



# KINGDOM OF BHUTAN

Bhutan Trust Fund for Environmental Conservation



## **Expert Meeting on Strengthening Finance for Sustainable Forest Management through National Forest Funds in the Asia-Pacific region**

*24<sup>th</sup> & 25<sup>th</sup> October 2013  
Bogor, Indonesia*



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### OVERVIEW

- **Country Background**
- **Establishment & Legality**
- **Vision, Mission & Organization Structure**
- **Resource Mobilization & Capitalization Strategy**
- **Fund Utilization & Oversight**
- **Key Stakeholders**
- **Achievements & Challenges**
- **Way Forward**

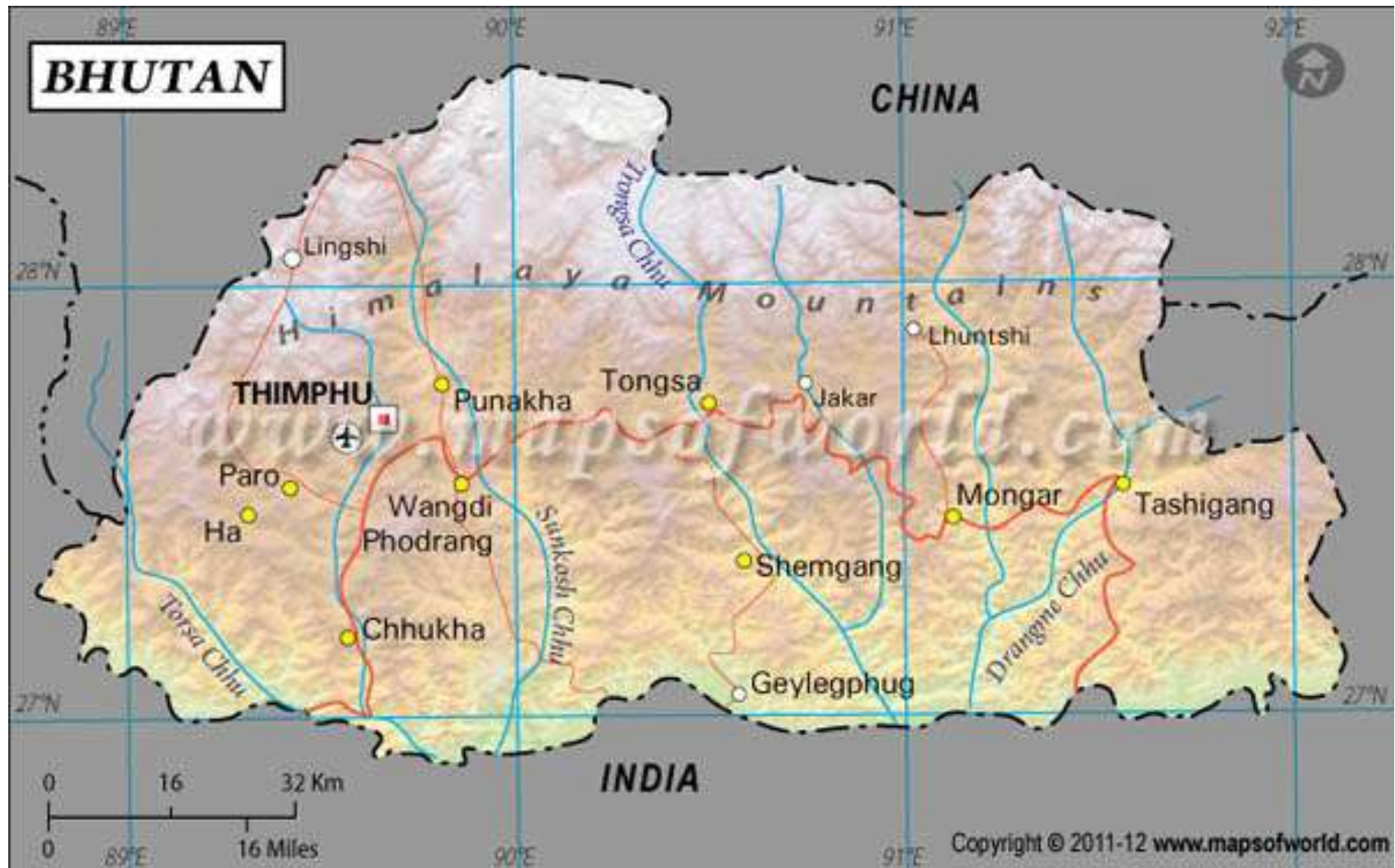


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## BACKGROUND-Country





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## BACKGROUND-Country

|                       |                                  |
|-----------------------|----------------------------------|
| Country               | : Kingdom of Bhutan              |
| Area                  | : 38,394 Sq.Km.                  |
| Population (2012)     | : 720,679 (Male 52% &F/Male 48%) |
| Literacy Rate (2012): | 63 percent                       |
| Life Expectancy       | : 68.9 years                     |
| National Language     | : Dzongkha                       |
| State Religion        | : Buddhism                       |



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## **BACKGROUND-Economy**

- Agriculture, forestry, tourism and sale of hydroelectricity power to India.
- Agriculture provides main livelihood to 60 percent of the Population
- GDP per Capita (2011): US\$ 2,667 (Nu.120,831)
- GDP grow rate was 8.5 percent
- Annual average inflation rate 8.9 percent
- Ngultrum is the Currency





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### 1. **BACK GROUND- Biodiversity**

- Ranges from 160 meters to above 7,000 msl.
- Reservoir of more than 5,603 species of angiosperm.
- Safe haven for:
  - Mammals - more than 200 species.
  - Avifauna - about 677 species
  - Herpertofauna - more than 50
- Top 10 with highest species density on the earth
- Forest Cover- 72 percent of the
- Protected Area- 51 percent
- Maintain 60 percent for Perpetuity



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### 1. BACK GROUND- Biodiversity



snow leopard(*Uncia uncia*)



elephant (*Elephas maximus*) Bengal tiger(*Panthera tigris tigris*)



clouded leopard  
(*Neofelis nebulosa*)



leopard  
(*Panthera pardus*)



Ludlow's Swallowtail (*Bhutanitis Ludlowi*)



Hornbill  
*Bucerotidae*



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### Vision

We envision a Bhutan in which all citizens champion their natural heritage of healthy forests, clean waterways, diverse flora and fauna and intact ecosystem; and each adult and child takes personal responsibility for maintaining a green and healthy environment for themselves and future generations.

With the guidance of our King, traditional respect for nature, and commitment to achieve development by means of the four pillars of Gross National Happiness, Bhutan will continue to provide global leadership in conserving and nurturing its precious environment for the benefit of all the world's citizens.

The role of the *Bhutan Trust Fund for Environmental Conservation* is to provide leadership and funding for local communities, civil society organizations and government agencies as they collectively strive to realize this vision





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### 1.2 *Establishment & Legality:*

|                        |   |
|------------------------|---|
| Name of Endowment:     | Bhutan Trust Fund for Environmental Conservation (BT FEC) |
| Year of Establishment: | 1992  |
| Legality:              | Royal Charter 1996  |
| Governance:            | Management Board.   |
| Tax Status:            | Exempted in Bhutan and in USA<br>IRC 501 (C ) (4)         |
| Invested Portfolio     | USA Based 87%, Bhutan 13%                                 |



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### 1.1 *Mission, purpose and objectives*

“Promotion of the socio-economic welfare of Bhutanese citizen through conservation of the forests, flora, fauna, wildlife, diverse eco-systems and biodiversity of Bhutan”

*(Royal Charter 1996).*

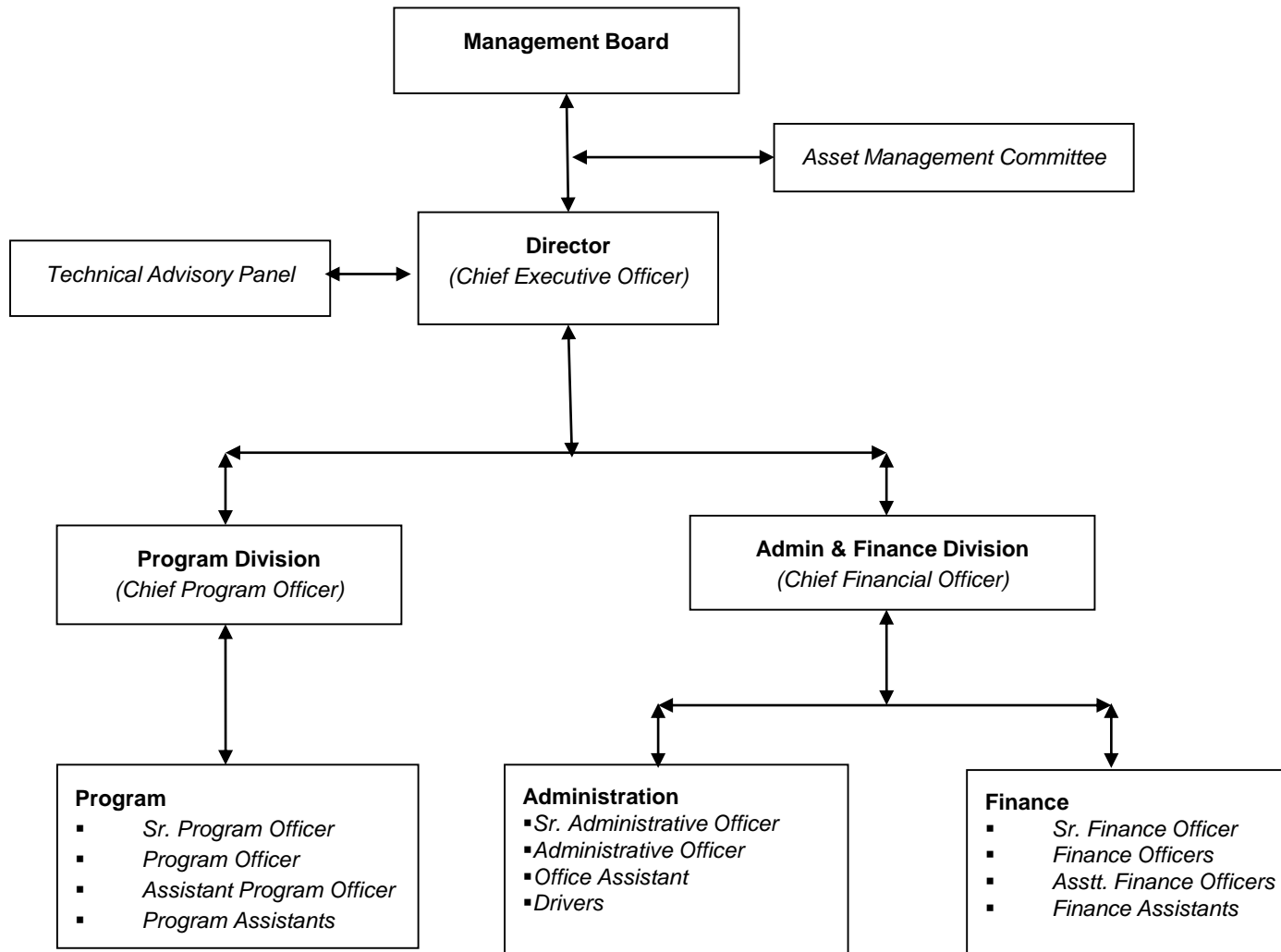


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### 1.3 Organizational Chart





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## **2. RESOURCES MOBILIZATION AND FUND CAPITALIZATION STRATEGY**

- Endowment Fund is the most important Asset.
- WWF-US contributed US\$1,000,000 in 1991.
- In the following year, Global Environment Facility (GEF) granted \$10,000,000.
- During 1993-98, another 10,000,000 from other generous bilateral donors.





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## 2. RESOURCES MOBILIZATION AND FUND CAPITALIZATION STRATEGY

Donor contributions received during 1992-98:

| <u>Donor</u>                    | <u>Amount US\$</u> |
|---------------------------------|--------------------|
| (a) Global Env. Facility        | 10,000,000         |
| (b) Govt. of Norway             | 2,688,435          |
| (c) Govt. of Switzerland        | 2,586,207          |
| (d) Govt. of the Netherlands    | 2,454,500          |
| (e) Govt. of Denmark            | 2,334,418          |
| (f) World Wildlife Fund         | 1,000,000          |
| (g) Govt. of Finland            | 66,312             |
| (h) Royal Govt. of Bhutan       | 173,818            |
| <i>Total Donor Contribution</i> | <i>21,303,690</i>  |



## **2. RESOURCES MOBILIZATION AND FUND CAPITALIZATION STRATEGY**

- Maintain the real value of the endowment
- The Asset Mgmt. Committee sets a “spending limit”
- As of 30 June 2013:
  - Endowment Value was \$48.627 million
  - Real Value was \$31.464 million
  - Approximately 55 percent above threshold value
- Generates annual revenue about \$1.7 million
- Working towards second fund raising.



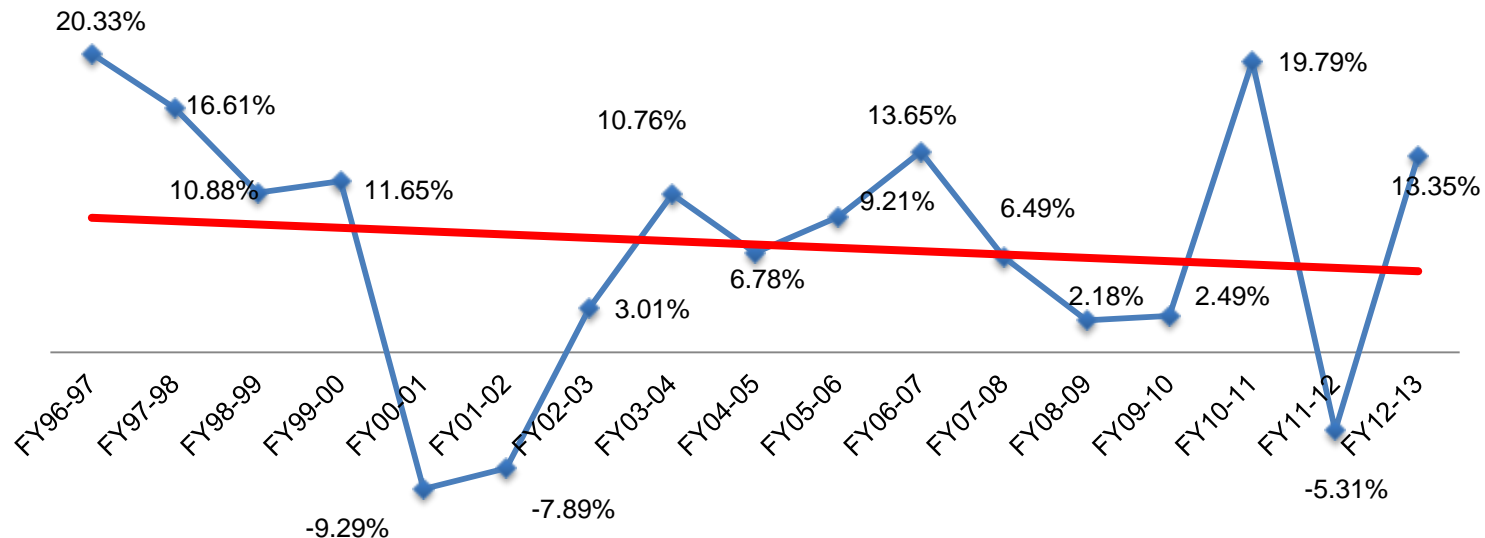
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## 2. RESOURCES MOBILIZATION AND FUND CAPITALIZATION STRATEGY

Annual Return Since Inception



To Increase the capital to the maximum in next five years



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## 3.FUND UTILIZATION

- Spent \$14 million on program and overhead expenses.
- First strategic plan was mainly focused:
  - Human and institutional capacity development of conservation agencies both at the government and non-government sector.





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### 3. FUND UTILIZATION

A second five-year strategic plan (2010) has six priority areas.

- Basic, baseline and critical research
- Development issues that have direct impacts on the natural environment
- Climate change adaptation strategies
- Awareness and education
- Green sector projects
- Rural/community projects
- Integrated water source management



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### 3. FUND UTILIZATION

Two funding windows:

- Management Board Approved
  - Two cycles per year
  - Cut off dates are 31 May and 31 December
  - Maximum ceiling is \$300,000 or Nu.15,000,000 per grant
-



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### 3. FUND UTILIZATION

Two funding windows:

- Small Discretionary Grant.
  - To carry out small-scale research and activities requiring immediate interventions
  - Annual budget for the window is \$48,000 or Nu.2,400,000
  - Ceiling of \$8,000 or Nu.0.4 million per grant
  - Only six grants under implementation at the same time.



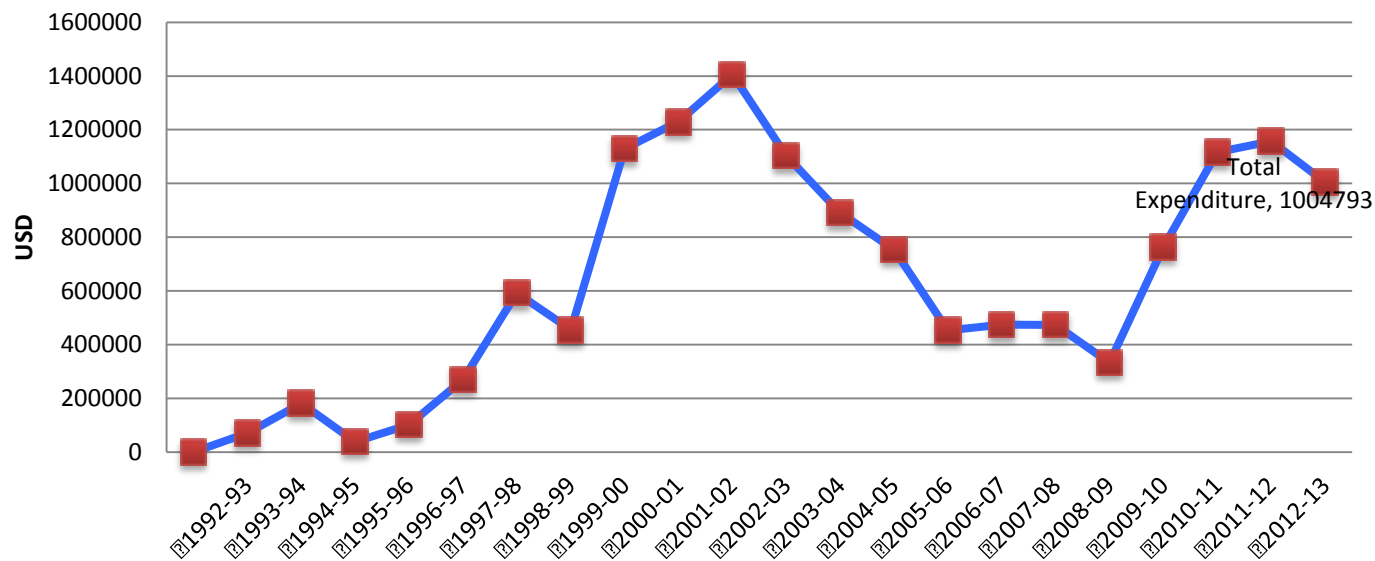
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### 3. FUND UTILIZATION

**Total Annual Expenditure since Inception**







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### 3. FUND OVERSIGHT

The Asset Management Committee (AMC) overlooks all the investments.

- Investment Policy is to preserve the real value of the endowment
- Guiding principles for the management of the endowment are:
  - to maximize the total return averaged over long time periods (e.g. five years).



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### 3. FUND OVERSIGHT

- Reduce short term fluctuations in value:
  - Diversification of assets
  - Appropriate change in asset allocation
  - Consideration of factors affecting the endowment's exposure to foreign exchange fluctuations and inflation risks.
- Reporting to Board on Semi-annual
- Mandatory for Annual External Audit
- Audit Report within 6 months
- Upload in BTFEC website



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### 5. KEY STAKEHOLDERS

- Royal Government of Bhutan is the main Beneficiary.
- Other Beneficiaries include:
  - Local Civil Society Organizations (CSOs)
  - Academic institutions
  - Bhutanese individuals, and
  - Communities.







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### 6. CURRENT STATUS

#### 6.2 *Endowment Achievements*

- Endowment grew by a total of 194% gross.
- After deducting expenses, it grew by 128% or \$27.323 million
- Present market value \$48.627 million minus original principal \$21.304 million).
- Endowment holdings of 30 June 2013 was 87 percent in offshore and remaining 13 percent in Bhutan.



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### 6. CURRENT STATUS

#### 6.2 *Endowment Achievements*

| <i>Period</i>                | <i>Total Return</i> |
|------------------------------|---------------------|
| Quarter Ending 30 June 2013  | 0.02%               |
| Six Months                   | 5.51%               |
| 1 year annualized return     | 13.35%              |
| 2 year annualized return     | 3.60%               |
| 3 year annualized return     | 8.74%               |
| 5 year annualized return     | 6.13%               |
| Since inception - Annualized | 6.98%               |
| Since inception - Cumulative | 214.70%             |



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### 6.3 *Challenges*

- Human-wildlife conflict is most distressing:
  - In central Bhutan, large carnivores like tigers and other cats predating on domestic livestock.
  - In South, elephants damaging the crops of the farmers.
  - In the East & West wild pigs and monkeys eating away the annual harvest.
- Thus resulting to illegal poaching.
- Increasing grant proposals
- Initial target capital of US\$20 million
- Relatively Low Capital Base
- Sustainability under serious question



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### 7. Way Forward

- Separate endowment fund is under creation.
  - aims to provide seed money to establish “*Rural Livestock and Crops Insurance Scheme*” in all 205 gewogs (county/blocks) in next five years.
  - Currently, only nine such schemes have been established.
  - Access REDD+ funds-co-funded REDD+ Readiness project.



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### 7. Way Forward

- BTFEC is striving improve its operational effectiveness and sustainability.
- To this end, GEF has committed a five-year grant of \$4.08 million.
- In the process of preparing of fund raising strategy to raise to maximum possible.
- Revise its Operations Manual 2010- consisting section for:
  - Administrative, Program, Human Resource, Financial Management, Auditing and Procurement sections.



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“Every Bhutanese is a trustee of the Kingdom’s natural resources and environment for the benefit of the present and future generations and it is the fundamental duty of every citizen to contribute to the protection of the natural environment, conservation of the rich biodiversity of Bhutan and prevention of all forms of ecological degradation including noise, visual and physical pollution through the adoption and support of environment friendly practices and policies”

*Article 5, Environment, Constitution of Bhutan*



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**THANK YOU FOR YOUR TIME !!!**  
**And**  
*Trashis Delek!!!*







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