



BHUTAN TRUST FUND

FOR ENVIRONMENTAL CONSERVATION
December 1997

1996-97
Annual
Report



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CHAIRMAN'S STATEMENT

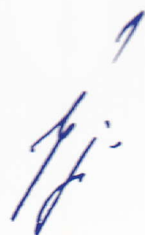
Five years after its inception, the Bhutan Trust Fund for Environmental Conservation (BT FEC) in 1997 experienced perhaps its most pivotal year to date.

In a highly significant development, members of the BT FEC Management Board finalized our pioneering trust fund's first strategic plan in order to guide future programs, broadening the focus to concentrate on the "green sector" including biodiversity conservation. Other "green sector" headings - including biodiversity aspects of commercial forest management - thus will be incorporated into the strategic plan, which is the organization's blueprint for the next five years.

As an initial priority, BT FEC funds will be used for meeting domestic expenditures, including recurrent costs and capacity development of Bhutanese nationals. The Royal Government, however, will continue to bear 40% of the recurrent costs - which include salaries and other benefits, office furniture, equipment and supplies, utilities and transport - for the duration of the Eighth Five Year Plan. Then, when its revenue increases at the fruition of various investments, the Royal Government's participation will expand.

At the same time, investment management for BT FEC during fiscal 1996-1997 was excellent. The market value of our trust fund portfolio has reached US\$23.13 million, representing an increase of some 44% from the previous fiscal year. In a year dominated by grim economic reports out of Asia, this is very good news indeed.

In more good news, a World Bank mission, which recently finished a review of BT FEC's progress over its initial five years, was full of praise. The trust fund has developed into an institution "with the potential to become a genuinely positive force in Bhutan's conservation policies" the mission declared.



MANAGEMENT BOARD AND STAFF OF BTFEC

The Management Board, which meets twice a year, sets the BTFEC's broad program policies. Board members are appointed by the Royal Government of Bhutan, the United Nations Development Programme and WWF-US. All members represent their respective organizations.

Members of Management Board

Lyonpo C. Dorji
Chairman
Minister of Planning



Dasho Paljor J. Dorji
Member Deputy Minister
National Environment
Commission



Dasho Yeshey Zimba
Treasurer
Deputy Minister,
Ministry of Finance



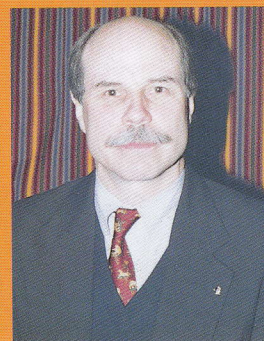
Dasho (Dr.) Kinzang Dorji
Member
Deputy Minister,
Ministry of Agriculture



Dasho Thinlay Gyamtsho
Member
Deputy Minister,
Royal Civil Service
Commission



Dr. Bruce Bunting
Member
Vice President,
Asia/Pacific, WWF-US



Ms Akiko Naito-Yuge
Member
Resident Representative
United Nations Development
Programme



Secretariat Staff

Mr. Karma Phuntshog Director
Mr. Singye Dorji Finance Officer
Ms. Tshering Zangmo Office Secretary



BTFFEC AND ITS VISION

Within 20 years, BTFFEC funds will contribute to a fully functioning protected areas management system of at least nine such areas, developed with full staffing, infrastructure and comprehensive management plans. In keeping with the Biological Diversity Convention, the National Environment Strategy and the National Biodiversity Action Plan, BTFFEC also will support

- (a) developing Park Management Systems that would systematically involve local communities and promote livelihood practices consistent with bio-diversity conservation and its sustainable utilization principle;
- (b) developing integrated conservation and development projects around protected areas;
- (c) biodiversity conservation and sustainable use outside the designated protected areas;
- (d) protection/restoration of the environment from manmade or natural threats; and
- (e) investing in forestry-agriculture-related biodiversity conservation and sustainable use programs.

BTFFEC also will help finance or catalyze financing for building a conservation information management system. This would include

- (a) a complete inventory of protected areas;
- (b) a system of information analysis, storage, access, use and management, applicable to both protected areas and biodiversity conservation outside the protected areas;

(c) funding of periodic biological monitoring, consistent with the National Biodiversity Action Plan and the National Environment Strategy, of the protected areas and the regions outside protected areas; and (d) a demand-driven conservation research program.

Moreover, BTFFEC will help to fully incorporate environmental awareness and education into the educational system, making environmental education a part of the standard curriculum at all levels and systematically exposing teachers and administrators to the topic. Conservation ethics and knowledge will be reinforced in local communities through non-formal education on conservation policies and legislation. At the same time, a system of involving religious communities in strengthening conservation ethics will be developed.

For its part, BTFFEC Secretariat will have the capacity to efficiently allocate BTFFEC's annual investment income to field programs, maximizing its benefit. An efficient and well-functioning system of program management and performance monitoring thus will be operational.



BTFEC AND ITS PROGRAM PRIORITIES AND OBJECTIVES

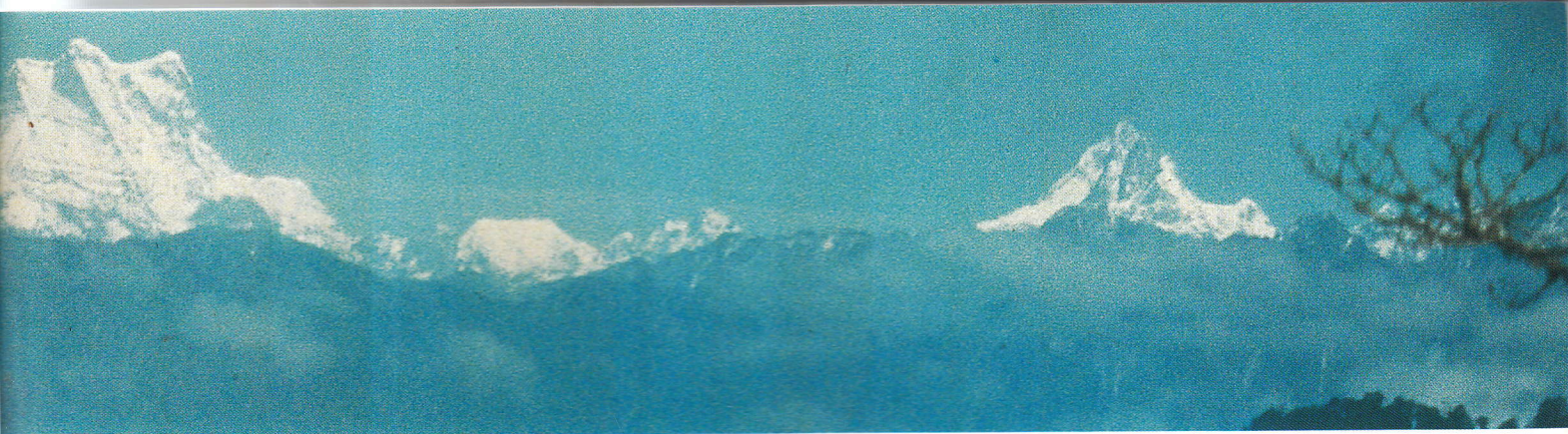
Relative to other countries in the region, Bhutan is doing very well in terms of environmental conservation. Nevertheless, there is a need for improvement: For example, during its initial five years of operations, the BTFEC Secretariat has solicited a number of proposals on field-related conservation activities. Although potential BTFEC grantees had many ideas, they were unable to formally propose them because they have no capacity to implement. Indeed, even as the strategic plan was being adopted, staffing numbers and professional qualifications of BTFEC grantees were below requirement.

Program Objectives

Of objective (i): Strengthening overall biodiversity conservation within and outside protected areas for sustainable utilization of both wild and domestic genetic and species resources.

Pursuit of this objective will involve

- (a) increasing capacity of park staff and resident communities of those parks that have management plans;
- (b) increasing capacity of grantees and stakeholders, including district administration, for planning integrated conservation and development programs;
- (c) developing and implementing practical integrated conservation and development plans for protected areas;



- (d) management planning, building of infrastructure and developing of management systems for the protected areas yet to be brought under scientific management;
- (e) developing coordination, collaboration and joint implementation mechanisms to implement and manage conservation and development programs in the protected areas;
- (f) building capacity of the Nature Conservation Section to provide specialized functional support and coordination to individual park and sanctuary management;
- (g) investing in forestry-agriculture-related biodiversity conservation and sustainable use programs;
- (h) protecting/restoring the bio-physical environment from natural or manmade threats, both outside and inside protected areas, and (i) promoting biodiversity conservation and sustainable use both outside and inside protected areas.

Of objective (ii): Developing an information management system to strengthen integrated conservation and development planning through conservation research, biodiversity inventories, socioeconomic surveys and monitoring of biodiversity changes over time.

This objective will become tenable by implementing the following activities:

- (a) increasing capacity for socioeconomic surveys, biodiversity inventories, and conserva-

- tion and development research, as well as setting up an information management system at the Nature Conservation Section, other governmental agencies and non-governmental organizations;
- (b) stepping up the capacity of the Nature Conservation Section for organizing, storing, analyzing and providing access to information;
- (c) funding assessment and monitoring of biological changes in the protected areas and national forests, consistent with the National Biodiversity Action Plan and the National Environment Strategy; and
- (d) strengthening biodiversity conservation aspects of commercial forest management through funding activities such as forest management planning and monitoring for sustainable use of forests resources.

Of objective (iii): Promoting awareness of conservation policies and issues and strengthening conservation ethics, through formal and non-formal education.

Accomplishment of this objective will involve

- (a) developing and implementing non-formal conservation awareness programs;
- (b) integrating environmental education into national school curricula at the primary, secondary and tertiary levels;
- (c) increasing the capacity for planning, imple-



- menting and managing conservation education programs by exposing teachers, planners and administrators to such education through periodic refresher courses and training workshops;
- (d) developing teaching materials and resource books on Bhutan's natural heritage and current conservation issues;
 - (e) involving religious communities in promoting conservation ethics;
 - (f) developing awareness of policies, regulations and management systems that are beneficial to conservation; and
 - (g) providing support to in-service training institutions such as the Bhutan Forestry Institute, the Natural Resources Training Institute, and the Nature Study Center.
- (e) communicating effectively with stakeholders and grantees to ensure direct support for need-based conservation activities.

Of objective (iv): Building capacity of the BTFEC Secretariat to ensure sound and effective management of BTFEC programs.

Pursuit of this objective will involve

- (a) managing financial assets;
- (b) allocating available investment income to effective programs;
- (c) reviewing performance and demonstration of accountability by grantees;
- (d) developing the capability of BTFEC secretariat to develop and manage conservation programs in collaboration with conservation partners and grantees; and

HIGHLIGHTS OF ACHIEVEMENTS OF FISCAL 1996-97

Bhutan's national system of protected areas consists of Royal Manas National Park, Jigme Dorji National Park, Black Mountain National Park, Thrumshingla National Park, Bomdiling Wildlife Sanctuary, Sakten Wildlife Sanctuary, Khaling Wildlife Sanctuary, Phipsoo Wildlife Sanctuary and Toorsa Strict Nature Reserve.

During fiscal 1996-1997, BTFEC program activities included infrastructure and socioeconomic development activities, biodiversity inventories and socioeconomic surveys of protected areas, strategic planning, and preparation of incremental staffing and human resources development plans. Some of the activities planned for the previous fiscal year were carried over instead to fiscal 1996-1997.

The infrastructure and socioeconomic development activities were limited to Jigme Dorji National Park, while the biodiversity inventories and socioeconomic surveys focused on Bomdiling Wildlife Sanctuary.



Shari Zam Renovated

JIGME DORJI NATIONAL PARK

Jigme Dorji National Park, with its headquarters at Gasa, falls under the jurisdictions of four districts, Thimphu, Punakha, Paro and Gasa. Most infrastructure development activities, such as building offices and outposts, are implemented by the park management, while socioeconomic development including the improvement of traditional trails, are implemented by district authorities and local communities.

Infrastructure Development Planned For Fiscal 1996-1997

- The warden offices and outposts are operational at Dodena and Misi Zam. Office equipment such as computers and printers have been procured for the park headquarters, while procurement of office furniture has yet to be completed. The gate to control and regulate the movement of forest resources for domestic use has been set up. All these activities were implemented by the Park Manager by involving local contractors and suppliers.
- Renovation of the bathhouse at the Gasa *tshachu* by Gasa district authorities has started, but most of the work has been carried over to fiscal 1997-1998.
- Improvement of traditional trails from Bjawona to Wolothang has been completed by the Park



Manager with the involvement of local communities.

Activities Carried Over From Fiscal 1995-1996

- Construction and establishment of a guard outpost at Laya.

The Park Manager tendered the work to a local contractor who completed the construction.
- Shari-Lunana and Dodena-Lingzhi trails.

The Shari-Lunana trail work had to be stopped during winter. At this time, the trail is open to horses from the Shari Zam to base of Gangzurla (5300 m); from there the trail is open to yaks. With the cooperation of Punakha district, the Shari Zam was repaired completely and the trail from the bridge to Tshayphu Nhey, the border between Punakha and Gasa, has been widened. Gasa district authorities cooperated in the work that fell under their jurisdiction.

Thimphu district authorities completed the trail improvement between Dodena and Lingzhi.
- The three community schools planned at Laya, Lunana and Damji were built by Gasa district authorities and the facility at Laya is open.
- A forest nursery planned for Gasa could not be undertaken and has been dropped altogether because community forestry, particularly tree growing, was not seen as a priority by local communities.
- Pasture improvement was implemented at Lingzhi by Thimphu district authorities. Fodder seeds have been distributed to local yak herders of Lingzhi, and fencing materials also have been supplied.
- To enhance the cash income of the local population, the park manager arranged for the training of 25 local farmers in mushroom cultivation and marketing.
- Damji has been converted to a model village, where Gasa district authorities demonstrate ways to improve community hygiene and sanitation.
- The drinking water supply at park headquarters in Gasa has been improved. This was achieved by the Park Manager by tendering out the work to a local bidder.
- A nature club was established at Gasa Primary School, and materials to help the club support conservation education activities have been supplied.

Community School at Damji





BOMDILING WILDLIFE SANCTUARY

Bomdiling Wildlife Sanctuary falls under the jurisdictions of three districts, Trashi Yangtse, Lhuentse and Mongar. The activities planned for fiscal 1996-1997, because the sanctuary does not have its staff and management set up, were implemented by the Nature Conservation Section.

The sanctuary does not yet have a scientific management plan, nor does it have the requisite infrastructure and administrative machinery. Staff remain to be recruited, trained and posted. Therefore, the following activities were planned for the sanctuary during fiscal 1996-1997:

Boundary survey

A theoretical boundary of the sanctuary was proposed, but its feasibility needed to be tested via an actual ground survey. Although this was planned for fiscal 1996-1997 boundary surveys could not be carried out because of the transfer of the Nature Conservation Section staff to other protected areas, such as Black Mountains and Jigme Dorji national parks. Thus, only one-third of the boundary survey has been completed so far, primarily in the eastern and north-eastern sections.

Biological and socioeconomic surveys

The sanctuary encompasses a total of 1300 sq km, out of which 15% of the biodiversity inventories and 50% of the socioeconomic surveys had been com-

pleted during fiscal 1995-1996. Continuation of these two activities was planned during fiscal 1996-1997. Village meetings were scheduled in order to collect further socioeconomic details, with the information thus obtained used to formulate the management plan for the sanctuary.

By the end of the fiscal year, biodiversity inventories have been completed for about 400 sq km, or 30% of the sanctuary. One team conducted a biological survey covering Khoma, Khomakang, Rongmateng and Singye Dzong. Four more field trips, two in the north, one in the central areas and one in the east, will be required to complete the inventories of the entire sanctuary.

In addition, three teams conducted socioeconomic surveys covering Khoma, Menji and Gangzur in Lhuentse and Bomdiling in Trashi Yangtse. Thus, about 80% of the socioeconomic surveys have now been completed. The aforementioned village meetings were an integral part of the surveys, with four such sessions held.

BTFFC SECRETARIAT

The first strategic plan to guide the future operations of the BTFFC was prepared, involving the BTFFC's Core Group members. Three workshops were conducted, and the first draft of the plan was reviewed by the Management Board at its May 1997 meeting. Comments by the Board were incorporated, and the plan has now been finalized and approved.

The key elements of the strategic plan include long-term vision, program priorities, grant application and



approval procedure, grant eligibility criteria, grant monitoring, management of grant programs and investment management.

□ Detailed five-year incremental staffing, human resources development and recurrent costs plans have been prepared for BTFEC funding. The Management Board recommended that the Royal Government approve and adopt these plans, which will become operational during the upcoming fiscal year.

□ At its May 1997 meeting, the Management Board approved two proposals, "Capacity Building of BTFEC Secretariat" and "Environmental Education at the Lower Primary Level."

□ The BTFEC took part in the First Asia-Pacific Forum on Environmental Funds, held at Cebu, the Philippines, in February 1997.



Laya Beat Post constructed in 1996-97



Warden Outpost at Misi Zam

FINANCE AND ADMINISTRATION

The BTFEC is an endowment fund whose capital is raised from bilateral and multilateral donors. The endowment portfolio comprises broadly diversified international equities, U.S. equities, money markets and bonds. During fiscal 1996-1997, market value of the portfolio reached US\$ 23.13 million, representing an increase of about 44% from the previous fiscal year. The total accrued investment income for the same period amounted to US\$1.9 million.

Activities carried over from the previous fiscal year were worth about US\$ 50,000, and a set of activities planned for the fiscal year itself amounted to about US\$1,09,000. Therefore, the total worth of activities planned to be implemented during the fiscal year amounted to about US\$ 1,59,000, out of which about US\$1,17,000 was spent. The balance has been carried over to the next fiscal year.

To maintain the endowment capital in real terms, a certain portion of the endowment investment income in principle is to be reinvested to protect against inflation. However, between 1992 and the end of fiscal 1996-1997, only US\$ 0.7 million out of the total accrued investment income of US\$ 3.7 million has been spent on conservation programs. A sum of US\$ 2.9 million was reinvested.

The total withdrawal from the investment manager was low because of inadequate institutional support for effective management of conservation programs and low implementation capacity among BTFEC grantees. However, with the implementation of the strategic plan utilization of BTFEC funds will increase.

Management Board Finalizing Strategic Plan



FINANCIAL STATEMENTS



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ROYAL AUDIT AUTHORITY

TASHI CHHODZONG : THIMPHU
BHUTAN

TELE : 22388

22112

22111

FAX : 23491

ཏེ. 14. 01. 1998

AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION (BTSEC) FOR THE YEAR ENDED 30 JUNE 1997.

1. The Royal audit Authority (RAA) has audited the Consolidated Financial Statements of the Bhutan Trust Fund for Environmental conservation (BTSEC) for the year ended 30 June 1997, prepared for the activities in Bhutan and in case of Trust fund held by the Trustees in New York on the basis of unaudited information provided to the Bhutan Trust Fund Secretariat, Thimphu.
2. The examination was made in accordance with the generally accepted auditing standards and in conformity with the General Auditing Rules and Regulations of Bhutan.
3. The audit was primarily aimed at expressing an opinion on the above Financial Statements of the BTSEC. Accordingly, it included such tests of accounting records, transactions, internal controls and such other procedures as were considered necessary for the purpose of the audit.
4. Based on the examination of the accounts and records made available and information and explanations provided, the Royal audit Authority reports that in its opinion, subject to remarks in paragraph 1 above, Financial Statements of the BTSEC together with the notes on accounts and accounting policies as set out in the Schedule XV, fairly reflect the operating surplus of the fund for the year ended 30 June, 1997, and the state of affairs as on that date.
5. The RAA further reports that:
 - 5.1 In its opinion, the expenses reflected are valid and supported by adequate documentation.
 - 5.2 To facilitate proper control over the movement of fund to and from the BTSEC, a separate Government Project Letter of Credit (GPLC) account has been maintained by the implementing Agency.
 - 5.3 Use, control and disposal of the non-expendable equipment are in accordance with the requirement of the project document and Government rules.

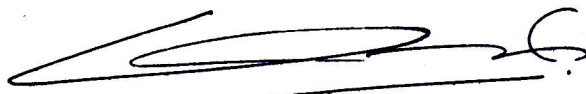


- 5.4 Income from the World Bank's 2nd tranche represents compensation towards inflation etc. on account of delayed remittance of matching contribution by the World Bank.
- 5.5 No depreciation has been considered by the management for mules tracks/surveys on assumption that they will last for an indefinite period through periodic maintenance.



(PEM CHEWANG)
ASSISTANT CHIEF AUDITOR

NOTED:



(B.B. CHHETRI)
ASSISTANT AUDITOR GENERAL



**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
FOREST DIRECTORATE BUILDING
THIMPHU : BHUTAN**

Statement of Revenue and Operating Expenditure for the Fiscal Year 1996-97

US\$ (Rounded)	Schedule	1996-97	1995-96
Revenue			
Investment Income	<i>I</i>	905,098	696,831
Income from WB's 2nd tranche		513,255	-
Capital Gain	<i>II</i>	488,382	-
RGoB Matching Funds	<i>III</i>	13,380	18,982
Miscellaneous Income	<i>IV</i>	809	669
Total Revenue		1,920,924	716,482
Expenditure			
Program and Secretariat Expenses	<i>V</i>	43,691	42,688
Fund Manager's Fees		71,283	-
Govt. Obligations Expenses		102,870	-
Custodial Fees		11,181	-
UNDP Accounting Fees		2,939	17,912
Interest Expenses		16,812	-
Misc. Expenses		7	-
Sub-total		248,783	60,600
Depreciation on Fixed Assets	<i>VI</i>	9,392	9,041
Exchange Rate Adjustments	<i>VII</i>	11,574	17,697
Total Expenses		269,749	87,338
Net Revenue for the Year		1,651,175	629,144

Statement of Operating Fund

Opening balance as at July 1, 1996	1,437,035	822,840
Add: Net Revenue for the Year	1,651,175	629,144
Deduct Prior Year's adjustment	-	(14,949)
Closing Operating Fund Balance as of 30.06.1997	3,088,210	1,437,035


Chairman
Management Board


Treasurer
Management Board


Program Director
Secretariat



**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
FOREST DIRECTORATE BUILDING
THIMPHU : BHUTAN**

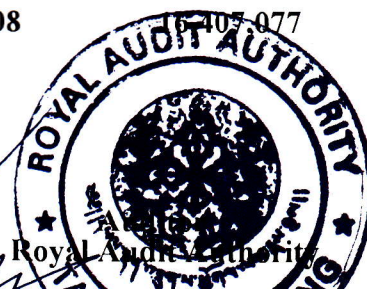
Balance Sheet as at 30th June,1997.

US\$ (Rounded)	Schedule	1996-97	1995-96
ASSETS			
Current Assets:			
Cash at Bank of Bhutan	<i>VIII</i>	9,962	11,040
Cash at Bank in New York (UNDP)			5,196
Receivables and Prepayments	<i>IX</i>	18,087	23,899
Accrued interest with UNDP		-	145,580
Accrued interest with Fund Management	<i>X</i>	87,840	
Fund held by RGoB	<i>XI</i>	20,273	33,286
Total current Assets		136,162	219,001
Fixed Assets (Net)	<i>VI</i>	11,684	14,460
Investment at cost		23,255,736	15,970,346
Environmental activities (Net)	<i>XII</i>	274,326	203,270
Total of Fixed Assets		23,541,746	16,188,076
Total Assets		23,677,908	16,407,077
LIABILITIES			
Current Liabilities	<i>XIII</i>	2,325	157,331
FUND BALANCES;			
	<i>XIV</i>		
World Bank - GEF		10,000,000	7,000,000
Govt. of Switzerland		2,586,207	2,586,207
Govt. of the Netherlands		2,454,500	2,454,500
Govt. of Norway		2,008,662	1,568,418
World Wild Life Fund Inc.		1,000,000	1,000,000
Govt. of Finland		29,768	29,768
Govt. of Denmark		2,334,418	-
Royal Govt. of Bhutan		173,818	173,818
Total Fund balances		20,587,373	14,812,711
Add: Operating Fund balance		3,088,210	1,437,035
TOTAL FUND BALANCES		23,675,583	16,249,746
TOTAL LIABILITIES AND FUND BALANCES		23,677,908	16,407,077


Chairman
Management Board


Treasurer
Management Board


Program Director
Secretariat



**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
FOREST DIRECTORATE BUILDING
THIMPHU : BHUTAN**

Schedule I.

Investment Income Details

1	Mees Pierson		
	- Dividend Income	115,390.67	
	- Interest Income	241,718.20	
	- Accrued Interest	87,840.00	
	- Gov't. Obligation Income	344,508.61	789,457.48
2	Investment Income from UNDP		
	- Progressive Income	1,901,475.00	
	- Less: Income accounted in the previous year	1,785,834.00	115,641.00
	Total Investment Income		905,098.48

Schedule II.

Capital Gain/Loss

(i)	Total Capital Gain realized on investments during the year	676,406.50
(ii)	Less: Total Capital Loss incurred on investments during the year	188,024.45
	Net Capital Gain during the year	488,382.05



**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
FOREST DIRECTORATE BUILDING
THIMPHU : BHUTAN**

Schedule III.

10% RGoB Matching Fund:

	Nu.	US \$	Nu.	US \$	Grand Total
(i) Personal Emoluments	62,903.00	\$ 1,812.77	188,709.00	\$ 5,315.75	\$ 7,128.51
(ii) Other Personal Emoluments	10,271.00	\$ 295.99	30,812.00	\$ 867.94	\$ 1,163.94
(iii) Travels	23,041.00	\$ 664.01	69,122.00	\$ 1,947.10	\$ 2,611.10
(iv) Utilities-Postage, W/T, etc	403.00	\$ 11.61	1,208.00	\$ 34.03	\$ 45.64
(v) Maintenance of Vehicle	2,989.00	\$ 86.14	8,966.00	\$ 252.56	\$ 338.70
(vi) Supply & Materials	464.00	\$ 13.37	1,391.00	\$ 39.18	\$ 52.55
(vii) Rental of Building	15,000.00	\$ 432.28	45,000.00	\$ 1,267.61	\$ 1,699.88
(viii) Utilities - Electricity	3,000.00	\$ 86.46	9,000.00	\$ 253.52	\$ 339.98
Total	118,071.00	\$ 3,402.62	354,208.00	\$ 9,977.69	\$ 13,380

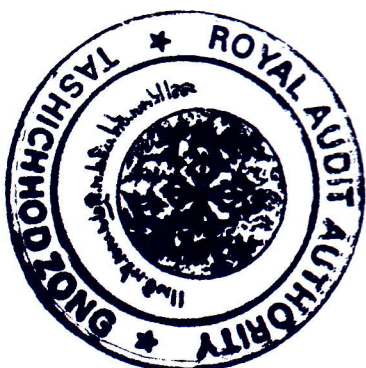
Total in US \$

13,380

Schedule IV.

Misc. Income

	Ngultrum	US \$	Exch. rate
(i) Income from Sale of old tyres	1,400.00	40.35	34.70
(ii) Refund of Employer & Employees GPF contribution	9,947.67	280.22	35.50
(iii) Exchange gain not included in the previous year		488.00	
Total Misc Income		808.57	



Schedule V

DETAILED STATEMENT OF EXPENDITURE INCURRED FOR THE FISCAL YEAR 1996-97.

US\$ (ROUNDED)

Field Program	1996-97 FUNDED BY			1995-96 FUNDED BY			
	Secretariat	RGOB	BIF	Total	RGOB	BIF	Total
Operating Expenditure				17,136	13,353	6,621	19,974
Personnel Emoluments	7,129	1,164	23	1,186	-	-	-
Other P. Emoluments	1,164	2,611	6,426	9,037	3,486	3,080	6,566
Travel	2,611	1,380	46	1,425	-	750	750
Utilities-Tele, fax, etc	46	126	126	126	-	254	254
Utilities-Postage,W/T Charges	-	340	-	340	357	-	357
Utilities - Electricity	-	1,700	-	1,700	1,786	-	1,786
Rental of Building	-	6,998	-	7,051	-	863	863
S & M - Stationery, Prtg.	53	69	-	69	14	14	14
Maint. of Building	-	1,799	339	2,138	-	2,782	2,782
Maint. of Vehicle	339	498	498	498	-	610	610
Maint. of Equipment	-	2,053	2,053	2,053	3,720	-	3,720
Hospitality	-	742	742	742	97	-	97
PF-Employers Contribution	-	141	141	141	-	-	-
Misc. Expenditure	-	47	47	47	68	-	68
Royal Govt. Revenue Account	-	-	-	-	792	-	792
Transportation	-	-	-	-	53	-	53
Advertisement	-	-	-	-	3,339	-	3,339
Printing	-	-	-	-	170	-	170
Bank Charges	-	-	-	-	493	-	493
Training	11,340	37,351	-	43,691	18,982	23,706	42,688
Sub Total		13,380	30,311	43,691			
Fund Management Expenditure				2,939		17,912	17,912
UNDP Fees (Accounting Fees)	-	2,939	11,181	11,181	-	-	-
Custodial Fees	-	71,283	71,283	71,283	-	-	-
Fund Manager's Fees	-	16,812	16,812	16,812	-	-	-
Interest Expenses	-	102,870	102,870	102,870	-	-	-
Government Obligation Expenses	-	7	7	7	-	-	-
Misc. Expenses	-	205,092	205,092	205,092	-	17,912	17,912
Sub Total of Fund Mgt. Expenses		13,380	235,403	248,784		17,912	60,600
Sub total of operating Expense							
Capital Expenditure							
Furniture	-	173	173	173	-	497	497
Equipment	-	173	173	173	-	71	71
Sub Total							
Program Expenditure				1,082		103,985	103,985
Office Equipment/Furniture	1,082	-	48,466	48,466	-	-	-
Expenditure on Structure	48,466	-	37,151	37,151	-	-	-
Environmental Activities	37,151	-	86,700	86,700	-	-	-
Total environmental Expenditure	86,700	-	322,276	322,276	18,982	146,179	165,161
Grand Total	98,040	237,616	13,380	335,656	18,982	103,985	103,985



Auditor
 Royal Audit Authority

Program Director
 Secretariat

Chairman
 Management Board

BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
FOREST DIRECTORATE BUILDING
THIMPHU : BHUTAN

Schedule VI.

Secretariat

Particulars of Assets	Net block at 30.06.1996		Addition during the Year		Adjts. during the year		Gross Block as at 30.06.1997		Depreciation				Net Block as at 30.06.97	
	Nu.	US \$	Nu.	US \$	Nu.	US \$	Nu.	US \$	Upto 30.06.1996	During the Year	Exch. Gain/Loss	As at 30.06.1997	Nu.	US \$
Equipments	229,195.65	6,741.05	6,147.00	173.15	-	-	235,342.65	6,914.20	123,058.92	23,534.27	-	146,593.19	211,808.39	5,966.43
Furniture	41,132.52	1,209.78	-	-	-	-	41,132.52	1,209.78	18,690.82	4,113.25	-	22,804.07	37,019.27	1,042.80
Vehicle	221,294.44	6,508.66	-	-	-	-	221,294.44	6,508.66	348,504.42	55,323.61	-	403,828.03	165,970.83	4,675.23
Total	491,622.61	14,459.49	6,147.00	173.15	-	-	497,769.61	14,632.64	490,254.16	82,971.13	-	573,225.29	414,798.48	11,684.46



**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
FOREST DIRECTORATE BUILDING
THIMPHU : BHUTAN**

Schedule VII.

EXCHANGE RATE ADJUSTMENTS 30.06.1997.

<u>Particulars</u>	<u>US \$</u>
1 Arising from translating foreign exchange transactions to account for US \$.	2,373.96
2 Arising from translating fixed assets recorded at historical cost into US \$ as at 30.06.1997.	<u>9,199.83</u>
Total	11,573.79



**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
FOREST DIRECTORATE BUILDING
THIMPHU : BHUTAN**

Schedule VIII.

Cash in Hand/Bank of Bhutan

	Nu.	US \$	Exchange Rate
(i) Cash in hand	4,050.61	114.10	35.5
(ii) Cash in Bank	2,231.48	62.86	35.5
(iii) Cash in FC account		<u>9,784.60</u>	
Total Cash in Hand/Bank of Bhutan		9,961.56	

Schedule IX.

Receiveables and Prepayments

(i) Outstanding Advances	638,706.75	17,991.74	35.5
(ii) Cash Balance with AFD	3,382.47	<u>95.28</u>	35.5
Total Receivables & Prepayments		18,087.02	

Schedule X.

Accrued Interest with Fund Management

(i) As per statement of Mees Pierson	87,840.00
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Schedule XI.

Fund Held by RGoB

(i) Opening Balance as on 01.07.1997	1,131,702.62		
(ii) Additional release from BTF during the year	2,497,000.00		
	<u>3,628,702.62</u>		
(iii) Less: Release from NB&ACD to AFD	2,917,500.00		
	<u>711,202.62</u>		
(iv) Add: Fund lapsed/surrendered by AFD	8,473.64		
Fund Balance with NB&ACD as of 30.06.1997	719,676.26	20,272.57	35.50



BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
FOREST DIRECTORATE BUILDING
THIMPHU : BHUTAN

Schedule XII

Environmental Program Fixed Assets

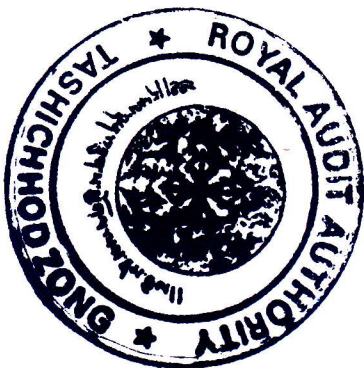
Particulars of Assets	Net block at 30.06.1996		Addition during the Year		Addits. during the year		Gross Block as at 30.06.1997		Depreciation				Net Block as at 30.06.97		
	Nu.	US \$	Nu.	US \$	Nu.	US \$	Nu.	US \$	Upto 30.06.1996	During the Year	Exch. Gain/Loss	As at 30.06.1997	Nu.	US \$	
Buildings & Structure	5,427,624.00	159,636.00	1,720,550.75	48,466.22	-	-	7,148,174.75	208,102.22	575,756.00	16,934.00	6,040.71	790,201.24	29,719.89	6,933,729.51	195,316.32
Furniture/ Equipments	321,640.00	9,460.00	38,432.00	1,082.59	-	-	360,072.00	10,542.59	35,734.00	1,051.00	399.72	71,741.20	2,465.01	324,064.80	9,128.59
Environmental Activities	1,161,916.00	34,174.00	1,318,854.54	37,150.83	-	-	2,480,770.54	71,324.83	274,924.00	8,086.00	-	274,924.00	9,529.97	2,480,770.54	69,880.86
Total	6,911,180.00	203,270.00	3,077,837.29	86,699.64	-	-	9,989,017.29	289,969.64	886,414.00	26,071.00	7,055.00	1,136,866.44	41,714.87	9,738,564.85	274,325.77

Schedule XIII

Current Liabilities

US \$

(i) Custodial fees payable for 2nd quarter 1997. 2,324.87



**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
FOREST DIRECTORATE BUILDING
THIMPHU : BHUTAN**

Schedule XIV.

STATEMENT OF FUND BALANCES FOR THE YEAR ENDED 30.06.1997

Particulars	US\$ 1996-97	US\$ 1995-96
1 WORLD BANK -GEF:		
Opening Balance July 1996	7,000,000.00	7,000,000.00
Funds received during the year	3,000,000.00	-
Fund returned during the year	-	-
Funds utilized for revenue during the year	-	-
Closing balance at 30th June1997	10,000,000.00	7,000,000.00
2 WORLD WILD LIFE FUND:		
Opening Balance July 1996	1,000,000.00	1,000,000.00
Funds received during the year	-	-
Fund returned during the year	-	-
Funds utilized for revenue during the year	-	-
Closing balance at 30th June1997	1,000,000.00	1,000,000.00
3 GOVT. OF NORWAY:		
Opening Balance July 1996	1,568,418.00	1,568,418.00
Funds received during the year	440,244.00	-
Fund returned during the year	-	-
Funds utilized for revenue during the year	-	-
Closing balance at 30th June1997	2,008,662.00	1,568,418.00
4 GOVT. OF NETHERLANDS:		
Opening Balance July 1996	2,454,500.00	1,000,000.00
Funds received during the year	-	1,454,500.00
Fund returned during the year	-	-
Funds utilized for revenue during the year	-	-
Closing balance at 30th June1997	2,454,500.00	2,454,500.00



Particulars	US\$ 1996-97	US\$ 1995-96
5 GOVT. OF FINLAND:		
Opening Balance July 1996	29,768.00	10,160.00
Funds received during the year	-	19,608.00
Fund returned during the year	-	-
Funds utilized for revenue during the year	-	-
Closing balance at 30th June 1997	29,768.00	29,768.00
6 GOVT. OF SWITZERLAND:		
Opening Balance July 1996	2,586,207.00	-
Funds received during the year	-	2,586,207.00
Fund returned during the year	-	-
Funds utilized for revenue during the year	-	-
Closing balance at 30th June 1997	2,586,207.00	2,586,207.00
7 ROYAL GOVT. OF BHUTAN:		
Opening Balance July 1996	173,818.00	173,818.00
Funds received during the year	-	-
Fund returned during the year	-	-
Funds utilized for revenue during the year	-	-
Closing balance at 30th June 1997	173,818.00	173,818.00
8 GOVT. OF DENMARK:		
Opening Balance July 1996	-	-
Funds received during the year	2,334,417.89	-
Fund returned during the year	-	-
Funds utilized for revenue during the year	-	-
Closing balance at 30th June 1997	2,334,417.89	-
Total Fund as at 30.06.1997.	20,587,372.89	14,812,711.00


Chairman
Management Board


Treasurer
Management Board


Program Director
Secretariat



**BHUTAN TRUST FUND FOR ENVIRONMENTAL CONSERVATION
FOREST DIRECTORATE BUILDING
THIMPHU : BHUTAN**

Schedule XV.

NOTES ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1997.

1. Significant Accounting Policies

1.1 Basis of Accounting:

The accounts of Bhutan Trust Fund have been prepared on an accrual basis, using a double entry accounting except gratuity expenses which is recognized on cash basis.

1.1.1 Income:

All income earned by UNDP (till December 1996) and Mees Pierson, Fund Management, New York, USA including accrued interest on investment has been recognized as Revenue in the Revenue and Operating expenses.

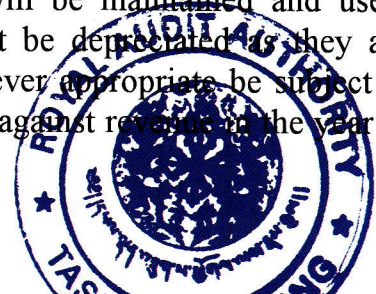
1.1.2 The matching fund contributed by the RGoB has also been recognized as Revenue in the Statement of Revenue and Operating expenses.

1.1.3. Capital Gain/Loss:

Net cash realized and net loss incurred from sale of investments and the difference of gain and loss has been recognized as Revenue/expenses in the Statement of Revenue and Operating expenses.

1.2 Fixed Assets:

The Trust Fund will make annual provisions for depreciation on buildings, vehicles, equipment and furniture at the rates indicated below. At the end of the asset's useful life the historical cost will be written off (against the related accumulated provisions for depreciation). If such assets are of no further use they will be disposed off in accordance with RGoB regulations, otherwise they will be maintained and used. Certain assets (e.g. mule tracks and surveys) will not be depreciated as they are expected to last for an indefinite period and will wherever appropriate be subject to regular maintenance, the cost of which will be charged against revenue in the year in which it is incurred.



1.3 Depreciation:

Depreciation is provided in the accounts on written down value method at the undernoted rates on all assets for full year irrespective of date of acquisition. But no depreciation is charged in the year of disposal.

<u>Assets</u>	<u>Depreciation Rate</u>
Vehicle	25%
Furniture & Office Equipment	10%
Buildings	3%

1.4 Consumable items including Spares, etc:

Consumable items including spares charged off in the accounts in the year of purchase.

1.5. The figures rounded up/down to the nearest dollar.

1.6 Conversion/Translation of Currency

1.6.1 Foreign Currency Transaction:

The funds withdrawn from Mees pierson, Fund management, New York in foreign currency have been translated into local currency on Telegraphic Transfer rate of the Royal Monetary Authority at the rate prevailing at the time of withdrawal.

1.6.2 All Secretarial transactions and environmental program payments in local currency have been translated into US \$ using the UNDP operational rate of exchange in effect on the date of payment. Year end fund balances made in local currency have been translated into US \$ at the UNDP operational rate at the year end.

1.6.3 Exchange Gain/Loss arising from translation of local currency to US \$ has been recognized in the Statement of Revenue and Operating expenses as revenue/expenses accordingly.

1.7 The Schedules and Notes attached hereto form an integral part of these Financial Statements.



**FOR MORE INFORMATION
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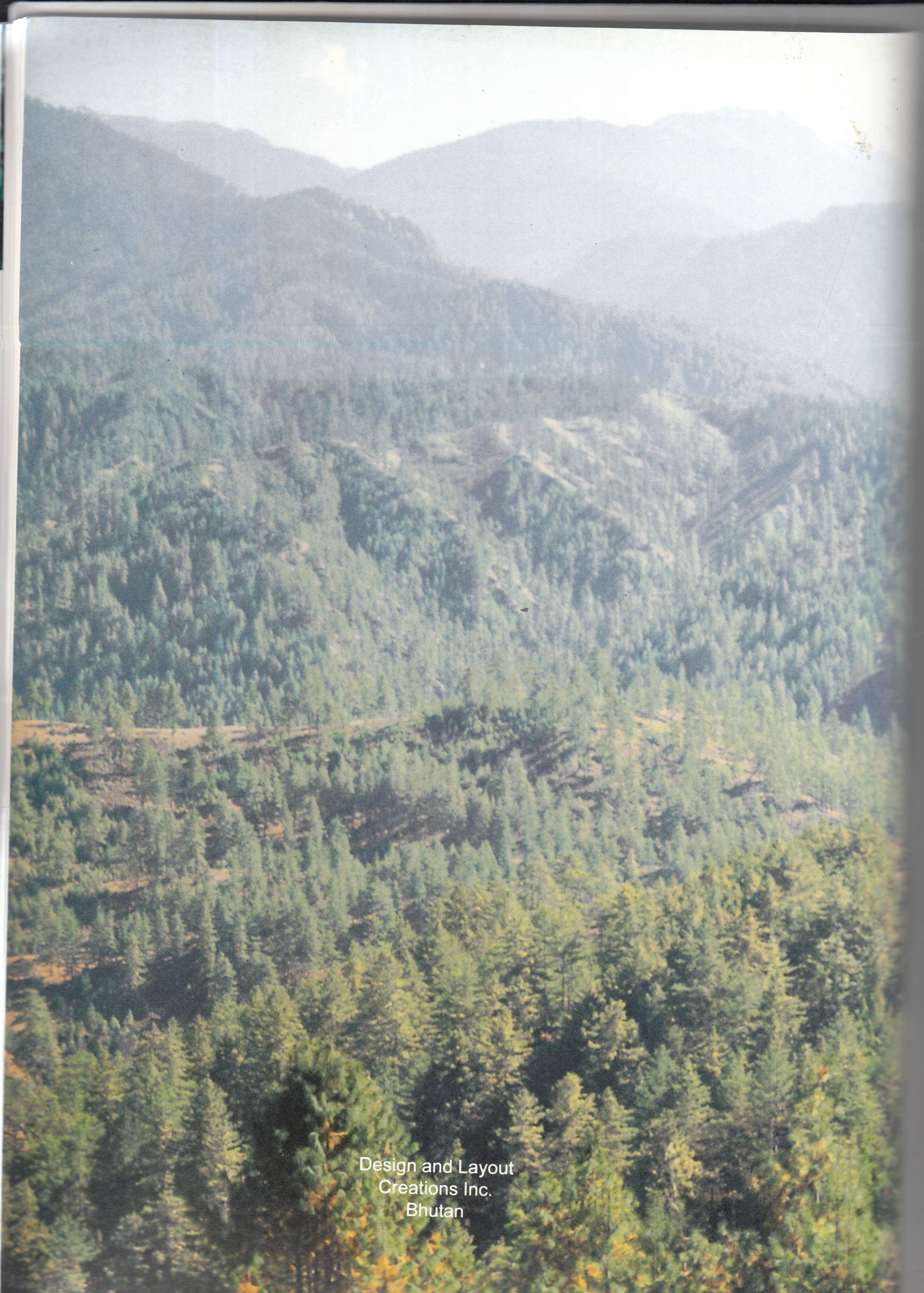
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Bhutan