reporting to the Board on the activities of the CBF and participating in its meetings from time to time as requested by the Board. To the extent requested by the Board, the Chief Executive Officer shall ensure that appropriate staff members are available to assist at Board meetings.

3. Reporting to the Chairperson of the Board. The Chief Executive Officer is responsible for promptly, regularly and fully informing the Chairperson of the Board about the current affairs, activities and finances of the CBF, and for obtaining the Chairperson’s advice and approval in all cases where this may be required by the Articles, Bylaws or Operational Manual.

4. Authority to sign contracts. The Chief Executive Officer generally prepares or causes to be prepared and signs contracts, leases, tax returns, grant agreements, applications for permits and registrations, and all other written documents on behalf of the CBF, subject to any approvals by the Board.

5. Liaise with Governmental organizations, local communities, NGOs, businesses, donors, media. The Chief Executive Officer generally represents and promotes the CBF’s interests in day-to-day dealings and on-going liaison with representatives of the governments of the Participating Countries; local and international non-governmental organizations; local and international businesses that impact biodiversity or are potential donors to the CBF; multilateral and bilateral international donor agencies; foundations and wealthy individuals who are potential donors to the CBF; local and international scientific and educational institutions/ associations/individuals; regional institutions; and local and international media.

6. Fundraising. The Chief Executive Officer collaborates with members of the Board to plan and agree on a future fundraising strategy for the CBF. A significant amount of the Chief Executive Officer’s time, particularly in the first three years of the CBF’s existence, might be devoted to the development and implementation of the CBF’s fundraising strategy and in securing the additional capital needed to reach the CBF’s initial capitalization target of US \$40 million. The Chief Executive Officer shall research and identify potential donors, meet with and make presentations to potential donors, prepare grant applications to potential donors and negotiate the terms of grant agreements with donors, prepare reports

to donors and resolve any issues raised by donors, and travel within and outside the Caribbean countries in connection with the foregoing efforts.

7. Preparation of plans, strategies, budgets and RFPs: The Chief Executive Officer is responsible for the development and implementation of long-term strategic plans, annual operating plans, internal operations manuals and policies, and annual budgets, prepared by the Chief Executive Officer and CBF staff for consideration and approval by the Board.

8. Coordination with other initiatives. The Chief Executive Officer interacts with other donor-funded initiatives and government initiatives in order to coordinate efforts, achieve greater efficiencies and synergies, access additional potential sources of funding, and raise awareness of any potential negative impacts on biodiversity that could result from proposed or current donor-funded, government-funded and private-sector-funded initiatives.

9. Hiring and Supervision of Staff. The Chief Executive Officer generally hires the other staff of the CBF based on Board-approved budgets and authorization (except for positions that may require Board approval), prepares work-plans for such other staff, supervises the proper performance of their duties, evaluates and (if necessary) terminates other staff.

10. Maintaining financial records and accounts. The Chief Executive Officer ensures the proper preparation and maintenance of financial records and accounts of the CBF, either directly or by supervising other officers and staff who may be charged with that responsibility.

11. Administration, Monitoring and Evaluation of Grants: The Chief Executive Officer is responsible for administering Board-approved transfers of funds to PATFs; ensuring that PATFs submit financial and technical reports as required by the Vertical Agreements between the CBF and PATFs; resolving any issues involving a PATF's failure to perform as agreed or failure to report in a proper and timely manner as required; and reporting to the Board on all of the preceding.

12. Relations with the Investment manager and/or investment consultant. The Chief Executive Officer assists the Board in reviewing and monitoring all reports from the investment manager and/or investment consultant, and shall be in regular and frequent contact with the investment manager and/or investment consultant in order to ensure that any significant developments relating to the CBF's investments are promptly brought to the attention of the members of the Finance Committee of the Board.

## **Fundraising Objectives:**

1. The Chief Executive Officer and the Board together set annual fundraising goals for the CBF, and the Chief Executive Officer submits detailed annual plans for action to meet the annual goal, and informs and works together with members of the Board on an ongoing basis to implement and achieve this plan.
2. The Chief Executive Officer monitors/evaluates progress toward goals, provides statistical reports, on an ongoing basis and as requested by the Board or its Chairperson, and suggests/requests appropriate assistance and advice from Board members regarding fundraising from particular potential donors.

3. The Chief Executive Officer researches international development aid agencies, other public and private grant agencies, foundations, corporations, associations and individuals to identify potential sources of contributions to the CBF's capital.
4. The Chief Executive Officer develops written marketing materials, including brochures, pamphlets, letters and information/promotional materials and submits these to potential donors, as appropriate.
5. The Chief Executive Officer contacts potential donors by telephone and through personal meetings, and makes presentations about the CBF at conferences and other organized events where donors or their representatives are present. The Chief Executive Officer keeps detailed records of meetings and other solicitation activities.
6. In appropriate cases, the Board will advise and assist the Chief Executive Officer in deciding whether or how to approach a particular potential donor, and in the development of specific fundraising proposals.
7. The Chief Executive Officer shall approve all publicity releases associated with donor contributions and special events for cultivating or acknowledging donors who support the CBF, in consultation with the Board in advance.
8. The Chief Executive Officer monitors proposal deadlines, prepares and edits proposals and manages proposal submissions. The Chief Executive Officer ensures that contacts with existing donors to the CBF are maintained and that those donors' reporting requirements are met in order to sustain successful relationships with donors.
9. The Chief Executive Officer coordinates with national governments and NGOs in each of the Participating Countries to identify and mobilize potential fundraising resources/ skills/contacts that exist within their respective countries, including any links to overseas diaspora communities, in efforts to raise funds for the CBF, and to avoid any fundraising competition or conflicts with PATFs.
10. The Chief Executive Officer researches, discusses and cooperates with national governments, NGOs, businesses and communities to identify and to advise on designing and implementing new ways of raising revenues for protected areas based on user fees, earmarked taxes, debt swaps and other types of financial mechanisms.

## **Qualifications:**

All candidates for Chief Executive Officer must provide evidence of the following skills and abilities:

1. An undergraduate degree from a recognized university is required, and in addition, an MBA or other graduate degree is preferred.
2. At least 5 years of experience in a similar position.

2. Demonstrated skill, experience and success in marketing and fundraising with an emphasis on raising funds from multilateral and bilateral aid agencies, foundations, and corporations.
3. Excellent interpersonal and communications skills, and the ability to work with groups and organizations both within and outside the Participating Countries. Experience in working with international aid and development agencies, foundations and corporations will be of the greatest importance.
4. Be a highly energetic, self starting, entrepreneurial and creative individual who can express/recognize ideas, opportunities, and communicate goals and objectives clearly.
5. Exemplary verbal and written skills in English. Knowledge of Spanish would also be an advantage, but is not a requirement.
6. An ability and willingness to travel internationally on a regular basis.
7. Demonstrated organizational and management experience in administering staff, developing and implementing a detailed budget and other resources.
8. Experience working with and reporting to a Board of Directors, interacting with Board members and submitting memoranda and reports thereto.
9. Familiarity (or the ability to quickly achieve familiarity) with biodiversity conservation issues and protected area management activities.

### **Appointment:**

The Chief Executive Officer shall enter into an employment agreement with the CBF. The Chief Executive Officer's position will be contracted on an annual basis. Provided he/she continues to meet and/or exceed the above described objectives and the fundraising targets set by the Board, as set forth in the employment agreement, this contract will be renewed. An annual review and evaluation will be concluded each year and will be the basis for the Chief Executive Officer's continuing appointment, salary increases, promotions, etc.

## **EXHIBIT 4**

### **Articles of Association of the Caribbean Biodiversity Fund**



Revised Articles of  
Association 091912.doc

# **EXHIBIT 5**

## **VERTICAL AGREEMENT**

**between**

**THE CARIBBEAN BIODIVERSITY FUND**

**and**

**[COUNTRY] PROTECTED AREAS TRUST FUND**



Form of Vertical  
Agreement (CBF and

# EXHIBIT 6

## CBF Investment Policy



CBF Investment  
Strategy Final.doc

**EXHIBIT 7**

**Accounting and Charities: Statement of Recommended Practice**



Accounting &  
Reporting Requirements

**EXHIBIT 8**

**Eligibility Approval Procedures**

**EXHIBIT 9**

**Payment and Transfers Policy and Procedures**