

Bhutan Trust Fund for Environmental Conservation
A Decade of Transformation

2010/11-2019/20

Table of Contents

<i>Foreword: Message from the Chairman</i>	3
<i>Message from the Director (CEO)</i>	4
1. <i>Background: Overview of BTFEC</i>	5
2. <i>Introduction</i>	7
3. <i>Ten Years: Development and Transformational Changes</i>	10
3.1 Institutional Development: Improved institutional practises	10
3.2 Human Resource Development: Performance and Professional Development.....	13
3.3 Program: Modernization of Grant-Making.....	15
3.4 Finance: Sustainable Investment of BTFEC Assets	17
4. <i>Knowledge Management and Information Sharing - Communications and Outreach</i>	20
5. <i>Network and Collaborations: Established Strategic Partnerships</i>	21
6. <i>Way Forward: Looking Ahead</i>	23

Foreword: Message from the Chairman

Dear Readers,

Bhutan has committed to the global community to remain Carbon neutral in addressing climate change and keeping the planet safe for all life, and strives towards an ambitious and legally binding agreement to keep global temperature increase at safe levels of not more than 1.5 degrees Celsius. One of Bhutan's strategy in meeting the commitment is maintaining a minimum of 60 percent of total land under forest cover for all time in accordance with the Constitution of the Kingdom of Bhutan. Efforts will also be made to maintain current levels of forest cover, which currently stand at 70.46 percent, through sustainable forest management and conservation of environmental services. Further, Bhutan's economy is dependent on the environment and natural resources primarily through agricultural production and hydropower, both of which are also dependent upon forest and biodiversity conservation.

However, the change in global climate and development activities has been increasing pressure and affecting ecosystem integrity in already fragile mountain ecosystem such as Bhutan's natural environment. For instance, Bhutan's developmental initiatives toward lifting poverty, promoting socio-economic development and improving the living standards of the people often resulted in increase of the pressure on the natural environment.

Bhutan Trust Fund for Environmental Conservation (BTFEC) was, therefore, envisioned by our visionary monarchs and established to serve our society by funding appropriate environmental projects for sustainable management of Bhutan's natural resources. For more than quarter of century, BTFEC's innovative financing mechanisms and five-year Strategy Plans helped it to respond to the country's changing environment priorities and political transformations. Thus, BTFEC's funding support to relevant agencies has resulted in achievement of sustainable development through strategic environmental planning and integration of cross-sectoral considerations.

The decade 2010-2020, since the initiation of the BTFEC's Strategy Plan II, has seen an extraordinary period of developmental growth. This is also the period when Bhutan's Constitutional Democratic Monarchy was in its initial stages had three democratically elected governments. The Strategy Plan II witnessed improvements to grant selection criteria, procedures for the evaluation and assessment of the impacts, transparency, accountability, and financial management. While the Strategy Plan III funded critical conservation challenges and engaged additional partners both within and outside Bhutan.

This report demonstrate the level of progress during the past 10 fiscal years and BTFEC's continued and active contribution to conservation, highlighting its success stories and promises, its humble contribution to the noble vision of His Majesty the King, in the field of environmental conservation.

Tashi Delek

Message from the Director (CEO)

Dear Readers,

It is my privilege to be working in a pioneering organization established under the visionary leadership of our enlightened Monarchs. As envisioned by The Fourth Druk Gyalpo, His Majesty Jigme Singye Wangchuck, Bhutan Trust Fund for Environmental Conservation (BTFEC) was established in 1992 as a long-term sustainable financing mechanism biodiversity conservation.

Over the past 10 years, the Trust Fund has spent over US\$ 23.91 million, on conservation projects, against an accumulated capital base of US\$ 71.1 million, as of June 2019. Between 2013 and 2018, the BTFEC has executed and completed Global Environment Facility (GEF) grant of US\$4.08 million targeting biodiversity conservation and livelihood improvement in Bhutan's High Altitude Northern Areas. Through Climate Investment Fund (CIF) the Trust Fund implemented sustainable land management & innovative financing to combat climate change and ensure food security through land management.

In 2018, BTFEC was accredited as 28th National Implementing Entity (NIE) of the Adaptation Fund. Today, BTFEC is at stage one of accreditation process seeking NIE for Green Climate Fund (GCF). The Trust Fund has also committed US\$7.5 million for 14 years starting July 2019, i.e. annual contribution of US\$500,000 to Bhutan For Life – a 'Project Finance for Permanence' mechanism to provide sustained flow of fund to effectively manage Bhutan's network protected areas and biological corridors.

Today BTFEC is member of various international organisations such as International Union for Conservation of Nature (IUCN), Founding member for Asia Pacific Network of Conservation Fund, member for Aspen International Mountain Foundation, Conservation Finance Alliance, and Wildlife Conservation Society.

This document summarizes 10 years of transformational achievements made possible through funds appropriated by BTFEC, while taking pride in 10 years of accomplishments we acknowledge the contributions made by predecessors towards unchallenging support and guidance received from the Management Board. All these achievements would not be possible without the hard work and expertise of many partners both within and outside Bhutan. Every project, scientific discovery, institutional development, capacity development and many other advances listed in this document is the result of successful collaborations with multiple entities. While BTFEC provided grants to agencies, groups, and individuals to address critical conservation issues, our grantees, the partners, provided critical expertise, advice, and consultations. Due to space constraints and to aid readability, the document provides only a gist of all the accomplishments.

We are indebted to our partners and look forward to building upon our past success and together we help in "promotion of social welfare through environmental conservation of the forests, flora, fauna, wildlife, diverse ecosystems and biodiversity in Bhutan," as entrusted in the Royal Charter 1996. Further, BTFEC is proud to leave this endowment fund as 'legacy for generations' as envisioned by our monarchs.

Tashi Delek

1. Background: Overview of BTFEC

In the early 1990s, under the farsighted leadership of His Majesty the Fourth Druk Gyalpo, the Royal Government of Bhutan recognized the serious financial, institutional and human resource constraints in implementing conservation programmes. The Bhutan Trust Fund for Environmental Conservation (BTFEC) was, thus, established in 1992 in an effort to secure a mechanism for sustainable financing to preserve the country's rich biodiversity. The Trust Fund was legally incorporated by means of a Royal Charter in 1996.

It was the visionary institution that has paved way to establish more than 60 similar trust funds in in Asia and Oceania, Latin American and the Caribbean, Africa and Central Europe. Twenty-six years later, new Conservation Trust Funds (CTF) and Environmental Trust Funds (EF) are still being created, while the early generation institutions are evolving to meet the ever-changing challenges.

Following BTFEC's initial capitalization, the Management Board developed and approved the first Strategy and Action Plan in 1997. With BTFEC financing of more than US\$7 million in grants, the government succeeded to establish a new Protected Area system of five national parks, four wildlife sanctuaries and one nature reserve. It also led to improvements in administration, financial management, fund raising capacity as well as its grant funding processes. While the government had been successful with the support of BTFEC in strengthening the Protected Areas network, the socio-economic development needs of a modernizing and growing population, meant that approximately ten years after its first grants were made BTFEC faced an even greater challenge and needed to gain authority as a strong and reliable sustainable financing institution for conservation.

In light of the above, BTFEC reinstated its Strategy Plan – called the Strategy Plan II 2010-2015. The Plan covered seven programme areas: (i) establishing baseline and critical research on biodiversity; (ii) economic development issues with direct impact on the natural environment; (iii) climate change strategies; (iv) awareness and education; (v) green sector proposals focusing on multi-stakeholder collaboration, key emerging issues and consolidation of past BTFEC grants in the PA network; (vi) rural/community projects; and (vii) integrated water resource management. The Plan's focus on these key areas provided a comprehensive strategic vision for investment while maintaining flexibility to address a large range of environmental issues.

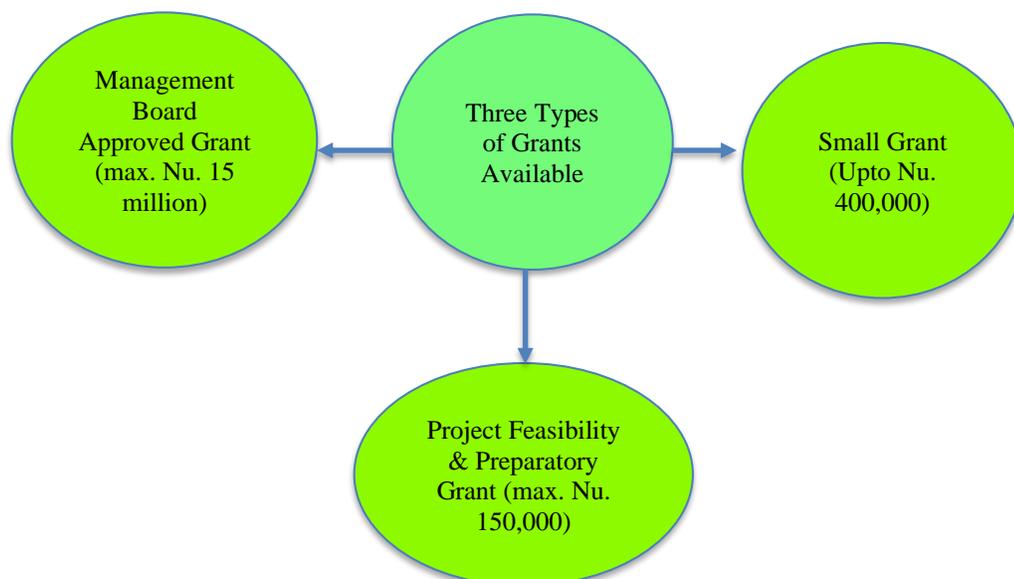


Figure 1: BTFEC Grant Types

Rapid population growth, pressures for economic development and the effects of climate change caused a new set of challenges to emerge in the early 21st century. A new Strategic Plan for the period 2015-2020 was prepared to continue pursuit of the goals of the 1996 Royal Charter while adapting funding priorities to the changing situation. Strategy Plan III presents an opportunity to develop a clear and focused programme to fund critical conservation challenges and engage additional partners. Through Strategy Plan III, BTFEC has been addressing critical environmental issues with effective utilisation of resources. The Strategy Plan III highlights: (i) Biodiversity Protection and Improved Rural Livelihoods, including themes on Human Wildlife Conflict; Agriculture and Animal Husbandry Impact on Biodiversity; and Infrastructure Development in Sensitive Environments; (ii) Sustainable Forest Management; (iii) Sustainable Water Sources for Agriculture and Consumption; and (iv) Solid and Liquid Waste and Industrial Pollution. An Action Plan for implementing Strategy Plan III sets out a performance-based framework for monitoring a clear and focused grant program and expansion of the role of the BTFEC in the conservation community.

The initial capitalization of the BTFEC took place during the period 1992/93 to 1996/97 and raised US\$20.3 million equivalent. The government sought financial support from the Global Environment Facility (GEF), US\$10 million administered by World Bank, and other bilateral donors US\$10 million, through World Wide Fund for Nature to capitalize BTFEC. As of June 30, 2019, the cost value of the fund capital had reached about US\$71.1 million, an achievement that could not have been realized.

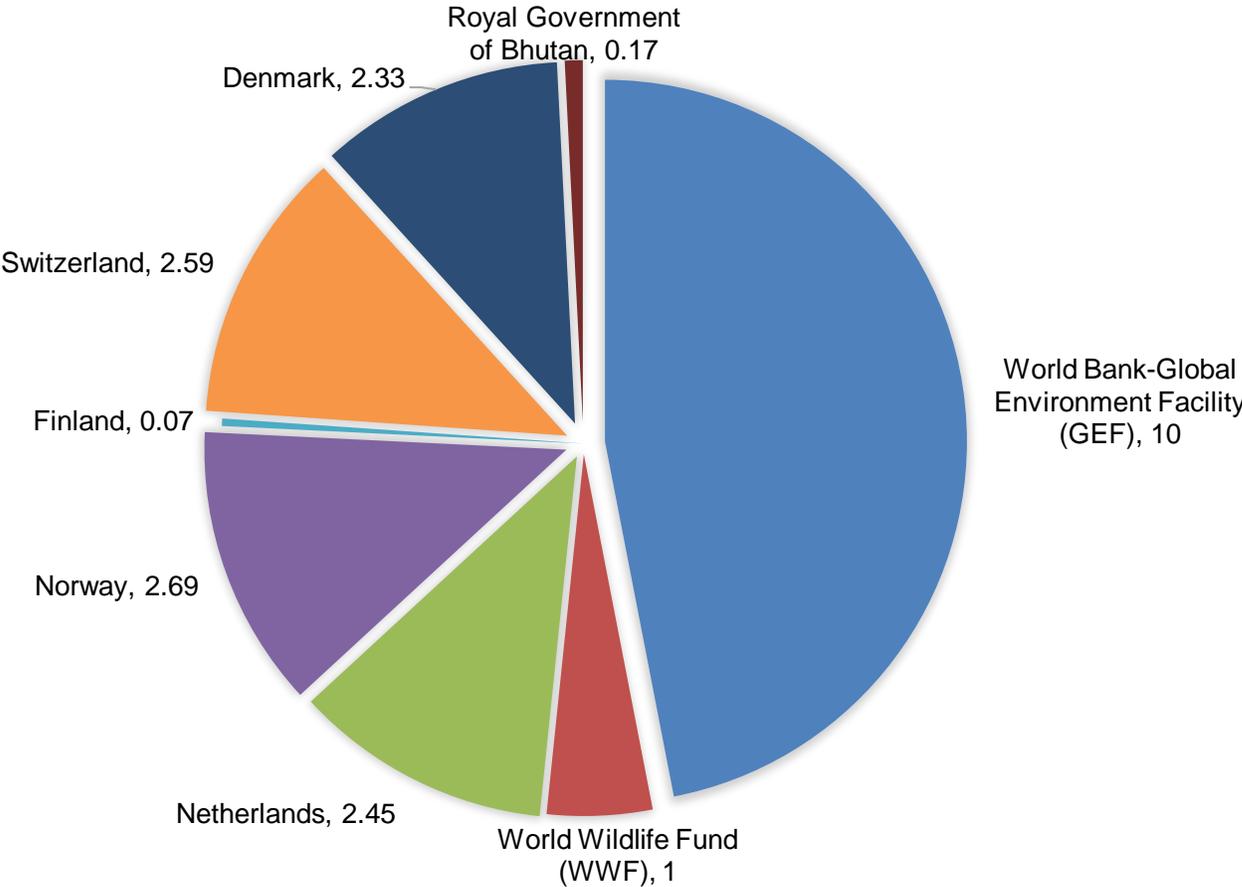


Figure 2: Initial Capitalization (in million US\$)

2. Introduction

The purpose for creating the BTFEC is clearly spelled out in the preamble of its Royal Charter:

“Whereas the Kingdom of Bhutan desiring to protect its pristine natural environment and the abundant biodiversity for the Bhutanese people and mankind at large has willed and desired to establish a Trust Fund for the conservation of environment and biodiversity”

It was created as a sustainable financing mechanism for environmental conservation in Bhutan. BTFEC has initially funded and assisted to establish almost all of the 10 protected areas in the country, and recruited more than 140 technical staff that were later formalized into the government’s recruitment system. Similarly, it supported the human resources development of more than 600 Bhutanese in conservation arenas through short and long-term studies. The capacity development is still being supported for numerous on-going projects.

While continuing to support the conservation goals embedded in the Royal Charter, the BTFEC’s successive Strategy Plans acknowledged that accelerating changes in Bhutanese society. Bhutan has been experiencing the increasing pressure on the natural environment. The main drivers of change are construction of roads and electricity transmission lines, pollution of water and soil by improper waste management, hydro-power dam construction, open cast mining, illegal logging and poaching, and limited efforts to integrate development and environmental protection. In addition the change in global climate is already affecting the fragile mountain ecosystem of the Himalayas at faster pace than the other parts of the world.

In order to manage, mitigate and minimize these impacts, BTFEC had increased its funding for a boarder range of conservation activities. For instance, Strategy Plan II (2010-15) involved more grass-roots rural population, simplified the application process and made it more accessible, strengthened monitoring and evaluation and improved organisational effectiveness in terms of project management. Riding on the success and performance of Strategy Plan II, the third Plan – Strategy Plan III (2015-2020) – was built on recommendations on the assessments of BTFEC’s past performance. Strategy Plan III provided an opportunity for BTFEC to develop clearer and focused program to fund critical conservation challenges and engage additional partners in the effort. Other opportunities include utilization of available funds for greater program impacts, increased staff and improved financial management.

In terms of assessment of biological resources in the country, it has supported the first ever survey and development of management plans for key species like Snow Leopard, Elephant, White-bellied Heron, Musk deer, and Takins. In addition, it has supported the first ever National Forest Inventory in the country. Another milestone is the documentation and development of guidebook of local fish diversity in all the major river basins of Bhutan. SMART patrolling is yet another initiative which BTFEC has rigorously supported through the GEF/World Bank project, which in long run is expected to make informed-decision makings in biodiversity management. BTFEC also supported numerous innovative technology adoption projects for wood industries and climate change.

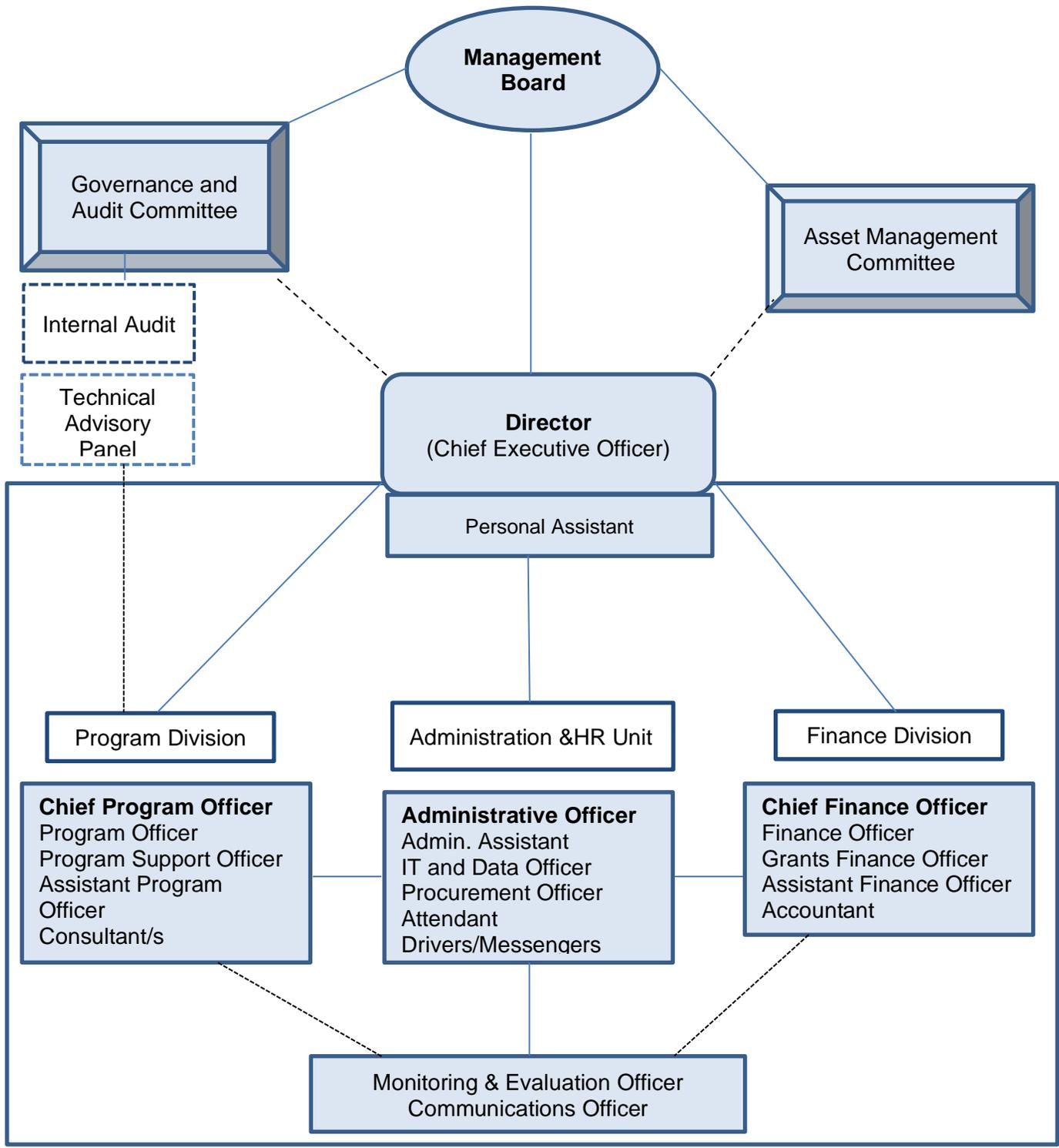
For promotion of environmental-values for future generation, BTFEC has successfully mainstreamed environmental science curriculum into school education for grade 9 to 12. Similarly, BTFEC established recreational parks for social welfare such as Royal Botanical Garden, Ludrong Memorial Garden, Thimphu Ecological Park and Changjiji Recreational Area. Numerous recreational parks are under

development at Dechencholing Dangrina, Babesa, Babena and in and around Trashichodzong.

In recent years BTFEC has been collaborating with several multilateral agencies like GEF, Climate Investment Fund, World Bank, Adaptation Fund and Green Climate Fund. Through those collaborations BTFEC is exploring funding sources for adding to its endowment fund. In 2018, BTFEC has become the only National Implementing Entity for Adaptation Fund in Bhutan and currently the accreditation to Green Climate Fund is under process. Through such financing windows BTFEC is looking forward to support projects related to mitigation and adaptation to climate change for the vulnerable communities in the country.

BTFEC's endowment has been steadily growing, which as of today stands at 71.1 million US\$. This is an exponential increase from initial endowment of 20 million US\$. BTFEC has indeed been an effective conservation grant-making organization that has supported more than 200 projects worth over Nu 1158 million (24 US\$ million).

This report highlights some of the key achievements made in the last one decade when BTFEC implemented Strategy Plan II and III, from 2010/11 to 2019/20.



Reports to: —————
 Advises as input to decision-making: - - - - -
 Informs as input to decision-making & execution: - - - - -

Figure 3: BT FEC Organogram

3. Ten Years: Development and Transformational Changes

BT FEC in the last decade have made considerable progress through adoption of number of international standard policy instruments and operational measures to comply with the highest possible standards of transparency, accountability, integrity, robust and transparent planning, and financial management. In 2014, the Management Board adopted Bylaws whose stated purpose is “to provide best practice for governance and smooth operation of the Trust Fund”. Principles stated in the Bylaws when taken together with the Royal Charter 1996, bring the BT FEC’s governing legal documents in line with the recognized standards applied to Conservation Trust Funds globally. Each of the transformative changes are highlighted in the following paragraphs.

3.1 Institutional Development: Improved institutional practises

The BT FEC has also seen a steady growth in terms of its institutional development along with it, its human resources. From a mere eight staff member, a decade ago, the Secretariat today has 18 fulltime staff. In terms of strategic partnership, in recent years, BT FEC have been collaborating with GEF, Climate Investment Fund, Work Bank, Adaptation Fund, and Green Climate Fund, among others.

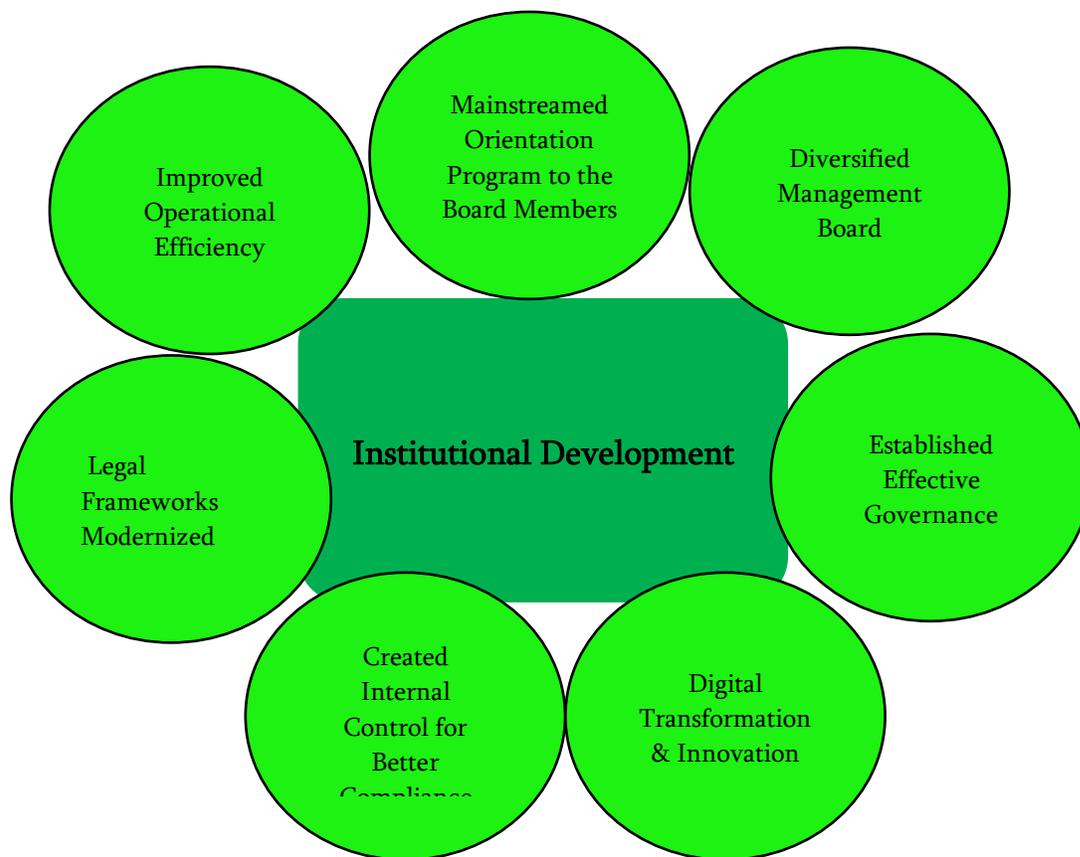


Figure 4: Overview of Institutional Development

Improved Operational Efficiency: In 2018, the BTFEC initiated an assessment to review its governance, grant-making, investment and financial management and monitoring and evaluation practices in order to identify opportunities for improving its operational effectiveness and efficiency. The first of its kind, a similar assessment, was conducted in 2012. The external independent evaluators commended BTFEC in numbers of areas, at the same time made recommendations for improvement.

Diversified Management Board: The BTFEC Management Board, once dominated by representatives of various Government agencies, has diversified its representation considerably. With these changes, the background and skills of Management Board members cover the areas of competency required for appropriate management of the BTFEC including finance, governance, business and natural resource management. Unlike in the past, the appointment of the Board Chairman is selected through an election amongst the board members.

Mainstreamed Orientation Program to the Board Members: While the new Management Board members are leaders in their own institutions, knowledge of the background, organization, way of doing business, strategic and institutional challenges of the BTFEC is key to ensuring the preparedness of Management Board members to carry out their function.

Legal Framework Modernized: To capture opportunities for mobilizing resources, managing assets, recognize practices that would make operations more effective, and in order to complement the Royal Charter, the Management Board built and adopted Byelaws in 2014.

Established Effective Governance

- **Governance and Audit Committee (GAC) Formed**

To oversee governance and standards of BTFEC, a new committee was established in 2017 to provide support and guidance to the Management Board in scrutinizing internal and external auditing. GAC ensures that BTFEC follows international internal auditing standards.

- **Technical Advisory Panel Reformed**

In order to effectively carry out its purpose and to assist the Management Board, all programs and projects supported by the BTFEC are independently reviewed and recommended for funding by Technical Advisory Panel (TAP). TAP was first instituted in 1999 and came into force the following year. With revised terms of reference, autonomy and independence of the panel has been significantly improved.

- **Streamlined Administration & Human Resource Functions**

To have a proper check and balance, the functions of administration and human resources has been separated from the Finance Division and introduced as a separate Unit. The unit also oversees the procurement functions for both the Secretariat and BTFEC funded projects.

Created Internal Controls for Better Compliance: BTFEC has developed series of Programme Operational Norms (PONs), covering fourteen key areas, at par with international standards. Similarly, major revisions were made to the BTFEC Operations Manual (OM) 2010 with latest version approved by the Management Board in May 2016. The revised OM 2016, unlike previous versions now covers more

in depth, on the management of finance, administration, procurement, human resources and grant-making operations.

Table 1: List of New Policies Developed

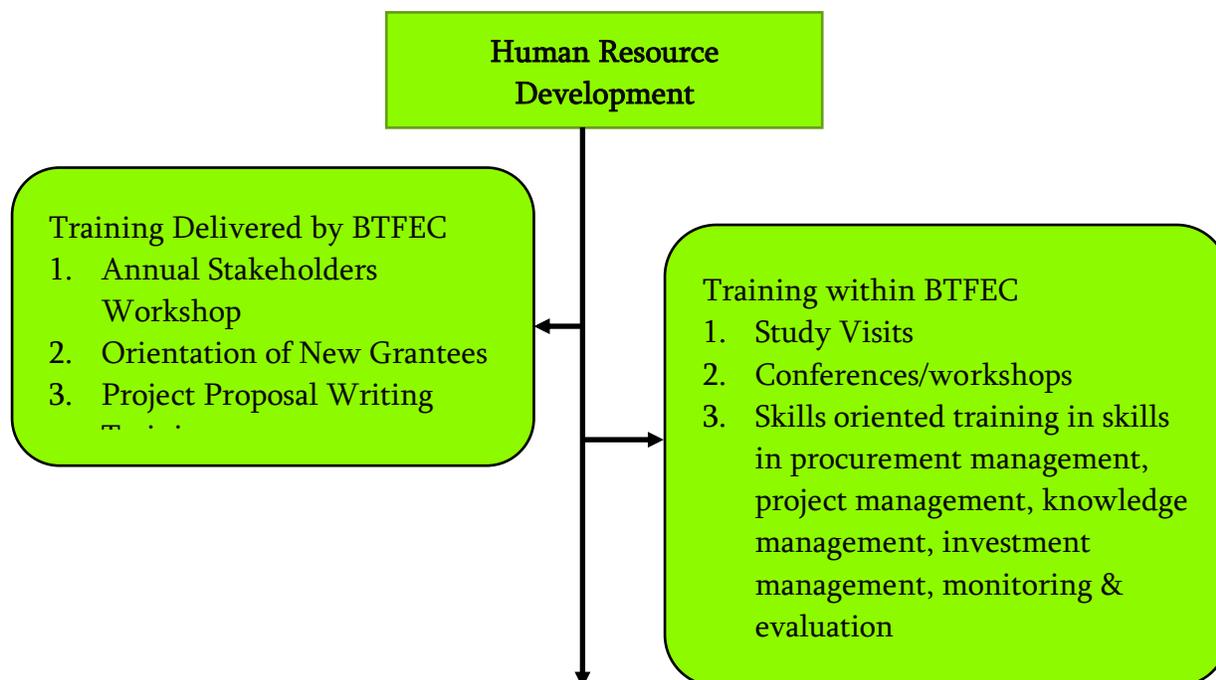
Sl. No.	Policies	Purposes
1	Advocacy Guidelines	To provide publicity and visibility
2	Managing Conflict of Interest	To manage conflict of interest
3	Dispute Resolution & Management Frameworks	For resolving disputes/disciplinary actions
4	Environmental & Social Management Policy Framework	To manage environmental and social issues
5	Environmental & Social Management Policy Framework Checklist	To Guides risk identification and analysis.
6	Fraud & Corruption Policy Framework	To detect, control and manage fraud and corruption
7	Gender Equity Strategy Framework	To integrate gender equality and perspectives at workplace and BTFEC funded projects
8	Internal Control Framework	Sets out objectives, components and use of internal control frameworks
9	Monitoring & Evaluation Framework	To provide directives and guidance for result based monitoring
10	Organization Integrity Plan	A time bound, outcome based action plan to effect directional change in integrity management with BTFEC's key organizational plans/annual work plan.
11	Risk Management Policy Framework	To guide the Secretariat in the identification and assessment of risks and with selection and implementation of risk control measures
12	Project Time Extension Guideline	Guidance on obtaining an extension of the grant implementation period.
13	Whistle Blower Policy & Procedures	To protect staff or outsiders who in good faith report fraud or financial misconduct.
14	Guidelines for Small Grants	To seekers of small grants for addressing urgent environmental needs.

Digital Transformation and Innovation

- **Modernized Grant Making** by improving and clarifying application process, including development and implementation of Integrated Information Management System (IIMS) for both internal administrative processes and management of BTFEC funded projects. Through the IIMS, grant applicants can find strategic priorities and grant-making guidance and guidelines; complete applications; receive comments and revise applications; and track their applications through to approval or rejection.
- **Enhanced staff capacity and administrative functioning through IIMS:** Through a staff-only portal on BTFEC's website, staff can undertake a range of administrative, HR and procurement tasks. For example Personnel Performance Appraisal (PPA) is also being carried out using IIMS. The IIMS is also integrated with grantee and staff portals, as well as grievance mechanism for communities and information for the general public.

3.2 Human Resource Development: Performance and Professional Development

BTFEC places top priority on capacity development by enriching professional skills of both BTFEC staff, and the grantees. This is recognized as being a sound investment in the institution when managers and staff are exposed to new ways of doing business and means to enhance individuals' job performance and personal development and resulted in better quality proposal and project management.



BTFEC places high value on enriching the skills and capacity of both BTFEC staff and the grantees

Figure 5: Overview of Capacity Development Initiatives

Improved Competency in Proposal Writing and Project Management

The BTFEC has taken a multi-pronged approach to addressing weaknesses in proposal writing, project design and reporting that in the past have hampered the grant portfolio's growth, diversity and performance.

- ***Started Orientation Sessions for New Grantees:*** To familiarize grantees in implementation and reporting of BTFEC grant projects, this new practise has been introduced.
- ***Annual Stakeholder Workshops Introduced:*** To bring grantees together to share their challenges and successes, stakeholders' workshop was introduced in 2011. The forum also provides platform to familiarize grantees on new developments at the BTFEC.
- ***Reaching Out to the Grassroots:*** To reach out to the communities at the grassroots level and explore potential intervention in the conservation, a Result-Based Project Management in Conservation workshop was introduced in 2018. This biennial workshop, covering 20 dzongkhag, was centred on hands-on training for the potential grantees on how to design projects and convincingly articulate a concept in the BTFEC proposal template.

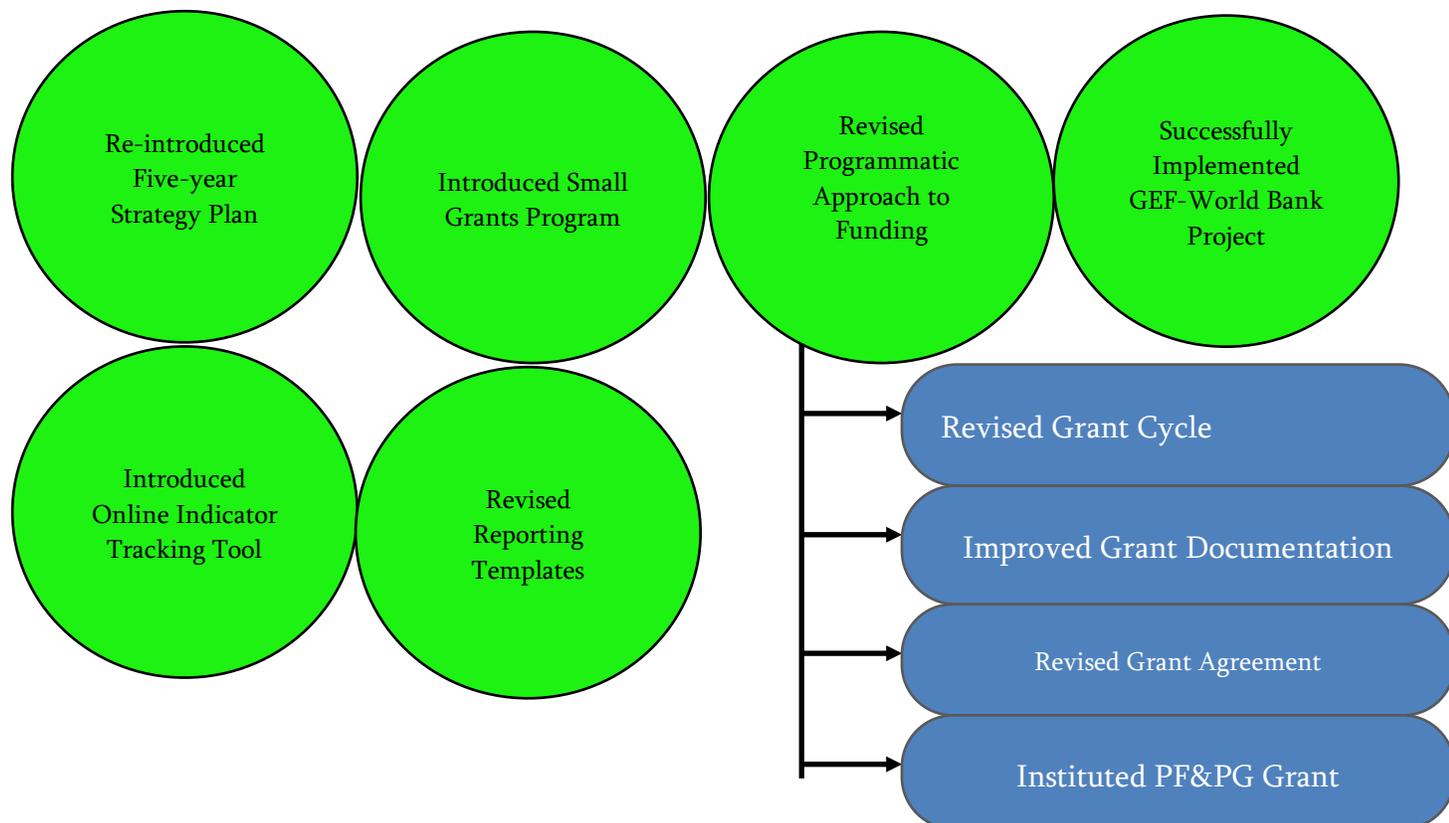
Increased Training to Improve Results within BTFEC

In the past one-decade large person-days were dedicated to some form of training or knowledge acquisition. Management Board, Asset Management Committee (AMC) and Technical Advisory Panel (TAP) members as well as Secretariat managers and staff attended skills-oriented training, study visits and conferences, focused on skills development in procurement, project management, knowledge management, investment management, monitoring & evaluation.

3.3 Program: Diversification and Modernization of Grant-Making

The BTFEC annual grant making has been guided by five-year Strategy Plans. The Strategy Plans of the BTFEC are formulated to coincide with the Royal Government of Bhutan's Five-year developmental plans. The Strategy Plans in five-year cycles present a cohesive well-grounded funding strategy to ensure the most effective utilization of trust fund resources.

Figure 6: Program Transformations



Re-introduced Five-year Strategy Plan

The Royal Charter of 1996 is a sacrosanct guiding document for the BTFEC, which guides development of its five-year Strategy Plans. Action Plans and Request for Proposals are then derived from the Strategy Plan. In 2010 Strategy Plan was re-introduced for guiding BTFEC's next five-year plans. Since then during a decade of time period under Strategy Plan II and Strategy Plan III, all the protected areas had become a network of ten parks and eight biological corridors that are now on a path to permanent protection and financial self-sufficiency. Getting to this point has required more funds than the government has been able to allocate without doing so at the expense of other vital sectors of the economy. During the period, BTFEC approved and awarded 167 grants worth more than Nu 685,928,783 marking an outstanding achievements within a span of 10 years.

Revised Programmatic Approach to Funding

BTFFEC has been funding in the environmental areas by having the grantees submit proposals that package their activities into projects. Each grant request goes through the cycle of receipt, triage by the Secretariat, TAP review, modification if necessary to respond to TAP comments, presentation to the Management Board and grant negotiations. A thorough proposal assessment has resulted in improved quality in proposal and subsequently enhanced the project impacts.

Changed Grant Cycle : BTFFEC used to provide twice-yearly competitive process based on calls for proposals and more recently a more targeted request for proposals. The maximum grant amount that can be awarded is Nu 15 million per project. Since 2018, BTFFEC moved to an annual grant cycle aligned with the government planning and budgeting cycle.

Improved Grant Documentation: Revisions were made in 2016 to simplify and increase user-friendliness of templates for grant proposal, progress reporting and project implementation completing reports. Most importantly, the results framework was re-worked and now at par with international standards of project management.

Modernized Grant Agreement: Extensive changes to the Management Board Approved Grant (MB Grant) Agreement were also made through hiring legal services.

Introduced Project Feasibility and Preparatory Grants (PF&PG): The most recent addition to the BTFFEC grant window is a Nu. 150,000 PF&PG. The financing window is already being used to carry out the ground work to prepare a technically sound project proposal to be submitted to seek MB Grant funding.

Introduced Small Grants Program: The previous discretionary grant was modified into a Small Grant Program, which is being implemented as per the Small Grant Guidelines, 2017. The process for review and approval of Small Grants is now mainstreamed and its effectiveness improved.

Introduced Online Indicator Tracking Tool: Each of the approved projects has clearly defined SMART targets and tracked using online indicator tracking tools. The online spreadsheet tool has been effective in communicating project status between BTFFEC and the grantees.

Revised Reporting Templates: As recommended during annual stakeholders' workshop, the reporting templates for both technical and financial has be revised and simplified which has resulted in timely reporting with minimal errors.

Established Environmental, Social and Gender Safeguards & Improved Risk Management: As a result of closing working with numerous international partners BTFFEC has mainstreamed Environmental, Social and Gender Safeguards and Risk Management.

Successfully Implemented GEF-World Bank Project: Besides the normal grant making, BTFFEC also implemented the GEF 5 STAR grant amounting to US\$ 4.08 million that was implemented by the World Bank during 2013 to 2018. It was first of its kind in the history of BTFFEC. In total 14 projects were implemented through three Parks, the National Biodiversity Centre, and Wildlife Conservation Division under the Ministry of Agriculture and Forests, covering the High Altitude Northern Areas (HANAs) of the country for improving conservation management. The project has provided numerous capacity development and enhanced mobility of the BTFFEC.

3.4 Finance: Sustainable Investment of BTFEC Assets

One factor identified as contributing to successful management of assets was that the BTFEC over the period used to its advantage different types of asset management arrangements – investment firm, offshore consultant advisor and self-management with an in-house advisor resulting record increase of US\$ 34.1 in the last 10 years.

Secured Off-shore Investment Management: BTFEC Assessment (2012) recommended that, given the non-permanent residency arrangement of the in-house advisor, BTFEC should begin reflecting on future arrangements. Changes in US financial regulations regarding ownership of mutual funds and departure of the in-house advisor have led the BTFEC to pursue the more conventional approach of Conservation Trust Funds, which is to engage a specialized investment firm or bank to manage endowment capital. Based on the recommendations, BTFEC changed custodian Bank to UBS bank for the management of the overseas portfolio. With the strong dollar-based portion of the endowment the BTFEC was in a strong position to obtain the highest quality skilled management at lower-end fees.

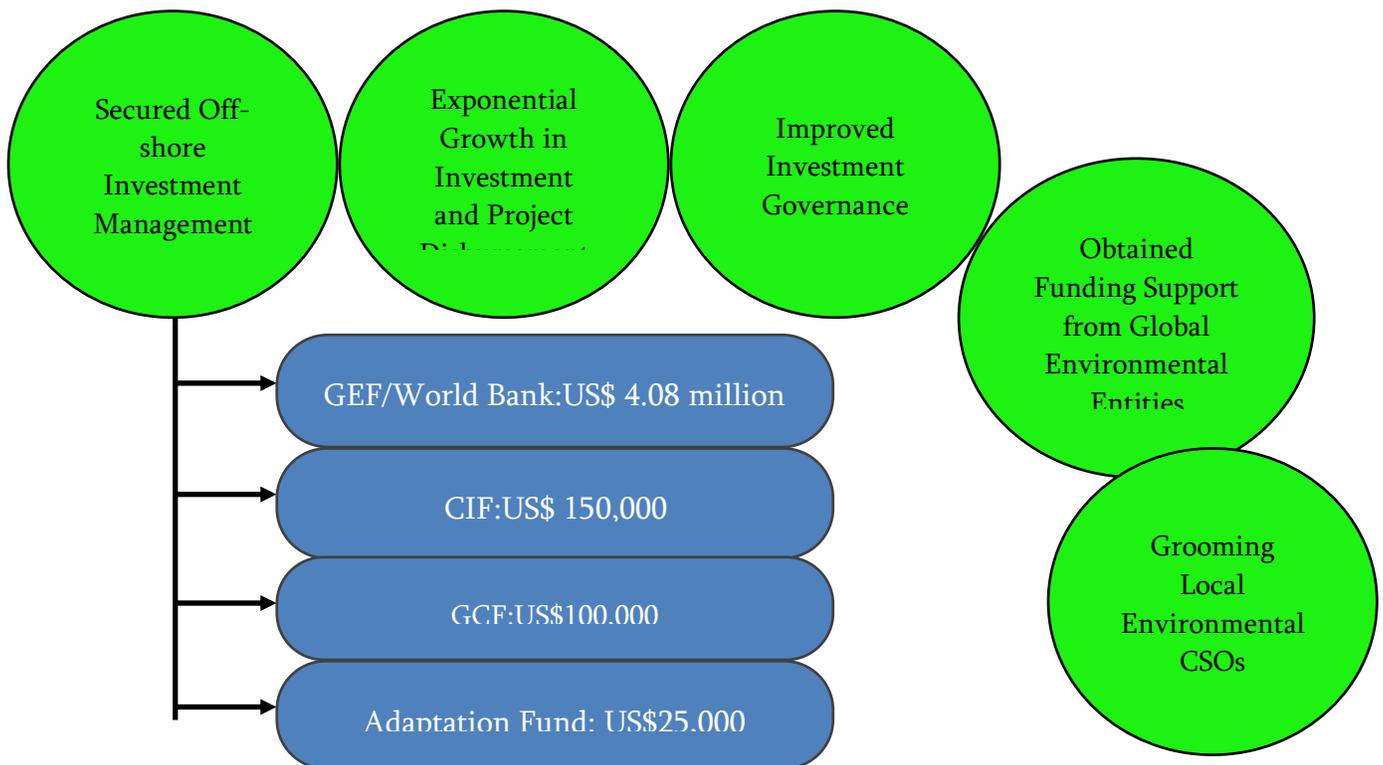


Figure 7: Financial Transformations

Exponential Growth in Investment and Project Disbursement: Disciplined investment management and opportune decisions guided the growth of the original Trust Fund capital which increased from US\$ 37 million in 2010/2011 to more than US\$71.1 million by 2019/2020, and allowed over US\$24 million in grants to be distributed in support of pressing conservation needs.

Improved Investment Governance: The capital of the BTFEC has been growing considerably in part because of the careful management of investments and administrative expenses and guidance by Asset Management Committee (AMC) established in 2017. The Investment Policy of 2009, revised in 2018 covers both the offshore and onshore portfolios.

Obtained Funding Support from Global Environmental Entities

In addition to the returns from the investment, BTFEC was able to secure funds from the following:

GEF/World Bank: Between 2013 and 2018 BTFEC implemented the GEF 5 STAR grant amounting to USD 4.08 million titled: Sustainable Financing for Biodiversity Conservation and Natural Resources Management project that was implemented by the World Bank. The project was designed to help BTFEC better implement this 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.

Climate Investment Fund: Bhutan Trust Fund for Environmental Conservation in collaboration with National Soil Service Centre (NSSC), and Gross National Happiness Commission (GNHC) has undertaken the Evaluation and Learning (E&L) activity with financial support of US\$150,000 from Climate Investment Funds (CIF) for the project 'Evaluation of Sustainable Land Management (SLM) and innovative financing to enhance climate resilience and food security in Bhutan'.

Green Climate Fund: Under the supervision of the National Designated Authority (NDA), BTFEC is implementing Readiness Grant project of \$100,000 for a period of 18 months. The program is to enhance country ownership and access to the Fund by strengthening institutional capacities of NDAs or focal points and Direct Access Entities. In particular, it is expected to improve BTFEC's (as a potential NIE) existing Program Operational Norms (PONs) and enhance institutional capacity.

Adaptation Fund: BTFEC has received a Readiness Grant for Technical Assistance of US\$ 25,000 to build capacity and establishment of Environmental and Social Safeguards, Monitoring and Complaint Redressal systems.

Grooming Local Environmental Agencies

Endowment Fund for Royal Society for Protection of Nature (RSPN): BTFEC has been managing the endowment fund of the RSPN since March 2002. A corpus of US dollar one million handed over to the BTFEC by the RSPN from March 2002 through June 2005, of which BTFEC contributed US\$450,000 as a matching fund to other donors to ensure sustainable financing for environmental management. As of 30 June 2019, the endowment fund has grown, net of withdrawals, to US\$1.733 million at a cumulative growth of 73.35 percent. Total withdrawal since inception to 30 June 2019 was US\$790,401.

Endowment Fund for Human-wildlife Conflict: BTFEC also played an instrumental role in creating human-wildlife conflict endowment fund for Bhutan.

4. Knowledge Management and Information Sharing - Communications and Outreach

Introduced Visibility-enhancing Mechanisms

Independent external evaluators has commended BTFEC's improved visibility both within and outside Bhutan. Information and knowledge are now communicated through publications, databases, multimedia, and web content, all of which are available online. A lot of improvement has been brought on the website. It is now more informative operating as a business tool for BTFEC publications. The latest updates, new announcements, developmental activities, zero tolerant to fraud and corruption, complaint management hotline are put in place. Introduction of such new features has brought BTFEC on par with international norms. Similarly the Monitoring & Evaluation (M&E) framework has strengthened sharing of lessons learnt through BTFEC funded and coordinated projects to the grantees and general public. A mechanism has been put in place to present the lessons learnt from completed projects for incorporating into the new projects.

Major progress has been made in the areas of M&E, reporting and communications. Among the most noteworthy actions that were taken in the past 10 years are: adding an M&E Officer and Communications Officer and communications plan in place. Since 2017, Annual Report Publication was also re-introduced in 2015/16.

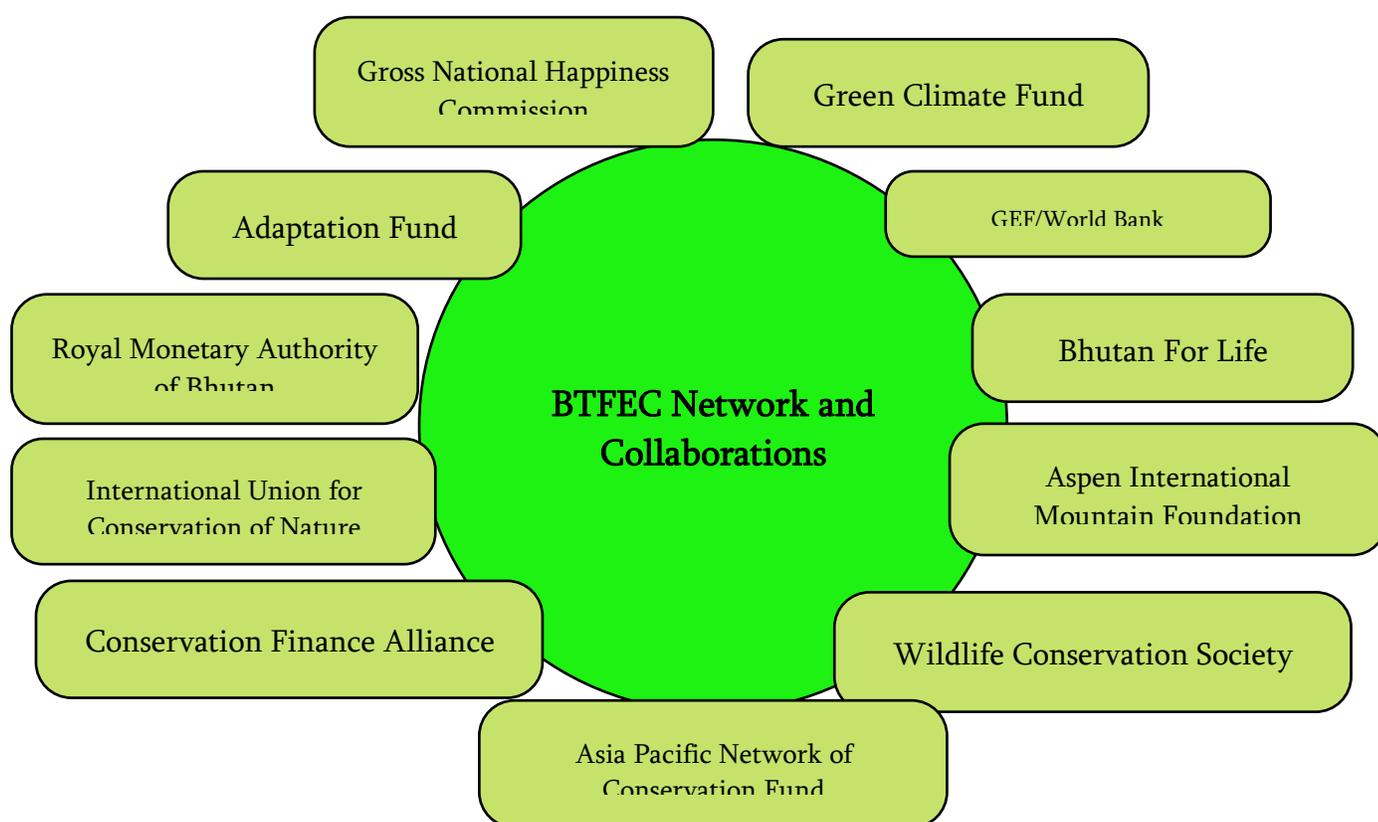
The synergy of the new M&E system, the updated website and enhanced focus on communications, including the newly developed Communications Strategy have made significant advances in sharing of important experiences and results. This includes, for example: the sharing of BTFEC funded research findings on the website; sharing of results from successful projects; and magazine articles in a range of publications bringing messages to the wider public. In addition, BTFEC has reached to the global communities through social media.

Established In-house Information Sharing

Monthly meetings: BTFEC has held over 100 monthly staff meetings to share and update information amongst the divisions since its introduction in 2010. The meeting were an open forum for the staff to discuss matters concerning their professional work and sharing of new ideas. The forum also provides avenue for the staff to share and train colleagues in the new skills that other colleagues were able to acquire through capacity development programs both within and outside.

5. Network and Collaborations: Established Strategic Partnerships

The BTFEC, owing to the breadth of its experience and a long and excellent track record in awarding grants and managing funds, is an outstanding candidate to manage new programs in environmental conservation. BTFEC's established standards and safeguards such as risk mitigation, corruption and fraud, socio-environmental and gender, and its good legal status has been one of the key factors attracting interest of new major global innovative financing mechanisms like Adaptation Fund (AF) and Green Climate



Fund (GCF).

Figure: Strategic Partnerships Established

Accreditation to Global Climate Finance Initiatives

In January 2018, BTFEC was successfully accredited as the first National Implementing Entity (NIE) for Adaptation Fund in the country. BTFEC was the 28th NIE around the world with the capability to develop effective adaptation projects for the most vulnerable communities. Currently the proposal worth of US\$10 million is being developed in close collaboration with Royal Government Bhutan and relevant agencies.

BTFEC is also in process of seeking accreditation to Green Climate Fund through fast-track mode as BTFEC is already and NIE for the Adaptation Fund. Once accredited, BTFEC would able to access project size up to US\$50 million under adaptation and mitigation to climate change.

Drafted Innovative Financing Mechanism Sustainable Land Management

With funding from Climate Investment Fund (CIF) an Evaluation and Learning Project on sustainable land management (SLM) was successfully implemented. The project recommended an establishment of endowment fund for SLM for livelihood enhancement and food security in Bhutan. The financial analysis for creating the endowment fund has been completed and possibility of establishing is being explored.

Established Strategic Partnership

To improve BTFEC's visibility on the global stage, it became member of International Union for Conservation of Nature (IUCN) in 2014, Wildlife Conservation Society (WCS), Aspen International Mountain Foundation (AIMF) in 2015, and Conservation Finance Alliance (CFA). BTFEC is also one of the founding members for Asia Pacific Network of Conservation Fund (APNET), founded in 2017.

At the local level, BTFEC has established and enhanced its partnership with the following agencies:

- **Bhutan for Life (BFL):** BTFEC has committed US\$7.5 million (with annual contribution of Nu. 32.5 Million) for Bhutan for Life Project starting July 2019 till 2032. Bhutan for Life is an innovative funding project that aims to provide a sustained flow of finance to maintain the country's protected areas and biological corridors for perpetuity (14 years, until Bhutanese government takes over the costs entirely without foreign assistance).
- **Royal Monetary Authority (RMA) of Bhutan:** BTFEC has also signed MoU and executed currency swap deal with Royal Monetary Authority of Bhutan by bringing US\$ 5 million into the country which also have numerous advantages to both RMA, the central bank of Bhutan and BTFEC.
- **Gross National Happiness Commission (GNHC):** A strong linkage was established between BTFEC and national planning commission, the GNHC on the highest levels of integrating environmental conservation into national planning frameworks and policies.

6. Way Forward: Looking Ahead

While BTFEC celebrate, a decade of success and transformational changes, addressing the key threats to environmental conservation in Bhutan still remains a challenge. In particular, the past decade of research has shown that some of the most important threats facing ecosystems in Bhutan are the climate change and increasing incidences of human wildlife conflict, which cannot be addressed without long-term commitment. The threats of the climate change is a monumental challenge and is expected to take years for Bhutan to adapt.

Formulation of Strategy Plan IV 2020-2025: In the next 5 years, Strategy Plan IV, 2020-2025, there are several high priority and thematic areas planned to help address these challenges through research and informed management plans and actions. Understanding Bhutanese ecosystem in the millennia of climate change and globalization would help us in making informed decisions while assessing grant proposals. However, the last 10 years of funding and effort have secured a strong foundation of research and conservation, which can be built on future project funding.

Accessing Fund through Adaptation Fund: BTFEC is in the process of accessing funding of US\$10 million to support concrete adaptation activities that reduce vulnerability and increase adaptive capacity to respond to the impacts of climate change.

Accessing Green Climate Fund (GCF): The accreditation application is under progress and once accredited, BTFEC would able to access funding up to US\$50 million for adaptation and mitigation interventions in Bhutan.

Increasing Fund Support to Areas Outside Protected Areas: Establishment of network of protected areas of Bhutan through BTFEC and partners was a major milestone, but there is much to be done to operationalize and ensure sustainable management of the areas outside the protected area, which encompass almost 49 percent of Bhutan's total landmass. Thus, BTFEC envisions to assist managers of areas outside protect area in achieving a harmonious balance between economic development and management of natural resources. However, BTFEC will continue the support to the protected area through its annual contribution to Bhutan For Life (BFL) project and other means.

Operationalization of Fundraising Strategy: In 2016, the BTFEC issued its Fundraising Strategy and Implementation Plan. The strategy document takes a comprehensive approach to defining a strategic method for increasing endowment and project funds, identifies potential sources of new funding, defines a communications and marketing plan and offers a fundraising implementation plan.

Construction of Office Building: Subsequent to the Royal Approval conveyed by the Office of Gyalpoi Zimpon, BTFEC is building an office complex at heart of Thimphu City. The Building has been designed to achieve the goal of nearly-Zero-Energy-Building (nZEB) standards in line with the BTFEC's core mandate of "...promotion of social welfare through environmental conservation of the forests, flora, fauna, wildlife, diverse ecosystems and biodiversity in Bhutan" (Royal Charter '96).