

Bhutan Trust Fund for Environmental Conservation (BT FEC)

BT FEC’s Risk Management Policy Framework

The Bhutan Trust Fund for Environment Conservation (BT FEC) shall ensure that risk management plays an integral part in sound governance at strategic, operational and project levels. In this context, the BT FEC Board has approved the BT FEC’s risk management policy, which requires the BT FEC management to be responsible for:

- Identifying Risks
- Assessing risks (Analyzing, Rating)
- Selecting and implementing risk control and financing measures
- Periodically reviewing risk management plan and reporting to the BT FEC’s Board

In order to carry out the above functions on a continuous basis and as an integral part of the BT FEC’s operations, the BT FEC management shall submit quarterly report to Board concerning the overall BT FEC’s operations as per the BT FEC’s Operational Risk Management Plan and evaluation of its implementation status. The BT FEC’s Operational Risk Management Plan shall be prepared as per the Risk Matrix A.

Risk Matrix A: BT FEC’s Operational Risk Management Plan

Areas of Risk	BT FEC’s operational area	Description of Risks	Severity			Risk Management Measure	Indicator
			L	M	H		
<i>Strategic risks</i>							
• Overall economic environment							
• Political							
• Governance							
• Investments							
• Corporate image							
<i>Financial risks</i>							
• Financial sustainability							
• Disbursements							
• Cost escalations							
<i>Operational risks</i>							
• Procurement of Services							
• Procurement of Goods							
• Disbursements							
• Communication							
• Planning and reporting (stakeholder consultation)							
<i>Organizational</i>							
• Technical capacity							

Areas of Risk	BT FEC’s operational area	Description of Risks	Severity			Risk Management Measure	Indicator
• Staff strength							
• Information Technology							
• Legal identity							

The BT FEC’s Project Risk Management Plan shall be an integral part of the BT FEC’s project design and appraisal process. Therefore, all grantees shall submit the Risk Matrix B as their Project Risk Management Plan to the BT FEC as an attachment to of the project proposal for funding by or through the BT FEC. Project financing from or through BT FEC shall not be considered during the project appraisal without adequate assessment of risk as per the Risk Matrix B. Upon approval of the project, the grantees shall submit semi-annual progress on the implementation status of the Project Risk Management Plan.

Risk Matrix B: BT FEC’s Project Risk Management Plan

Project Output/ Activity	E&S Principles	Description of Risks/ Impacts	Severity			Safeguards/ Mitigation Measure	Responsible	Current Status
			L	M	H			
	ESS							
	Compliance to legal and regulatory requirements							
	Protection of Forests and Natural Habitats							
	Conservation of Biological Diversity							
	Pollution Prevention							
	Resource Efficiency							
	Lands and Soil Conservation							
	Physical and Cultural Resources/Heritage							
	Indigenous Peoples							
	Involuntary Resettlement							
	Public Health							
	Access and Equity							
	Marginalized and Vulnerable Groups							
	Human Rights							
	Poverty alleviation							
	Disaster Management capability							
	Pests and disease management							

	Trans boundary issues							
	Climate Change							
	Gender Equity							
	Gender inclusiveness							
	Women's Empowerment							
	Fraud and Corruption							
	Financial risk							
	Procurement risk							
	Governance and operational risk							
	Access and equity							
	Others (which are not covered above)							
	Institutional capacity							

Definitions

- **Compliance to legal and regulatory requirements:** Adherence to the laws, regulations, guidelines and specifications relevant to the project
- **Protection of Forests and Natural Habitats:** Protecting degradation of forest values and sustainability, loss and fragmentation of habitats, loss of biodiversity disturbance to protected species
- **Conservation of Biological Diversity:** Conservation of the diversity of species, the genetic diversity within species, and the diversity of the ecosystems.
- **Pollution Prevention:** Utilizing an approach to reduce the risk of pollution, and in some cases eliminate the possibility of environmental degradation.
- **Resource Efficiency:** Ensuring that natural resources are produced, processed, and consumed in a more sustainable way, reducing the environmental impact. By producing more wellbeing with less material consumption, resource efficiency enhances the means to meet human needs while respecting the ecological carrying capacity of the Earth
- **Lands and Soil Conservation:** Mitigation and prevention of land degradation, promotion of soil conservation and educating landholders and the general public about sound soil and land management.
- **Physical and Cultural Resources/Heritage:** Location of religious and cultural sites with significant values to the local people, places or objects of historic or contemporary cultural heritage significance.
- **Indigenous People:** Indigenous People may be referred to by such terms as “ethnic minorities,” “highlanders,” “Nomads”. Here we refer Indigenous people to those who have collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories.
- **Involuntary Resettlement:** It is a circumstance when the displaced persons have no right to refuse the land acquisition by the state/country that result in their displacement. This occurs when land is acquired through: expropriation by invoking the eminent domain power of the state; or land is acquired through negotiated settlement when the pricing is negotiated in a process where expropriation will be the consequence of a failure in the negotiation.
- **Public Health:** Public health is the science of protecting the safety and improving the health of communities through education, policy making and research for disease and injury prevention. In

our context, it is reducing and preventing health problems and increase the understanding of the relationship between the environment and health.

- **Access and Equity:** Ensuring all people have access to the benefits of the project irrespective of race, income level or ability – have access to programmes, facilities, places and spaces that make their lives and communities great – ensuring programs and policies protect the most vulnerable communities from environmental and health hazards.
- **Marginalized and vulnerable group:** People or community among the most marginalised and disadvantaged, with high levels of poverty and low levels of human development, and little opportunity to make informed choices or influence development processes and outcomes.
- **Human Rights:** Respect for territorial rights, equitable benefit sharing, strengthened livelihood security for the local people and communities, broad sustainable development, full stakeholder participation, access to accurate information with national and international laws.
- **Poverty Alleviation:** It is a set of measures, both economic and humanitarian, that are intended to permanently lift people out of poverty. Biodiversity conservation serves to protect the life of vulnerable people in developing countries, and ensures stable and sustainable growth.
- **Disaster Management capability:** Vulnerability reduction and recognition capability for emergent events and impacts for both expected and unknown, making effective decisions and having them implemented, and restoring normality and learning.
- **Pests and disease management:** Based on laws and regulations, promote health by prevention and scientific control, that promotes various prevention and control methods for the main pests and disease that may be encountered under the project.
- **Trans-boundary issues:** Trans boundary issues create interdependencies between countries (e.g. hydrological, social and economic ones in the case of water). Thus, a country should seek to establish contact with neighbouring countries to inform about the adaptation process and areas of concern with regard to cross-border impacts and identify approaches for coordination over different political, legal and institutional settings.
- **Gender inclusiveness:** Integrating human dimensions into conservation practice and ecosystem management that entails finding and collecting information on differences in gender roles, activities, constraints and opportunities for people potentially involved or effected by the project.
- **Women's Empowerment:** Inviting women's voices in conservation projects to further nurture their stewardship in biodiversity conservation thereby ensuring its conservation programs and promote the national and global agenda
- **Financial risk:** Financial risk is any risk associated with financial transactions pertaining project.
- **Procurement risk:** Procurement risk is the potential for failures of a procurement process designed to purchase services, products or resources. Common types of procurement risk include fraud, cost, quality and delivery risks.
- **Governance and operational risk:** Organization's risk relating to governance and operation such as inadequate or failed procedures, systems or policies