

Trust Fund for Environmental Conservation

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Operations Evaluation Department

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Introduction

1. The Bhutan - Trust Fund for Environmental Conservation was both the first GEF grant (of US\$ 10 million) for Bhutan, and the first GEF trust fund anywhere in the world. The trust fund was funded under the pilot phase of the GEF.

Project Objectives

2. Objectives. The objectives of the GEF grant as reflected in the Grant Agreement were to:

(a) assist the RGOB in initiating a comprehensive nation-wide environmental conservation program and

(b) test the feasibility of trust funds as a mechanism for providing long-term and sustainable support for conservation of biodiversity.

The grant provided financing for the BTF, which in turn financed a conservation program

3. Evaluation of Objectives. The conservation program objective was clear and realistic. The grant agreement specified benchmarks to measure progress on this conservation program. The benchmarks were achievable within the capacity of RGOB, given the Government's strong commitment to conservation. The original grant documentation provides little direct elaboration on the trust fund objective. Indirectly, the documentation referred to a few parameters that could be used to measure the achievement of the objective, such as using the US\$ 10 million of GEF financing to attract an additional US\$10 million from other donors, and preserving the real value of the initial capital.

Implementation Experience and Results

4. Achievements. The original conservation program benchmarks were achieved in three years, less than the anticipated timeframe of five years. These benchmarks included: (a) increase in conservation staff, (b) improved training, (c) strengthened information management, (d) new system of protected areas that is representative of the country's ecosystems, (e) protected area gazettelement and inventories, and (f) new park management plans. The grant also helped to demonstrate the feasibility of trust fund mechanism that has the potential to provide long-term, sustainable support for biodiversity conservation. The RGOB used the GEF grant to attract funds from other donors who have more than matched the GEF contribution of US\$1 0 million and also encouraged their financing of other biodiversity programs separate from the trust fund. In response to the experience of the first few years, the Board improved financial management by contracting a professional asset manager and custodian to ensure higher income, improved reporting, and coordinated fund flow. Consistent with its design, the grant achieved GEF pilot phase objectives of global benefits, innovation, demonstration value, uniqueness to the GEF portfolio, sustainability, and monitoring mechanisms.

5. Impact. Through the conservation benchmarks, the grant served as a catalyst to lay the basic foundation for an effective long-term conservation program, by establishing the legal, institutional, and technical framework, and in expanding implementation capacity.

Regarding

the trust fund objective, the grant helped to create a permanent, well-capitalized institution. The grant launched the first trust fund set

up under the GEF and the first demonstration anywhere of a conservation

"trust fund". It continues to provide useful lessons for environmental

trust funds worldwide, and potential trust funds involving other sectors

in Bhutan.

6. Sustainability. With continued prudent financial management, the trust

fund is highly likely to be financially sustainable. However, the BTF is

still developing as an institution, and the extent to which it reaches its

full potential will depend upon institutional/management effectiveness.

7. Costs, Financing, and Implementation Timetable. When taking costs of

the benchmark conservation program into account for a five-year period,

there is no significant deviation between the total actual versus appraisal estimates of benchmark program costs. Regarding financing for

the conservation program, there were much greater than anticipated contributions from donors (especially WWF) who responded to RGOB's request

for assistance when the BTF investment income was minimal during the

initial years. The US\$10.5 million from cofinanciers to capitalize the BTF

also exceeded expectations at appraisal.

8. Key Factors. Enabling factors included the World Bank, UNDP, WWF-US,

and other donors' funds and advice; the responsible and flexible response

to financial reporting and investment deficiencies; strong ethic of integrity; the RGOB's strong environmental sector policies and commitment

to biodiversity conservation; and the rapid appreciation of equities,

especially U.S. stocks. Inhibiting factors included inexperience in biodiversity trust fund design, development, and operations; lack

of an

adequate number of qualified staff available to work on conservation;
limited time and attention which the BTF Board devoted to BTF issues; and
minimal staff and lack of authority of the BTF Secretariat. The importance
in Bhutanese culture of maintaining good relationships and making decisions through consensus was generally a positive force but it also
slowed the pace of implementation.

9. Performance of World Bank. Bank involvement in identification and preparation was minimal. At appraisal, in the context of the time, the World Bank mission provided adequate technical, environmental, sociological, financial, and legal expertise and guidance. Bank support during supervision was highly satisfactory. During this period, the World Bank was instrumental in bringing about the necessary changes to the governance structure, financial reporting, and investment arrangements, and in prompting the BTF Board to develop a strategic plan. The highly collaborative relationship among the World Bank, BTF Board, BTF Secretariat, and WWF-US throughout the grant period helped World Bank staff to supervise efficiently and effectively. There was good continuity in World Bank staffing with only one change in task manager.

10. Performance of Recipient. RGOB demonstrated a high level of initiative and commitment in developing this innovative trust fund proposal, devising a governance structure that included an NGO and a multilateral donor, and in obtaining the necessary legal, financial, and technical support from WWF-US and UNDP. During implementation, RGOB demonstrated flexibility in issuing a Royal Charter in place of the original MOU in order to resolve financial reporting and investment shortcomings. RGOB also implemented its conservation policies, achieved the conservation benchmarks, provided its agreed share counterpart funds, and raised additional cofinancing. At the institutional level, BTF continues to have room for continued improvement in clarifying its funding policies, adopting systematic operating

procedures, increasing communications with potential recipients and donors, time devoted by Board members, and overall dynamism.

11. Overall Outcome. The overall outcome of the grant is satisfactory. Had the strategic plan been already finalized and operational for at least six months prior to the completion mission, the outcome would likely have been rated highly satisfactory.

Summary of Findings, Future Operations, and Key Lessons Learned

12. Future Operations. Future operations will consist of implementing the objectives of the BTF, as given in the Royal Charter, 1996. The BTF Board plans to guide these operations with a strategic plan that articulates the long-term vision, the program priorities, and administrative guidelines.

13. Lessons for Future Operations in the Sector. (a) Trust funds need a legal framework to institutionalize collaboration between donors and recipients, make decision-making and implementation transparent, and hold management accountable. (b) Concrete conservation program benchmarks during the first five years served as useful incentives, as clear indicators of achievement, and as mechanisms to mobilize donor support. (c) During the initial period of trust fund establishment, it is essential to have reliable start-up funding that does not depend upon investment income. (d) RGOB's reputation for integrity in governance, its demonstrated commitment to conservation, and the small size of the country (with associated support from interested European countries) all contributed to willingness of donors to make relatively large contributions. These conditions may limit the likelihood of replicating comparable levels of support for trust funds in many other countries. (e) The design and appraisal teams should include relevant expertise in financial asset management, trust fund institutional development, and trust fund program development. (f) Developing proposals for trust fund support of ICDP has proved more complex than originally anticipated. (g)

BTF's experience confirms that multi-stakeholder involvement is beneficial (e.g., WWF-US and UNDP involvement in BTF Board, communication with donors, involvement of local people in protected area management planning, etc.). (h) Trust fund performance should be evaluated from a long-term perspective, taking into account the needs of future generations.

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