



1. Project Data

Project ID

P127490

Project Name

BT; Biodiversity Conservation

Country

Bhutan

Practice Area(Lead)

Environment, Natural Resources & the Blue Economy

L/C/TF Number(s)

TF-14705

Closing Date (Original)

31-Dec-2018

Total Project Cost (USD)

4,078,918.85

Bank Approval Date

15-May-2013

Closing Date (Actual)

31-Dec-2018

IBRD/IDA (USD)
Grants (USD)

Original Commitment

4,080,000.00

4,080,000.00

Revised Commitment

4,078,918.85

4,078,918.85

Actual

4,078,918.85

4,078,918.85

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2. Project Objectives and Components

a. Objectives

According to the Grant Agreement, the objective of the Project is to improve the operational effectiveness and institutional sustainability of the Bhutan Trust Fund for Environmental Conservation (BT FEC).

b. Were the project objectives/key associated outcome targets revised during implementation?

No



c. Will a split evaluation be undertaken?

No

d. Components

Components

The following three components are stipulated in the Grant Agreement (Schedule 1 - Project Description):

Component 1: Enhancing the operational effectiveness and sustainability of BTFEC. (At approval: US\$0.8 million; Actual US\$0.99 million). The objective is to support BTFEC in carrying out the update and implementation of its second Strategic Plan (2010-2015) by adopting more modern governance and business practices and ensuring the adequacy of its resources and tools going forward.

Component 2: Improving Conservation Management of the High-Altitude Northern Areas (HANAs) landscape in Bhutan (including protected areas and associated methods, forests and agricultural systems) through the provision of sub-grants to eligible beneficiaries to finance specific sub-projects. (At approval: US\$2.84 million; Actual: US\$2.93 million). To achieve the goal of this component, conservation grants for the targeted areas were processed and approved through BTFEC's existing grant management system (maximum US\$300,000 per grant).

Component 3: Capacity building for mainstreaming of conservation and sustainable forest and natural resource management approaches in national policies, strategies and plans. (At approval: US\$0.44 million; Actual US\$0.16 million). Successful mainstreaming into nation-wide policy and planning was also expected to support the institutional sustainability of BTFEC in providing a clear future role for the institution at a national level

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Cost. At appraisal, the total cost of the Project was estimated at US\$5.88 million, comprising the US\$4.08 million usable proceeds of the GEF grant and an expected additional US\$1.8 million of co-financing from the Recipient and local communities. This was later revised to remove all the local co-financing. Additional parallel financing of US\$1.5 million was provided by WWF for complementary conservation activities in HANAs national parks, however this additional financing was not channeled through BTFEC.

Financing. All the Project financing (other than the WWF parallel financing) was provided by the US\$4.08 million GEF grant.



Borrower Contribution: As indicated above, US\$1.5 million was anticipated at Appraisal to come from the Recipient (and was backed by a commitment letter) and another US\$0.3 million from local communities. None of this co-financing materialized in the Project (however it could have been used for parallel activities that were not specified in the ICR). [Question for TTL]

Dates. The Project was approved on 05/15/2013 and became effective on 11/04/13. It underwent a mid-term review on 05/23/2017. The actual closing was on 12/31/2018, coincident with the original closing

3. Relevance of Objectives

Rationale

Country and Sector Context.

The Kingdom of Bhutan is a small, mountainous, landlocked country in South Asia. Bhutan is home to a population of about 770,000 people spread over approximately 38,394 square kilometers (14,824 square miles), with about 71 percent of its land under forest cover. Bhutan is classed as a globally outstanding eco-region and is considered a 'global biodiversity hotspot' under the UN Convention on Biodiversity. Bhutan is regarded as a global champion for environmental stewardship and biodiversity conservation. The Royal Government of Bhutan (RGoB) directed that 60% of its land remain under forest cover and set aside around 30% of its land as protected areas. (PCN, para 1). In 1992, the Bhutan Trust Fund for Environmental Conservation (BT FEC) was established at the initiative of the RGoB, the World Wildlife Fund (WWF) and the UN Development Programme (UNDP) as a collaborative venture to provide sustainable financing to preserve and safeguard the country's rich biological diversity. RGoB sought financial support from the GEF and other donors, and BT FEC was capitalized through US\$21 million of grants from the GEF, WWF and European bilateral donors (including a US\$10 million Bank-supported GEF project). Following the first BT FEC Strategic Plan prepared in 1997, BT FEC provided substantial funding to the Bhutanese Forestry Department to help achieve gains in preserving Bhutan's environment and biodiversity through creation of protected areas, accompanying management plans and staff training.

By 2012, BT FEC's capital had grown to US\$41 million through careful management of investments and administrative spending. However, through the same period BT FEC's grant-making performance was relatively modest (under US\$0.7 million per year), highlighting a need for addressing both capacity constraints of grantees and those faced by BT FEC itself. (ICR, para 6). Also, significant issues surfaced during this period with respect to the ability of the rural population in and around the protected areas to participate equitably in the benefits of economic development. The advent of a Constitutional Democracy in 2008 has resulted in greater demands for electricity and roads by the local people. Consequently, the BT FEC needed to assume greater leadership in prioritizing conservation threats and opportunities, working with partners to conceive the programs that would best address these priorities, encourage the creation of indigenous capacity to design, manage and monitor programs and provide funding for program implementation. BT FEC developed its second Strategic Plan (2010-15) to provide the basis for



an expansion of its role. The new Plan covered seven program areas, including economic development issues with direct impact on the natural environment, climate change strategies, green sector proposals, rural/community projects, and integrated water resource management. The Plan's focus on these areas aimed to provide a comprehensive strategic vision for investment while maintaining flexibility to address a large range of environmental issues. (ICR, para 8). [1]

As a condition of approval of the US\$4.08 million GEF grant for this Project (approved by the GEF Council in 2011), an assessment was subsequently carried out by an independent consultant to review the past performance of the BTFEC. This assessment was completed in 2012 and identified areas for BTFEC to address, including absence of a transparent, open and competitive grant-making process, limited technical capacity for M&E of the conservation impact of BTFEC grants, absence of arrangements for analyzing and utilizing lessons and experiences, and absence of legal instruments to allow for the generation of non-budgetary resources for self-sustaining management of protected areas, such as revenue from payments for environmental services, tourism and concession fees. (ICR, para 6). The Project's high-level objective to improve BTFEC's operational effectiveness and institutional sustainability (as already set out in the proposal for GEF grant funding) was strongly validated by this assessment, which recommended changes to governance, the implementation of the Strategic Plan (2010-2015), and changes to grant operation and investment management to achieve greater operational effectiveness and institutional sustainability.

Alignment with Strategy.

The Project was designed to help BTFEC better implement the second and future Strategic Plans and to increase its effectiveness such that it could better support its conservation objectives and create a sustainable positive impact for the country's environment. The project contributed directly to the objectives of its FY2011-14 Country Partnership Strategy (CPS) including Goal 7: Ensure Environmental Sustainability and its Target 9: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. (ICR, para 9).

The Project is consistent with the GEF Strategy under GEF 5 "Improve Sustainability of Protected Area Systems" which supports the objectives of improving the sustainability of the protected areas located in the HANAs landscape of Bhutan and improving the long-term financial sustainability of these protected areas. The Project will work through the BTFEC to improve its operational effectiveness, transparency and capacity to support expenditures required for management of the HANAs landscape, and more importantly become an effective instrument for sustainable financing for biodiversity conservation in Bhutan as a whole.

Previous Sector Experience.



As indicated above, the Bank was involved in the original creation and capitalization of the BTFEC. A GEF grant of US\$10 million for a project administered by the Bank was provided to BTFEC to assist Bhutan's conservation goals through the trust fund mechanism. Implementation took place in 1992-97.

[1] Another new "Strategy Plan III" (2015-2020) is now in place.

Rating

Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

The project development objective (PDO) is "to improve the operational effectiveness and institutional sustainability of the Bhutan Trust Fund for Environmental Conservation." As presented in the ICR (para 29), the PDO can be broken down into two objectives: (i) to improve operational effectiveness of the BTFEC, and (ii) to improve the institutional sustainability of the BTFEC.

Rationale

Objective 1: To improve the operational effectiveness of BTFEC:

Achievement of Outcome 1 was shown through an improved ability to effectively implement the trust fund's second Strategic Plan, increase grant-making and work more efficiently and effectively with clients, and track and respond to lessons learned. (These measures are supported primarily under Component 1). In addition, successful implementation of activities in Component 2 demonstrated BTFEC's conservation outcomes and enhanced its grant-making operations. (ICR, para 36).

The following **outputs** were achieved during the life of the Project to meet Objective 1:

- Disbursement of total financial resources for activities approved by BTFEC increased to US\$3.5 million (Target: US\$1.2 m). (ICR, para 37)
- An M&E system was operationalized that effectively monitors grant implementation (established and operational as of 2017) and inter alia follows principles of results-based M&E and utilizes online Indicator Tracking Tool (ITT). (Target: M&E system operational). (ICR, para 37)



- Improved processes, systems and by-laws, strategic programming, design, approval and implementation of grants, enhanced staff and grantee capacity, improved governance and transparency from a diversified board and beneficiaries. (ICR, paras 40-46)

The following **outcomes** were achieved during the life of the Project to meet Objective 1 (ICR, para 37):

- Over 1.3 million hectares brought under enhanced biodiversity protection (Target: 900,000 ha).
- Over 114,821 ha of land area where sustainable land management practices have been adopted as a result of the project (Target: 5,000 ha)
- Approximately 6,807 individuals benefitted from the project of which 60 percent are female beneficiaries (Target: 1,000 of which 50 percent female)

Rating

Substantial

OBJECTIVE 2

Objective

Objective 2: To improve the institutional sustainability of BTFEC

Rationale

Improved institutional sustainability means the long-term viability of BTFEC to operate effectively over time, to have sufficient sustainable funds and to adapt as needed to changing needs to ensure biodiversity conservation in the country. (ICR, para 51).

The following **outputs** were achieved during the life of the Project to meet Objective 2:

- A fundraising strategy was developed and new financial instruments were identified, including a new partnership with the Adaptation Fund and pursuit of innovative financing with RGoB agencies and international partners. (Target: Fund Raising Strategy developed and under implementation). (ICR, para 52)
- Eight government institutions were provided with capacity building support to improve management of forest resources from the project, including Bumdeling Wildlife Sanctuary, Jingme Dorje National Park, Wangchuk Centennial National Park, Nature Conservation Division (Department of Forest and Park Services), National Biodiversity Center, Department of Livestock, Ugyen Wangchuk Institute for Conservation and Environmental Research (Target: 3). (ICR, para 53)



- 405 officials participated in capacity building activities for mainstreaming conservation into national development planning (Target: 30). (ICR, para 53).
- Improved processes, systems and by-laws, strategic programming, design, approval and implementation of grants, enhanced staff and grantee capacity, improved governance and transparency from a diversified board and beneficiaries. (ICR, paras 40-46).

As far as **outcomes** are concerned related to meeting Objective 2, it is too early to determine if the institutional strengthening and capacity-building measures have measurably improved the institutional sustainability of the BTFEC (as defined in ICR, para 51). Now that the \$4.08 million of GEF funding has been used, there is a likelihood that the level of BTFEC's grantmaking will fall in the short term. This is certainly not a bad thing if the money is programmed and utilized strategically, efficiently and effectively. A measured level of grantmaking will itself promote long-term institutional sustainability by not running down the endowment fund over time. Given the generally excellent progress under the Project and the highly successful management of the Fund's financial endowment over time, it should be considered likely that positive outcomes will eventuate for BTFEC's institutional sustainability.

Rating

Substantial

OVERALL EFFICACY

Rationale

Both efficacy ratings are Substantial.

Overall Efficacy Rating

Substantial

5. Efficiency

In the PAD, a formal ex-ante economic analysis was provided using a cost-benefit approach. The ex-ante economic analysis used the estimated annual ecosystem value for Bhutan of US\$15.5 billion as a baseline. Applying a threshold analysis approach, the economic analysis found that an improvement of the baseline by only 0.02 percent would result in a net economic gain of the project investment. The financial analysis relied on incremental revenue from international receipts from tourism, showing that an increase of tourism receipts by 2 percent annually would be necessary to justify the project investment using a discount rate of 10 percent. However, isolating the effect of Bhutan's environmental conservation efforts on tourist arrivals is challenging due to data constraints. (ICR, para 61).



In the ICR, an updated economic analysis assessed whether the investments undertaken by the Project created positive welfare benefits and whether the costs involved in achieving the operation's objectives were reasonable in comparison with both the benefits and with recognized norms ("value for money"). The value of ecosystem services of forests was estimated at US\$ 5,040 ha/year, ranging between a lower and upper boundary of US\$ 1,334 and US\$ 21,715, respectively. Against the background of the large variation in ecosystem service value, the incremental gains in ecosystem service value was based on the lower boundary base value of US\$ 1,334 per hectare. The simulation of costs and benefits shows positive outcomes for the Project. At the baseline, a discount rate of 10 percent and a lifespan over 15 years, the project's imputed NPV equals US\$18.4 million and the discounted benefits are seven times higher than the discounted costs. In this scenario, the project would realize an economic rate of return of 218 percent. The main driver of the positive impact of the results are the benefits from the enhancement of biodiversity conservation related to Component 2 of the project, which account for 94 percent of annual benefits. This was also due to the very large area of enhanced biodiversity conservation, accounting for 35 percent of Bhutan's land area. (ICR, Annex 4).

The project did not experience any extension or restructuring. Furthermore, there were no significant delays affecting the implementation efficiency of the project. Many of the project's results were over-achieved and this can be at least partly attributed to implementation efficiency, particularly with regard to activities undertaken in Component 2, along with some gains resulting from beneficial changes in currency exchange rates. (ICR, para 70).

In summary, it is concluded that the project resulted in significant positive development impacts as reflected by a substantial NPV and ERR, as well as good cost effectiveness ratios, which confirm the anticipated benefits at the project design stage. Taking into account the positive economic outcome and the high project-level implementation efficiency, the overall efficiency rating is substantial. (ICR, para 71). The ICRR author concurs with this analysis and conclusion.

Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable



ICR Estimate	✓	218.00	70.00 <input type="checkbox"/> Not Applicable
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* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Given that: (i) the project's PDO was and remains substantially relevant to the current CPS; (ii) the project efficacy was rated substantial, as intended development outcomes were exceeded, and (iii) the project efficiency was rated substantial due to a combination of positive NPV and ERR, as well as superior cost effectiveness ratios, which confirms the anticipated benefits at the project design stage, the overall outcome rating is Satisfactory. The Project has made a significant contribution to the operational effectiveness of the BTFEC and is likely to lead to an improvement in its institutional sustainability over time.

a. Outcome Rating

Satisfactory

7. Risk to Development Outcome

Institutional Sustainability

BTFEC has already been effectively promoting and funding conservation since 1992. BTFEC was formed under Bhutanese law by Royal Charter such that legal and policy frameworks support the institution's effectiveness and sustainability. The Fund is fully endowed and has a strong record of quality asset management. The operations of the Fund and its Secretariat, Board and Technical Advisory Panel (TAP) are sustainably financed through interest received on the Fund's endowment. These legal and financial frameworks that underpin the BTFEC help to create an institution with a secure and sustainable future and keep risks to development outcomes low. In addition, the outcomes achieved under Component 1, including modernization of operations, codifying of by-laws, development of a fund-raising strategy and qualifying for new lines of business, e.g., under the Adaptation Fund, have all contributed to strengthening the institution, further supporting the sustainability of its work into the future. (ICR, para 109). The ongoing risk to this development outcome is considered to be low.

Impact of economic development on conservation

There is a risk that continued economic development in Bhutan will result in reduced public acceptance of extensive landscape and biodiversity conservation measures that could be perceived to limit material economic progress such as better public infrastructure and agricultural extension. Offsetting this is the small population of under 800,000, the large revenue potential from controlled tourism while maintaining a pristine



environment, and a modern and sophisticated approach to conservation and sustainable land management being supported by BTFEC. This risk is considered to be moderate.

Local capacity

Given the expansion of the remit and operations of BTFEC under the Project and the related Strategic Plan, there has been evidence cited in the ICR of some governance and operational stresses, including the capacity to handle the increased M&E workload and the technical expertise of the TAP. It could be expected that as BTFEC further matures and gains expertise, local capacity within BTFEC can be enhanced as needed. Furthermore, BTFEC can become better positioned to assist and educate other stakeholders, including through the annual stakeholder workshop. This risk is considered to be moderate.

8. Assessment of Bank Performance

a. Quality-at-Entry

The Project design was clear and components were well defined. Environmental, Fiduciary arrangements, risk assessment and Bank inputs and processes were satisfactory. The PDO built upon the needs of the institution as was verified by an external consultant's assessment that BTFEC commissioned during Project preparation. By working with BTFEC closely and building from the assessment, the project design and its PDO were able to be focused and relevant and benefit from extensive experience and work of both local and international expertise (ICR, para 105).

Quality-at-Entry Rating
Satisfactory

b. Quality of supervision

Supervision was consistent with only two TTLs during the life of the project. The second TTL began work with the client in FY2015, about halfway through the implementation period. The project had mostly satisfactory ratings for social, environmental and fiduciary compliance and the TTL was able to quickly work with BTFEC to resolve one issue on the internal audit reporting (see Fiduciary Compliance section of ICR). The client reported that the Bank was responsive and a supportive partner during implementation. (ICR, para 106). The Bank and BTFEC staff were able to successfully identify and resolve issues such as lack of inclusion of TORs with external audit reporting and delays in submission of interim unaudited financial reports which caused some disbursement delays in the early years of the project. These issues were resolved and performance in these areas was judged satisfactory during subsequent supervision missions. Finally, the Bank team was proactive in providing training as necessary for BTFEC staff when new modalities were instituted, e.g., ensuring staff received training in the Bank's Systematic Tracking of



Exchanges in Procurement (STEP) online program for procurement management prior to its roll out in country. BTFEC expressed satisfaction with the collegial and effective working relationship with the Bank. (ICR, para 107)

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The operation's theory of change was clear and well-constructed. The selection of the key results indicators was substantially determined by the requirements of the GEF grant approval (biodiversity protection and SLM objectives for the GEF funding, particularly in the HANAs landscape). The GEF Council approved the grant request in 2011, including specific results indicators and the requirement for an assessment by an external consultant to review the performance of the BTFEC during its previous 20-year history. (The BTFEC was originally established with the aid of \$10 million of GEF grant funding).

The three "core" PDO-level results indicators are: (i) hectares brought under enhanced biodiversity protection; (ii) hectares brought under SLM practices as a result of the Project; and (iii) number direct project beneficiaries, differentiated by gender. The other two PDO-level results indicators were (iv) financial disbursements for activities approved by BTFEC; and (v) an updated M&E system established. It was noted in the ICR that (i) and (ii) above could have been better aligned with the project's PDO, but as they were core GEF indicators, it was necessary to include them to obtain the GEF funding. In addition, the indicators are considered appropriate given that positive results in these areas are an indication of improved operational effectiveness within BTFEC. (ICR, para 87). Each Component also had intermediate results indicators that appear to be well designed. For Component 1, these were (i) BTFEC's Strategic Plan effectively implemented; and (ii) BTFEC fundraising strategy developed and new financial instruments identified. These indicators are obviously relevant for BTFEC's operational effectiveness and institutional sustainability.

The BTFEC's updated Monitoring and Evaluation Guidelines were developed in 2016 and its M&E Framework was published March 1, 2017.

b. M&E Implementation



Both the earlier M&E system and the updated system established under the Project have been generally well executed. The updated system is based on a bi-annual Monitoring and Evaluation Plan which outlines a supervision schedule ensuring that all active projects are visited at least once, with selected other projects, e.g., those with outstanding issues or challenges, monitored more closely. The systematic monitoring and evaluation of projects has been carried out since the second semi-annual period of 2017 and is conducted following the principles of result-based M&E. The implementing agencies submit semi-annual reports which are reviewed by a joint team representing Programs, Finance, Procurement and M&E. The progress and setbacks reported in those reports are then entered into an online Indicator Tracking Tool (ITT) spreadsheet. Projects with issues are identified based on the ITT. It is noted in the ICR that the system is comprehensive, and review of reports and datasheets show a clear, well-designed and workable system and is effective in feeding in the overall M&E for Bank supervision and the Project as a whole. (ICR, para 93).

BT FEC faced a few challenges utilizing the system, including: (i) while reporting simplicity and clarity have been greatly enhanced, some grantees continue to find the reporting process somewhat challenging and time is needed by staff to provide guidance and direction; (ii) M&E visits take a substantial amount of time and human resources. (Traveling to remote project locations is challenging and supervision missions can take up to four weeks. Much of the team, including program staff, M&E staff, procurement and financial management staff, are absent from the office during these periods); and (iii) the system is not yet web-based, so all data must be manually entered and managed. These challenges have not affected the quality of work done under M&E but point to areas where improvements could be made to facilitate the work and workflow for staff, thus freeing them to do more on results analysis and strategic planning with the rich data they are collecting. (ICR, para 93).

c. M&E Utilization

Under the Project, utilizing M&E goes beyond monitoring of sub-project implementation, it is also an element contributing to the successful achievement of the objectives for Component 3. In addition, lessons learned are shared with program staff, the Technical Advisory Panel (TAP) and the Board such that they can contribute to the assessment and strategic alignment of new grants. One area where more work is needed is in disseminating lessons learned between and among implementing partners. (ICR, para 94).

M&E Quality Rating

Substantial

10. Other Issues

a. Safeguards

The project's EA category was B and it triggered the following environmental safeguards:



Environmental Assessment (OP/BP 4.01; Natural Habitats (OP/BP 4.04); Forests (OP/BP 4.36); Pest Management (OP 4.09); and Physical Cultural Resources (OP/BP 4.11). An environmental assessment was completed and disclosed in March 2013. (ICR, para 97). All triggered policies received consistently Satisfactory ratings throughout the life of the Project and no significant environmental issues arose throughout the life of the project. (ICR, para 98).

The project's Resettlement Policy Framework was completed and disclosed in March 2013. A grievance process has been established and complaints may be lodged through BTFEC's website as well as with local implementing authorities. There have been no requests for grievance proceedings lodged or requests made. No land acquisition occurred during implementation. (ICR, para 99).

The Project has received consistently "Satisfactory" assessments on social issues. While no significant social issues have arisen during the life of the Project, some subprojects might have benefited from additional expertise on community engagement/surveys in order to enhance outcomes. (ICR, para 100).

b. Fiduciary Compliance

Financial Management

The BTFEC Secretariat has a strong and effective system of financial monitoring that includes project-level financial monitoring and internal audits of Secretariat accounts complemented by regular external project audits conducted by the Royal Audit Authority of the RGoB. Internal and external audits were carried out on schedule. For the most part, financial management was rated as Satisfactory throughout the project. However, some issues with the quality of the internal audit arose in the first two years of implementation necessitating a lowering of the rating for FM to Moderately Satisfactory. The needed information was provided by BTFEC, the audit report was subsequently accepted, and the FM rating returned to Satisfactory. Financial reporting training is conducted for grantees at the Annual Stakeholder workshop. (ICR, para 101). In order to continue the high quality of asset management and safeguarding of the endowment, the Arbour Group, based in the US, was awarded as the new custodial bank and as the asset management firm, through a competitive selection process. (ICR, para 102).

Procurement

BTFEC staff was trained in the Bank's Systematic Tracking for Exchanges in Procurement (STEP) – the on line procurement planning, mentoring, and reporting tool and began using the STEP in July 2016. The updated operations manual clearly outlines procurement procedures and the team developed and utilizes procurement plans that can be easily updated using STEP. There were no constraints on capacity reported and no undue procurement delays. The use of STEP significantly improved efficiency and transparency. (ICR, para 103). Given the importance of ensuring smooth procurement in the last months of the project,



procurement reporting was increased to monthly reporting during the last 1.5 years of the project to ensure timely completion of contracts. (ICR, para 104).

c. Unintended impacts (Positive or Negative)

None identified

d. Other

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

12. Lessons

The ICR provides a substantial set of ten lessons and recommendations (ICR, section V). Some of the more significant lessons are itemized below. Some of these lessons may well be useful for other operations of this nature in other countries.

- The Annual Stakeholder workshop has been a valuable tool not only for providing on-going training to grantees, but for allowing these implementing partners across agencies to share knowledge and experiences with each other.
- The Technical Advisory Panel (TAP) is a valuable partner in the grant assessment process. However, their specific *technical* value added is not always clear. The terms of reference for the TAP, its make up, and the timing of its contributions to the assessment process should be carefully reviewed with the aim of looking to improve its ability to contribute more on technical issues during application review.



- Despite incorporating increased flexibility into budgeting for sub-projects, the financing cycle and fund disbursement are still problematic for some grantees, at times resulting in challenges in completing activities essential for achieving objectives. The Bank raised the issue during Project implementation, including discussion with MoF, however it was apparently not practicable to modify the cycle at that stage. BTFEC Management Board should consider high-level discussions with the MoF and other relevant authorities to look into how the fund flow process can be simplified. In addition, the availability of funds should be assured throughout various seasons to ensure smooth implementation of activities regardless of the end/beginning of the fiscal year.
- The inclusion of the restoration of cultural and religious sites and other community-centered activities in projects has been instrumental in creating awareness and a positive relationship between park staff and community members in selected protected areas which resulted in increased reporting by community members of unregulated activities and enhanced sustainability of results. The development of strong community connections and enhanced rural livelihoods lays the groundwork for true co-management which will be essential for biodiversity conservation in Bhutan and other countries as they continue to develop.
- Long-term success of rural and community-level infrastructure activities, e.g., provision of electric fencing and their power sources are often undermined by a lack of financing for maintenance. BTFEC's implementing partners now require a 30 percent down payment of total cost to be contributed by communities and put in an established maintenance fund. This has ensured both community commitment and the long-term sustainability of investments and positive social and conservation impacts.

It was evident that some of the processes implemented through the Project have put some strain on BTFEC's human resources capacity, particularly the rigorous new M&E system (as noted in Section 9 above). Given that BTFEC secretariat operated prior to (and during) the Project with a small staff complement of 6 people, it should be assessed whether the staffing level of the Secretariat needs to be increased to accommodate the demands of the new modes of operation, particularly the new M&E system and the expected higher level of grant-making activity.

13. Assessment Recommended?

No

14. Comments on Quality of ICR



The ICR was comprehensive, very well written, and with a logical outline. It goes into extensive detail on the components, sub-projects, achievements and potential lessons of the Project that give a very full assessment of the Project activities. There is a clear and convincing demonstration that the GEF money was very well used in a timely manner and was diligently accounted for. This is admirable for a small \$4.08 million stand-alone Project with no Bank co-financing.

The PDO-level indicator to improve the institutional sustainability of the BTFEC is a bit ambiguous (as defined in ICR, para 51) and unlikely to be achieved in the timeframe of the Project. Improving the operational effectiveness of BTFEC should itself have positive implications for institutional sustainability and might have been a sufficient rationale for the Project, given that this was already seen as an ambitious objective (ICR, para 77).

a. Quality of ICR Rating
Substantial