



1. Project Data :
OEDID: TG006
Project ID: P009568
Project Name: Trust Fund For Environmental Conservation Grant
Country: Bhutan
Sector:
L/C Number: TG006
Partners involved : World Wildlife Fund - US (WWF-US), Government of the Netherlands
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2. Project Objectives, Financing, Costs and Components :

The objectives of the GEF grant were to :

1. assist the Royal Government of Bhutan (RGOB) in initiating a comprehensive nation-wide environmental conservation program; and
2. test the feasibility of trust funds as a mechanism for providing long -term and sustainable support for conservation of biodiversity.

The Global Environment facility (GEF) grant was for a total of US\$ 10.0 million. This sum, together with donations of US\$ 1.0 million each from WWF-US, and the Government of the Netherlands, was used to establish the Trust Fund. The fund was invested so as to generate a flow of income to be used to support a conservation program in Bhutan.

During the 'implementation period' from July 1992 to June 1996, expenditures totaled US\$ 1.763 million, compared to an appraisal estimate of US\$ 2.26 million.

The principal components were:

1. upgrading the Department of Forestry's (DOF) Wildlife Division (WLD) to a Nature Conservation Division (NCD);
2. establishing a national system of protected areas;
3. gazetted four priority protected areas and developing one detailed management plan for a priority area to serve as a model;
4. strengthening the management of the two existing protected areas; and
5. establishing, in phases, additional protected areas .

3. Achievement of Relevant Objectives :

The basic objectives of the grant have been achieved :

1. a comprehensive environmental conservation program has been initiated; and
2. the Bhutan - Trust Fund for Environmental Conservation has been established and has been shown to be a viable mechanism for attracting support for conservation activities .

The following activities have been undertaken as planned :

1. the Wildlife Division has been upgraded to the nature Conservation Division and its staff increased from 53 to 164; the curriculum of the Bhutan Forest Institute has been revised and its staff has received relevant training; and a biodiversity information system has been developed within the Forest Services Division;
 2. RGOB has adopted a revised national protected areas system;
 - 3 four protected areas have been gazetted and operational plans for three of these four areas have been prepared, and a detailed management plan for the Royal Manas National Park has been prepared and will serve as a model for others; and
- one protected area has been upgraded to National Park status .

4. Significant Achievements :

The grant has helped demonstrate the feasibility of a trust fund mechanism as a source of long term, sustainable support for biodiversity conservation in Bhutan, as detailed in 3 above.

RGOB used the grant to attract additional funds from other donors, and the Governments of Norway, Finland, Denmark and Switzerland have contributed a total of about US\$ 6.9 million since the grant was approved. As of June, 1997, the Trust Fund stood at about US\$ 23.7 million, including retained earnings.

In addition, the ongoing program attracted about US\$ 1.2 million in direct contributions, which covered 60 percent of expenditures during the project period.

The Fund now has the capacity to finance a significant increase in operations.

5. Significant Shortcomings :

The initial management of the Trust Fund was extremely conservative and earnings were low. The World Bank made new financial arrangements a condition of the release of the second tranche, on the basis of the 'due diligence' clause of the agreement. These included the hiring of a full-time financial officer in the Trust Fund secretariat and the contracting of a professional asset manager to manage the fund.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Partial	Substantial	Based on findings of the ICR, OED judges that the project substantially increased Bhutan's ability to effectively use human, organizational and financial resources in the conservation sector, as opposed to only having a limited impact on this capacity.
Sustainability :	Likely	Likely	
Bank Performance :	Satisfactory	Satisfactory	
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

Trust funds need a legal framework to institutionalize collaboration between the parties and define the role of the fund;

A reliable source of funding is necessary during the period of establishment of the trust fund; and

Design and appraisal teams should include expertise in financial asset management, and trust fund institutional and program development.

8. Audit Recommended? ☒ Yes ☐ No

Why? This was the first GEF sponsored attempt to develop a trust fund for conservation purposes. Given the initial difficulties it had in managing its funds, a more detailed investigation of the Fund's management would be desirable.

The ICR does not include comments from the Borrower, although RGOB staff did participate fully in the review. Given that their role is vital if this type of trust fund is to be successful, their specific views on the efficacy of the trust fund would be valuable in assessing its potential as a funding mechanism.

9. Comments on Quality of ICR :

The ICR is fully satisfactory. Its preparation is reported to have been fully participatory in that the Borrower prepared an initial draft and this was reviewed by the final supervision mission and modified to reflect the consensus views of the Bank and Borrower. There are no separate comments from the Borrower. Given the innovative nature of this operation it would be particularly valuable to know more specifically whether the outcome met Borrower's expectations and its view on the efficacy of a trust fund as a means of raising and administering externally derived funds.