



# GLOBAL FUND FOR CORAL REEFS

## CONCEPT NOTE

<b>Concept Note Title:</b>  <b><i>Sri Lanka Coral Reef Initiative - SLCRI</i></b>	<b>Recipient Organisation(s):</b>  <i>International Union for Conservation of Nature – IUCN</i>
<b>Convening Agent:</b> <i>Ananda Mallawatantri, Ph.D.</i> <i>Country Representative</i> <i>International Union for Conservation of Nature (IUCN)</i> <a href="mailto:ananda.mallawatantri@iucn.org">ananda.mallawatantri@iucn.org</a> <i>(94) 773 444146</i> <b>Programme Focal Point Contact:</b> <i>Nalin Munasinghe</i> <i>Programme Coordinator, IUCN Sri Lanka</i> <a href="mailto:nalin.munasinghe@iucn.org">nalin.munasinghe@iucn.org</a> <i>(94) 773 3659058</i>	<b>Programme Location</b> Country: Sri Lanka Priority Coral Reef Site(s):  <ol style="list-style-type: none"> <li>1. <i>Northwestern Region: Vankalai, Vidattalativu, Arippe, Silavathurai and Bar Reef</i></li> <li>2. <i>Eastern Region: Pigeon Island National Park and Kayankerni Marine Sanctuary</i></li> <li>3. <i>Southwest Region: Hikkaduwa National Park</i></li> </ol>
<b>Description:</b> <i>Sri Lanka Coral Reef Initiative – SLCRI is designed to protect three climate refugia coral reefs through multi-sector and multi-stakeholder participation and private sector friendly investments. SLCRI initiatives are aligned with all four GFCR outcome areas and expect to generate a transformational shift in the way coral friendly approaches are adopted and upscaled in Sri Lanka. SLCRI led niche capacity development, enabling policy environment and innovative approaches target coral dependent communities and coral related economic sectors to ensure corals are protected and conserved.</i>	<b>Preparatory Grant Cost (USD)<sup>1</sup>:</b> IUCN: USD 97,012
	<b>Proposed Start Date<sup>2</sup>:</b> <i>August, 2022</i> <b>Proposed End Date:</b> <i>August 2023</i>
<b>Fund-level expected results:</b> <i>Please select the indicators below for which will be the most important for the programme and provide targets if possible.</i>  The following GFCR indicators would guide the programme development. Due to the lack of baseline information it is not prudent to provide targets based on the proposed sites that are subject to varying conditions. However, baseline studies	

<sup>1</sup> As per GFCR Executive Board decision, disbursements will be determined based on fiduciary assessment, expenditures and GFCR Secretariat's performance review.

<sup>2</sup> Programme start date will be triggered by the initial fund transfer of the GFCR Trustee

will be conducted during the programme development phase and thereafter targets can be set for each site based on the following GFCR fund level expected results:

**F1. Reef fish species richness and biomass - (F.1.1 Reef Fish Abundance, F.1.2 Reef Fish Biomass, F.1.3 Reef Fish Species Richness)** – that indicates the richness of the species based on count of type and amount of species, sizes (visual estimates), and estimates of weight based on size and abundance leading to weight per unit area.

**F2. Benthic cover and composition - F.2.1 Live coral cover as a total % or by coral life forms or by genera, F.2.2 Cover of other benthic groups (e.g., fleshy macro algae, turf algae, sponge)** – This will provide % of corals (by genera – algae, soft coral etc.)

**F3. Integrated Local Threat Index - (F.3.1 pollution (nutrients), F.3.2. pollution (sediments), F.3.3. Fishing pressure, F.3.4. Coastal development – industry, F.3.5. Coastal development – tourism, F.3.6. Coastal population)** - Threat index (pollution level, nutrient levels etc.) is not yet available for Sri Lanka but global literature is available, impact (before and after); fishing pressure by the fishing effort, coastal development (industry, coastal infrastructure, etc.)

**F4. Proportion of coral reefs under effective protection and management - (F.4.1 Total coral reef area in zone of influence coral reef extent, F.4.2 Coral reef area under effective management)** - Out of the four proposed sites we have some data – Effective protection and management is the weakest point in Sri Lanka. Global Coral Reef Monitoring Network and recent documents highlighted the need to have an effective management

**F5. Ratio of private and market finance to GFCR Grant Fund allocations - (Private investment side: F.5.1. Equity invested; F.5.2. Private debt issued; F.5.3. public debt issued; F.5.4. Market-based financial flows (e.g., blue carbon flow, park entrance fee); F.5.5. Financed business revenue)** - Will be computed during the project development stage based on the proposed activities and strategies

**F6. Ratio of Co-financing leveraged (F.6.1. Grants, technical assistance, and other concessional co-financing)** - Will be calculated during the project development stage based on the partner contributions and type of proposed activities

**Signature of Convening Agent:**

Print: Ananda Mallawatantri, Ph.D.

Organisation

Name: IUCN Sri Lanka

Title Country Representative

Signature

Date September 10, 2022

**Signature of Co-recipient Organisation (if needed):**

Print:

Organisation \_\_\_\_\_

Name \_\_\_\_\_

Title \_\_\_\_\_

Signature

Date \_\_\_\_\_

**Signature of GFCR Executive Board UN Co-Chair:**

Print:

Organisation: UNDP

Name: Midori Paxton

Title: Head, Ecosystems &amp; Biodiversity

DocuSigned by:

Date 12-Oct-2022

Signature

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**Budget by UNDG Categories**

<b>Total Preparatory Grant Costs Budget Breakdown</b>	<b>Convening Agent</b>
1. Staff and other personnel	\$48,060
2. Supplies, Commodities, Materials	\$4,000
3. Equipment, Vehicles, and Furniture (including Depreciation)	\$6,000
4. Contractual services	\$15,925
5. Travel	\$9,180
6. Transfers and Grants to Counterparts	\$0
7. General Operating and other Direct Costs	\$7,500
<b>Total Direct Costs</b>	<b>\$90,665</b>
8. Indirect Support Costs (Max. 7%)	\$6,347
<b>TOTAL Budget</b>	<b>\$97,012</b>

## FACT SHEET

**Title of the proposed Programme (limit to 30 characters):** Sri Lanka Coral Reef Initiative (SLCRI)

**Convening Agent:** International Union for Conservation of Nature (IUCN) Sri Lanka

**Date:** May 20, 2022

**Lead contact person:** Dr. Ananda Mallawatantri, Country Representative, IUCN

**Other potential participating entities/co-implementers and contact persons:**

- Dept. of Coast Conservation and Coastal Resource Management (Director General)
- Dept. of Fisheries and Aquatic Resources (Director General)
- Department of Wildlife Conservation (Director General)
- Sri Lanka Tourism (Director General)
- Climate Change Secretariat (Director)
- Department of National Planning (Director General)
- Small Fishers Federation of Sri Lanka (NGO working with coastal villages and fishers)
- Hotelier Association and their provincial associations
- MAS Holdings – Private Sector entity working on ocean plastics and microplastic pollution
- HSBC Bank – Bank working on sustainable financing and nature-based solutions
- Hatton National Bank – Bank working on microfinance and innovative financing tools
- Ceylon Chamber of Commerce – consortium of private sector entities on sustainability
- HELP-O – A NGO based in southern Sri Lanka working on ecosystem governance

**Name of coral reef site or project area:** *Country(ies) and specific site(s)*

1. Northwestern Region: Vankalai, Vidattalativu, Arippu, Silavathurai and Bar Reef
2. Eastern Region: Pigeon Island National Park and Kayankerni Marine Sanctuary
3. Southwest Region: Hikkaduwa National Park

**Period of implementation (years and months):**

Proposal Development: Five months

Vision for full programme: Eight years

**Financing Needs:**

Full Programme Grant Fund Capital Target request: USD 8.0 million

GFCR Equity Fund capital amount requested: Approximately 15 million (TBD)

**Relevant objective/s from national strategic document/s:**

- **Policy and Strategy Documents**

- Government of Sri Lanka Public Investment Plan (2021-2024)<sup>3</sup> articulates how Sri Lanka plans to invest in development sectors with indicative financial amounts.
- Nationally Determined Contributions (NDCs). 2021<sup>4</sup>
- National Adaptation Plan for Climate Change Impacts in Sri Lanka 2016-2025<sup>5</sup> describes the type of climate challenges, potential impacts and their spatial distribution of climate induced hazards and vulnerabilities that led to the Nationally Determined Contributions (NDCs - 2021<sup>6</sup>).
- Draft Sri Lanka Tourism Policy and Action Plan for public comments<sup>7</sup> (2021) outline the post-Covid 19 tourism context and how Sri Lanka's nature-culture-heritage resources and locational advantages could be used in different types of tourism.
- Policies, Strategies and Action Plans for Marine Protection (2018)<sup>8</sup> outlines a set of overarching policies and strategies including a number of international collaborations required to ensure the safety and resilience of coastal and marine resources.

- **Relevant legislations**

- Coast Conservation and Coastal Resources Management Act 2011
- Fisheries and Aquatic Resources Act 1996 and amendments
- Fauna and Flora Protection Ordinance 1993 and its amendments
- National Aquaculture Development Authority Act 1998
- Marine Environmental Protection Act 2008
- Tourism Act 2005
- Coast Guard Act 2009

**SDG targets on which the progress will be accelerated (includes targets from a range of SDGs and development pillars):**

The project would involve and contribute to almost all UN Sustainable Development Goals. The following section highlights the key SDGs and the links to GFCR co-benefits.

**Goal 4 (targets 4.3, 4.4 and 4.10): Quality Education:** Lack of knowledge among all concerned, including coastal dwelling populations, is one of the drivers contributing to pollution and over harvesting in coastal and marine environments. Investing in access to quality and affordable opportunities including vocational and tertiary education for coastal populations and for the staff of agencies may help and benefit coral reef conservation related investments and engagements. Education may also generate the skills for decent work and entrepreneurship required to absorb innovative financing. The project interventions and opportunities to increase the supply of quality teachers and international corporation would catalyze the anticipated transformation to protect corals. *(GFCR Co-benefits – More Economic Opportunities; Improved Waste Management; Increased Revenue; Biodiversity Conservation; and Improved Coastal Protection).*

**Goal 5: Achieve Gender Equality and Empower All Women and Girls:** The programme within the context of the “post-Covid-19 recovery and building back better” will also focus on women empowerment. SLCRI will build the capacity and empower women to adopt a range

<sup>3</sup> Dept. of National Planning. 2021. Public Investment Plan (2021-2024). [PIP\\_2021\\_2024.pdf \(npd.gov.lk\)](https://www.npd.gov.lk/PIP_2021_2024.pdf)

<sup>4</sup> Ministry of Environment. 2021. NDCs in Sri Lanka - [https://www.env.gov.lk/web/images/pdf/policies/NDCs\\_of\\_Sri\\_Lanka-2021.pdf](https://www.env.gov.lk/web/images/pdf/policies/NDCs_of_Sri_Lanka-2021.pdf)

<sup>5</sup> Climate Change Secretariat. 2016. National Adaptation Plan (2016-2025) - [National Adaptation Plan of Sri Lanka.pdf \(unfccc.int\)](https://www.unfccc.int/sites/ndcstaging/PublishedDocuments/Sri_Lanka_First/NDCs_of_Sri_Lanka-2021.pdf)

<sup>6</sup> Ministry of Environment. 2021. Nationally Determined Contributions of Sri Lanka - [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Sri\\_Lanka\\_First/NDCs\\_of\\_Sri\\_Lanka-2021.pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Sri_Lanka_First/NDCs_of_Sri_Lanka-2021.pdf)

<sup>7</sup> Ministry of Tourism. 2021. Draft Tourism Policy and Plans - [https://www.dropbox.com/s/n06saphd5fiv0nf/Draft\\_National\\_Tourism\\_Policy\\_english\\_-\\_Uploaded.pdf?dl=0](https://www.dropbox.com/s/n06saphd5fiv0nf/Draft_National_Tourism_Policy_english_-_Uploaded.pdf?dl=0)

<sup>8</sup> Marine Pollution Control Authority. 2018. Policies, strategies and action plans for marine environment protection - <https://www.dropbox.com/s/v42psh1ox6gn2vi/MEPA%20Policy%2C%20strategy%20and%20national%20action%20plan.pdf?dl=0>

of disaster preparedness, safety measures, response and build back better options guided by the SENDAI framework.

**Goal 6 (target 6.3, 6.4 and 6.8): Clean Water and Sanitation:** Local Governments and Communities will be engaged to reduce pollution loads to estuaries and oceans to minimize the pollution in coral ecosystems. Based on the Sri Lanka landscape where center of the country consisted of steep hills with water draining to Ocean by 103 rivers starting in hill country or “ridge-to-reef” connectivity, the ocean pollution is directly connected to the land-based pollution (chemicals, heavy metals, microplastics, sediments, bacteria etc.) This feature will be important in achieving Goal 6 where investments should also focus on land based waste management, among others. Innovative knowledge, engagement and financing options to support the service delivery of local authorities, industries, agriculture, fishing, hotels, and communities to manage waste, enhance circularity / water use efficiency and adoption of programmes towards improved reef water quality would be undertaken. *(GFCR Co-benefits – Improved Waste Management; Enhanced Economic Opportunities; Biodiversity Conservation; and Improved Coastal Protection).*

**Goal 7 (targets 7.4 and 7.5): Affordable and Clean Energy:** Fisheries sector records nearly 40% waste during the value chain, partly due to the lack of storage and refrigeration facilities. The Northwestern area of Sri Lanka is rich with wind energy and around the country the solar energy is abundant. Technologies on “Green Hydrogen”, use of “Solar Powered” transport and renewable energy based cold storage at different scales could reduce the waste generation in coastal areas significantly and help minimize overfishing to some extent. Renewable based energy use could promote eco-tourism and other green industries in the areas and help the country to work towards “low-carbon” growth while using blended financing aiming at saving corals. *(GFCR Co-benefits – Increased Food Security; Improved Waste Management; Enhanced Women Empowerment; Biodiversity Conservation; and Improved Coastal Protection).*

**Goal 8 (targets 8.2, 8.5, 8.9 and 8.10): Decent Work & Economic Growth:** Multiple elements of Blue Economy, Technology Adoption, Diversification and Innovative Business models would be promoted to use coastal resources in a sustainable way and benefit the communities and agencies who protect the same resources and also enjoy the benefits of the ecosystem services. The project investments would enhance the capacity of area and national financial institutions towards FINTECH, insurance and other applications to absorb project investments, while helping youth to be engaged in SMEs and MSMEs. Capacity buildings for these will be designed and delivered based on Training Needs Assessments (TNAs). We will draw from IUCN long experience in the region including the experience in Maldives where IUCN was involved in institutional set-ups, financing models and initiatives with local ownership for coral reef conservation, as part of tourism sector and related livelihood development. Opportunities will be created for business and coastal communities to engage in a range of economic activities and add value and innovation to ongoing initiatives towards decent jobs. The main challenge for businesses, “post-Covid-19 recovery and building back better” also would be a focus in the process including women empowerment. *(GFCR Co-benefits – More Economic Opportunities; Increased Revenue; Increased Tourism Income; Sustainable Fishery Models; Enhanced Women Empowerment; Biodiversity Conservation; and Improved Coastal Protection).*

**Goal 9 (9.1, 9.4, 9.6, 9.7 and 9.8): Industry, Innovation and Infrastructure:** The “Initiative” aims to support economic development and human wellbeing by upgrading and enhancing infrastructure to be sustainable with increased resource efficiency. The project will work with hotels, cities and businesses to upgrade the infrastructure not only to ‘green the

trade' and improve efficiency but also to minimize coastal pollution. Enhanced financial, technological and technical assistance to industries while supporting domestic technology developments would add value and help diversify the area-based income generation avenues. Project supported ICT and the use of Internet of Things in monitoring Management Effectiveness Tracking Tools (METT) would help the active engagement of stakeholder entities on project objectives.

*(GFCR Co-benefits – Increased Revenue; Enhanced Women Empowerment; Biodiversity Conservation; and Improved Coastal Protection).*

**Goals 11 (targets 11.2, 11.5, 11.6, 11.7 and 11.9): Sustainable Cities and Communities:** The proposed project areas include several vulnerable and poor communities and dwellings. They not only feel the impacts of climate change but also have the least adaptive capacity. Project's investments will be sensitive and empower a number of settlements and introduce socio-economic opportunities that also minimize waste generation and pollution. The project will further help to enhance the quality and quantity of natural capital including mangroves, nature-culture-heritage sites and create accessible and green spaces in partnership with cities, thereby improving the tourism potential as well. Project would also aid in promoting early warnings for climate and other prevailing disasters in line with the SENDAI framework. *(GFCR Co-benefits – Improved Waste Management; Enhanced Women Empowerment; Biodiversity Conservation; and Improved Coastal Protection).*

**Goal 12 (target 12.2, 12.4, and 12.5): Responsible Consumption and Production:** Project will promote best practices and introduce tools to improve the sustainable management and efficient use of natural capital while quantifying and explaining the results of the adoption of best practices through information generation continuously by way of "Management Effectiveness Tracking Tools – METT." Stakeholder agencies and communities will be rewarded for demonstrating "responsible consumption", best practices to "reduce waste to ocean resources" including corals and for adopting "circularity." Project will track the use efficiencies of water, energy, chemical etc. in project areas while promoting best practices based on nutrition, pollution, and quality of life. *(GFCR Co-benefits – Increased Food Security; Enhanced Women Empowerment; Biodiversity Conservation; and Improved Coastal Protection).*

**Goal 13 (targets 13.1, 13.2 and 13.5): Climate Action:** The project interventions will help transform the adaptive capacity of coastal ecosystems and coastal dependent communities while enhancing the mitigation options by way of greening the coastal development by working with a number of industry and service sectors, such as transport (fishing vessels, tourism and other), storage and freezing facilities, hotels (wastewater, lighting and air conditioning), restoration initiatives for mangroves and other coastal vegetations including agroforestry, analog forestry and home gardens. The project will also introduce protocols and best practices to build the capacity of planning agencies and visitors and users of natural resources, taking into consideration the Paris Agreement, Post-2020 Biodiversity Agenda and SENDAI framework on Disaster Risk Reduction. Blended financing interventions would capitalize on other climate financing options and help implement NDCs. *(GFCR Co-benefits – Sustainable Fishery Models; Increased Fiscal Revenue; Enhanced Women Empowerment; Biodiversity Conservation; and Improved Coastal Protection).*

**Goal 14 (targets 14.1, 14.2, 14.4, 14.6, 14.7 and 14.8): Life Below Water:** Project activities would greatly contribute and generate multiple positive impacts to the coastal and marine environment leading to the sustainability and resilience of the same. While introducing and promoting best practices, investments and strengthening the coastal governance, including monitoring and financing, the project will support the management and sustainable

use in existing Marine Protected Areas (MPAs) as well As Locally Managed Marine Areas (LMMAs). The project will work with agencies responsible for IUU fishing to minimize bycatch, waste and pollution. Initiatives to involve students, researchers including universities along with communities through the project activities will help improve the relationship between Govt. Agencies, NGOs and other entities to collectively promote science, sustainable use and benefit sharing of coastal and marine resources adding to the sustainability.

*(GFCR Co-benefits – Biodiversity Conservation; Increased Food Security; and Improved Coastal Protection).*

**Goal 15 (targets 15.2, 15.7, 15.9 and 15.11): Life on Land:** Although the project is focusing on coastal and marine resources, the ridge-to-reef connectivity and pollution on land has a direct relationship and impact in achieving the project objectives. As such, the project will keep Life on Land as one of the main concerns during its education, awareness and also in developing blended financing initiatives such as infrastructure for wastewater and waste management. Land based coastal wetlands and freshwater ecosystems could influence the pollution loadings, temperature, electrical conductivity, dissolved oxygen levels etc. in coral environments. Policies and legislations related to protected species mostly developed for land-based activities would be relevant in marine environments and will be promoted and supported by the project. The innovative, blended, FINTECH and IOT applications developed to support Life on Land would be adopted and interventions connecting coastal land areas for financing and pollution control applications will be explored.

*(GFCR Co-benefits – Biodiversity Conservation and Improved Coastal Protection).*

**Goal 17 (targets 17.3 and 17.9): Partnership for Sustainable Development:** This goal is central for the implementation of blended financing where public-private-people partnerships play a key role. The initiatives' primary objective of safeguarding corals through best practices and catalyzed financing require extensive opportunities and working together while transferring knowledge and technologies across the globe and locally and using appropriate financial instruments such as bonds, concessionary funding as well as direct loans. In addition, increased engagement of scientists, researchers, universities, local and international agencies, adoptions of GIS, Remote Sensing and other tools would help to transform the management, appreciation, and adoption of Systematic Ecosystem Environment Economics in coastal tourism in fisheries and agriculture facilitating the enabling environment of sustainable financing and payments for ecosystem services. Regional co-operation towards coral conservation plays a key part in achieving sustainable coral conservation. Sri Lanka Initiative, therefore, will be closely linked to "Programmatically and Capacity Building" with the Coral Reef Initiatives in Maldives through IUCN Maldives operations. In this IUCN will make best use of our internal experience so that the designs and provision of capacity buildings in Sri Lanka will include eg. relevant requirements for institutional set-ups, best practices and lessons learnt for biodiversity conservation, financing and climate adaptation in the Maldives selectively based on what are considered suited in Sri Lanka's coastal and marine context *(GFCR Co-benefits – All the benefits towards Biodiversity Conservation and Improved Coastal Protection).*

**Relevant GFCR outcomes and outputs:** Please refer to the GFCR Theory of Change and Terms of Reference [available here](#)

SLCRI covers all four GFCR outcome areas.

**OUTCOME 1: Protection of priority coral reef sites including climate 'refugia'**



- Increase well managed and enforced Marine Protected Areas (MPAs) /Locally Managed Marine Areas (LMMAs) to protect and promote healthy reefs
- Entrepreneurial private sector friendly MPAs
- Increase in scientific studies on identifying, managing and benefit sharing in climate refugia
- Establishment of 'no-take' zones and nurseries within protected areas

#### **OUTCOME 2: Transformation of the livelihoods of coral reef-dependent communities and sectors**

- Sustainable fisheries and aquaculture
- Reef first business opportunities
- High income for local communities and improved resilience
- Pollution and waste management systems to ensure long-term coral health

#### **OUTCOME 3: Restoration of coral reefs through new technologies and adaptive approaches**

- Incentives and partnerships
- Coral transplantation and technology transfer
- Use of hard structures to facilitate coral growth (ex: Tokyo Cement experiments)

#### **OUTCOME 4: Recovery of coral reef-depend communities of major shocks**

- Ecological approaches (improving system resilience by supporting the ecosystem system enabling environment to restore – eg: management of species harmful (surgeon fish, parrot fish etc.) by selective harvesting etc.
- Community level approaches – management of carrying capacity of different areas and incentives and alternative income sources using socio economics, education and awareness and influencing the perceptions and knowledge
- Insurance and safeguard systems

### **SELF-ASSESSMENT**

<b>Eligibility criteria</b>	<b>Yes/No</b>
The Concept Note reflects a holistic approach to mitigating various drivers of coral reef degradation	Yes
The Concept Note is based on a blended finance approach, with the goal of creating an enabling environment for private sector engagement and/or developing revenue streams to sustainable finance coral reef conservation and reef-first businesses	Yes
The proposed results are aligned with national SDG priorities	Yes
The proposed Concept Note is endorsed by the government, demonstrated by a secured letter of endorsement, and includes key national stakeholders	Yes
The Concept Note is based on the standard template, it is complete, and it includes: <ul style="list-style-type: none"> <li>- Theory of Change demonstrating contribution to GFCR Outcomes</li> <li>- Results-oriented partnerships. Convening Agent demonstrates the vision for diverse partnerships to achieve an integrated ecosystem approach.</li> <li>- Environmental and socio-economic baseline data is available and/or there is a strategy in place to collect this data</li> </ul>	Yes

<ul style="list-style-type: none"> <li>- Results are measurable and a clear plan exists for monitoring and evaluation</li> <li>- Blended solutions (transactions) and substantive outcome-level results, and</li> <li>- Initial risk assessment and mitigation measures.</li> </ul>	
The programme is expected to leverage resources for coral reef conservation at scale	Yes

## 1. Summary of the Programme.

Sri Lanka Coral Reef Initiative (SLCRI) aims to identify the stable coral reefs and empower multiple stakeholders towards protecting those coral reefs from extinction by unlocking finances, innovative partnerships, use of technology, best practices to reduce pressure on healthy coral reef ecosystems that demonstrate resilience to climate change and through the transferring of knowledge.

The selected reef areas for SLCRI contain some species of corals that have shown resilience to temperature induced coral bleaching. All sites have some corals that have shown this. However, there is no special site that show large patches of corals that are resilient to climate change. Therefore, all sites chosen are good candidate sites for project interventions. The proposed eight-year SLCRI would catalyze a transformational change in 'business-as-usual practices' to protect coral refugia by understanding and addressing the multiple drivers impacting the sustainability of corals.

The SLCRI will focus on three land/seascapes identified as "Investment Regions", namely, the Northwestern, Eastern and Southwestern Investment Regions (Figure 1). SLCRI will have Six (6) coral refugia clusters. Coral reefs in all three areas are affected by overfishing and the use of destructive fishing methods (NBSAP 2016, CC&CRMD 2018) in addition to other factors. SLCRI reef-positive approach will engage, Govt. system to create the enabling environment; businesses including SMEs to be ready to attract, absorb and operate private investments such as the GFCR Equity Fund; and coastal communities to join hands with SLCRI through coral friendly livelihood opportunities.

The main issues impacting the coral reefs to be addressed in the project are 1) Destructive fishing; 2) Overfishing; 3) Coastal Pollution; 4) Reef damage caused by economic activities such as construction and tourism; and 5) Poverty related pressures on natural capital connected with corals and 6) Weak knowledge and capacity of agencies and communities to connect health of ecosystems and socio-economic wellbeing. The proposed eight-year initiative would setup the enabling environment during the first two years, mobilize and absorb funding to implement coral friendly actions in the subsequent six years.

While identifying the climate resilient refugia coral reefs that are important to protect, the SLCRI will look for quick wins in several sites, namely in, the Gulf of Mannar (GoM) reefs at Arippe and Silavathurai, Pigeon Island several sites in Trincomalee sites. SLCRI will look for quick win situations in these sites and plan to provide specific intervention / expected results during the project development. In that context the SLCRI will capitalize on several ongoing initiatives by IUCN and partners such as possibilities of LMMA in Arippe and Pigeon Island, alternative livelihoods in bird watching and agriculture in Trinco and Silavathurai. A number of mechanisms to facilitate the process would be developed in the programme preparation phase. This includes a Business Support Facility (BSF) for large business and community-based SME/MSMEs on sustainable fisheries, tourism, alternative livelihoods etc., that will have a positive impact on coral reefs. The BSF will provide the technical and operational backbone for SLCRI initiatives and assess potential pipeline for coral reef impact based on the GFCR sector-specific business models. It will be a part of the project management support. BSF will

have full-time, part-time and short-term experts. Also, a Technology Promotion Facility (TPF) to will help in value chain development, vocational education to youth, market enhancements through technology, standards, e-commerce, renewable energy applications and greening supply chains. The TPM will engage short-term consultants for subject area as needed and have a voluntary expert base comprising of retired professionals and expatriates.

During the design, extensive stakeholder engagement will be conducted to ensure the proposed innovative financial tools are in line with country priorities and legal requirements including the Central Bank of Sri Lanka who developed a framework for Sustainable Financing<sup>9</sup>, Ministry of Finance and the National Planning Department<sup>10</sup> in particular. The quick wins will also include country wide complete understanding of the need to protect climate refugia corals to ensure the continuity of number of economic streams, including tourism, agriculture, fisheries and disaster resilience – climate challenges included. The understanding will include clear knowledge of the drivers of degradation and linkages to human and climate challenges thereby generating a number of best practices and road maps to holistically address the drivers through mainstreaming nature-based solutions and sustainable finances.

The main impact of the SLCRI would be realized by a.) Catalyzing the financing to open up opportunities to create a coral positive enabling environment; b) Enhancing the knowledge and applications of ecosystems while linking the socio-economic co-benefits by conservation of marine ecosystems; and c) Formulating up-scalable financial and economic models that were not in the mainstream prior to GFCR. As such, the SLCRI will leverage funds with a) Corporates whose businesses are directly and indirectly connected with coral ecosystems; b) Govt. poverty related programmes including “Samurdhi” social assistance<sup>11</sup> that promotes household level enterprises; and c) Funds mobilized from Sri Lanka expatriates and foundations based on products and tools developed.

<sup>9</sup> Central Bank of Sri Lanka. 2019. Roadmap for Sustainable Financing in Sri Lanka [Roadmap for Sustainable Finance in Sri Lanka | Central Bank of Sri Lanka \(cbsl.gov.lk\)](https://www.cbsl.gov.lk/~/media/2019/07/Roadmap-for-Sustainable-Financing-in-Sri-Lanka.pdf)

<sup>10</sup> Dept. of National Planning - <http://www.npd.gov.lk/index.php/en/>

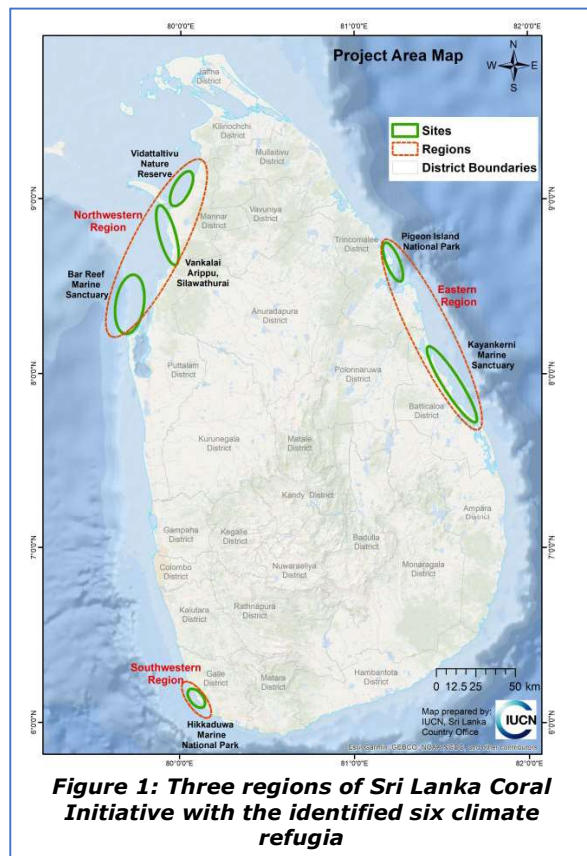
<sup>11</sup> Department of Samurdhi social programmes - [Department of Samurdhi Development=Sri Lanka](http://www.samurdhi.gov.lk/)

## 2. Climate resilience of coral reefs and biodiversity value of reefs in the proposed project area(s)

Max 300 words

GFCR/SLCRI proposes three Investment Regions, considering the ecological and socio-

economics, presence of project-ready local communities yet need for actions to ensure the sustainability of the marine resources. Each "region/sub regions (6)" is summarized through the links in Annex II. The corals in Gulf of Mannar has shown high resilience and in relatively good condition<sup>12, 13, 14</sup>. Reefs in Trincomalee were affected periodically by bleaching, since 1998, but has shown good resilience. The Kayankerni reef is recovering from the last bleaching in 2016. The selected reef areas for SLCRI contain some species of corals that have shown resilience to temperature induced coral bleaching serving effectively as "climate refugia." As most selected sites, except for Southwestern Region, were under the 30-year old conflict that ended in 2009 therefore, they do not have much baseline information on the corals and the extent of coral patches.



**Northwestern Region** comprises three coral refugia a) Vidattaltivu, b) Vankalai-Arippu-Silavathurai and c) Bar Reef supporting over 100 species of corals, more than 300 species of reef fish, spiny lobsters, sea cucumber, chanks and aquarium species. The Bar Reef covers 30,607 ha declared as a Marine Sanctuary in 1992. A Management Plan was developed in 2018.<sup>15</sup>

**Eastern Region** First cluster extends from Kuchchaveli to the Dutch Bay including Pigeon Island National Park. Fringing coral reefs, reef fish and invertebrates were impacted by the bleaching since 1998. Over 100 coral species, 222 reef fish including blacktip reef sharks, invertebrates and three species of turtles were recorded. Live coral cover in 2013 was 21%. Second cluster is from Mankerni to Batticaloa including Kayankerni Marine Sanctuary.

**Southwest Region** includes the Hikkaduwa National Park declared in 1979 encompassing 44.5 ha of coral reefs. In 1998, it was upgraded to a Nature Reserve with an expanded area

12 Rajasuriya, A. 2005. Status of coral reefs in Sri Lanka in the aftermath of the 1998 coral bleaching event and 2004 tsunami. pp. 83 - 96. In: D. Souter & O. Linden (ed.) Coral Reef Degradation in the Indian Ocean: Status Report 2005., CORDIO, Department of Biology and Environmental Science, University of Kalmar, Sweden, University of Kalmar, Sweden.

13 Rajasuriya, A. 2008. Status of Coral Reefs in the Northern, Western and Southern Coastal Waters of Sri Lanka. pp. 11 - 22. In: D. Obura, J. Tamelander & O. Linden (ed.) Ten Years after bleaching - facing the consequences of climate change in the Indian Ocean. CORDIO Status Report 2008., CORDIO/Sida - SAREC, Mombasa.

14 GCRMN 2020. Status of Coral Reefs of the world. Chapter 6. Status and Trends of Coral Reefs of South Asia region.

15 UNDP. 2018. Management Plan for Bar Reef.

<https://www.dropbox.com/s/4n95mnx9vol0f7u/Bar%20Reef%20Management%20Plan%20-%20Draft%20July%202018.doc?dl=0>

of 101.5 ha. A Management Plan was developed in 1998<sup>16</sup>, yet it lacks management (Wilkinson 2004; 2008).

**Data Gaps:** Data is scattered including time series information. Concerted effort (such as USEPA STORET) is required to develop baselines for financial, ecological (including pollution load estimations) and to document SLCRI experience.

### 3. Local drivers of coral reef degradation and solutions in the proposed project area(s)

Max 300 words

The Sri Lanka coastline of about 1,620 km (CZMP, 2018) is connected to mostly fringing type reefs on sandstone or rock substratum (Rajasuriya, 1993). The extent of nearshore coral reefs has been estimated to be about 680 km<sup>2</sup> (Spalding et al., 2001) and the linear extent is estimated to be about 2% (Swan, 1983). Key drivers, the scale and the responsible parties are outlined below<sup>17, 18, 19, 20, 21, 22</sup>

	Local Drivers	Magnitude scale: (Very low: 1), (Low: 2), (Medium: 3), (High: 4), (Very High: 5)	Sources/parties
<b>Northwest Region</b>  <b>Silavathurai, Arippu, Vankalai and Bar Reef</b>	Destructive fishing	5 at Vankalai 4 at Silavathurai- Arippu and Bar Reef	Dynamite fishers
	Netting on reefs	4	All fishers
	Sedimentation	2	Malwathu Oya and other rivers to the south
	Overfishing	5	All fishers
	Sea cucumber and chanks	5	Scuba divers targeting these species
	Tourism	No reef-based tourism	
	Pollution	3	Land based sources

<sup>16</sup> Hikkaduwa Special Area Management Plan -

<https://www.dropbox.com/s/2tdsukcc1qe4jcx/Hikkaduwa%20SAM%20plan%20%20%281%29.pdf?dl=0>

<sup>17</sup> Long, B.G., C. Amarasiri, A. Rajasuriya, D.C.T. Dissanayake, U.S.P.K. Liyanage, R.P.P.K. Jayasinghe, A.A.S.H. Athukoorala, K.M.B.C. Karunathileke, H.S.G. Fernando & W.V.A.T.D. Fernando. 2010. SRI LANKA FISHERIES ATLAS - VOLUME 1 - Status of Resources, fisheries management initiatives on sea cucumber, chank, lobster, shrimp and marine aquarium fish in the northwest, south and east coast of Sri Lanka. National Aquatic Resources Research and Development, Colombo 15, Sri Lanka. 182 pp.

<sup>18</sup> IUCN (2011). Biodiversity and Socio-economic Information of selected areas of Sri Lanka side of the Gulf of Mannar: Report submitted by IUCN Sri Lanka Country Office to BOBLME Project Component 2.4 Collaborative Critical Habitat Management: Gulf of Mannar. IUCN Sri Lanka country Office, Colombo. VII + 194 pp.

<sup>19</sup> MoMD&E (2016). National Biodiversity Strategic Action Plan 2016-2022. Colombo, Sri Lanka: Biodiversity Secretariat, Ministry of Mahaweli Development and Environment. xxi + 284 pp.

<sup>20</sup> Weerakoon, D., Goonatilake, S. De A., Wijewickrama, T., Rajasuriya, A., Perera, N., Kumara, T.P., De Silva, G., Miththapala, S. and Mallawatantri, A. (2020). Conservation and sustainable use of biodiversity in the islands and lagoons of northern Sri Lanka. Colombo, Sri Lanka: IUCN Sri Lanka Country Office. xx+330.

<sup>21</sup> World Bank. 2021. Priorities for Sustainably Managing Sri Lanka's Fisheries, Coastal Aquaculture, and the Ecosystems That Support Them. Washington, DC.

<sup>22</sup> BOBLME (2012) Fisheries, Marine Environment, and Integrated Coastal Management Policy Processes, Content and Implementation in the BOBLME Countries BOBLME-2012-Governance-03

<b>Eastern Region</b> <b>Trincomalee (Kuchchaveli to Dutch Bay)</b>	Destructive fishing	3	Dynamite fishing
	Netting on reefs	3	All fishers
	Sedimentation	2	Coastal sediment
	Overfishing	4	All fishers
	Sea cucumber and chanks	5	Scuba divers targeting these species
	Tourism	3 at Pigeon Island NP	Mainly local visitors
	Pollution	3	Land based sources, mainly in the Trincomalee town area
<b>Eastern Region</b> <b>Vakarai to Batticaloa</b>	Destructive fishing	3	Dynamite fishing
	Netting on reefs	3	All fishers
	Sedimentation	3	Coastal sediment
	Overfishing	4	All fishers
	Sea cucumber and chanks	5	Scuba divers targeting these species
	Tourism	3 (mainly at Passikuda)	Local visitors
	Pollution	High at Passikuda and Kayankerni	Valachchanai Lagoon
<b>Hikkaduwa</b>	Sedimentation	3	Coastal sediment
	Tourism	3	Local visitors
	Pollution	High	Municipal, Harbour and Fish waste

#### 4. Barriers hindering progress towards sustainable practices, development of financial instruments and barriers to private sector engagement related to coral reef ecosystem health.

*Max 300 words*

##### **Policy barriers**

**Land ownership and restricted access to MPAs etc.:** MPAs managed by Govt. agencies may require additional policies, measures, and knowledge from global experience to be in partnerships. Establishment of Locally Managed Marine Area (LMMA) co-management require additional legal provisions to adopt blended financing and innovative benefit sharing.

**Financial regulations governing blended financing:** Concessional funding from private parties/foundations may require additional guidance and legislative improvements. The products and services generated through low-cost financing may conflict with others who use commercial capital. Special tools/vehicles with cross sector financing/flows are required taking into consideration the biodiversity, climate adaptation/mitigation benefits in multiple sectors.

##### **Capacity barriers**

**Lack of information, tools and mechanisms to value ecosystem services:** Blue economy and coral friendly initiatives require management information to adopt IUCN NBS standards, Systematic Ecosystem Environment Accounting, and to estimate impacts and benefits and co-benefits. Same will transform the perception of communities (through citizen



science) and prompt communities to participate in management, governance and blended financing.

**Access to finance, legal and safeguard requirements:** Access to finance and high cost of funds retard coral friendly initiatives. Adoption of innovative low-cost capital needs additional capacity/modifications to SOPs safeguards etc in prevailing institutional and legal systems, to absorb private capital effectively, including Govt. taxes.

#### **Environment barriers**

**Lack of opportunities to access global models:** Opportunities to access global green business/community models, financing, women involvement with safeguards, value chain enhancements etc. are lacking for SLCRI co-implementors. Models may include tracking tools, use of Systematic Ecosystem Environment Accounts, e-marketing, IOT, remote sensed applications etc.,

**Wrong perceptions on private capital in conservation:** Some agencies and communities perceive private sector as profit oriented. As per Post-2020 biodiversity agenda the survival of the private sector depends on the sustainability of ecosystems. Hence private capital ability to create positive impacts on ecosystems may diffuse negative perceptions.

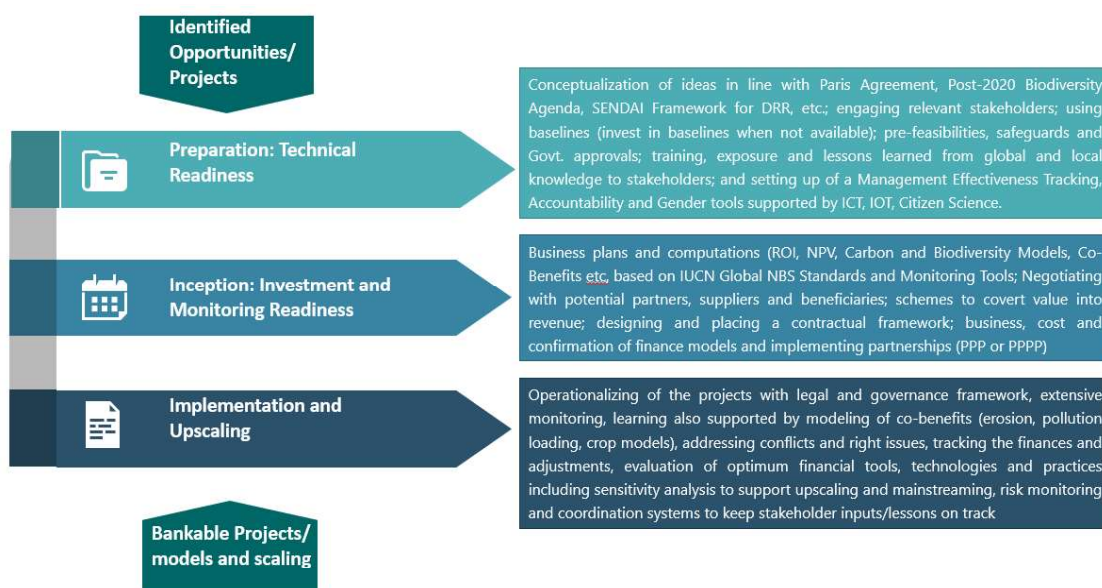
### **5. Thesis and theory of change of the Programme.**

Max 400 words

#### **Problem statement:**

Due to the local anthropogenic and climate pressures, the coastal ecosystems, specially coral reefs, are undergoing a rapid loss. Some of the major local threats to coral reef ecosystems, beyond climate change induced effects include a) overfishing, b) unsustainable tourism, c) coastal development, c) pollution loadings from land and sea sources. etc. These human induced impacts are compounded by climate induced impacts such as changes to ocean temperature regime, acidification, bleaching, and other impacts. Considering the immense value of the coral reef ecosystems for continued Global Environment Benefits (GBEs) and the sustainability of wellbeing of local populations, fauna, flora and businesses, it is important to understand the sources, processes and responsible parties/factors for the identified drivers and take immediate action and catalyze sustainable revenue streams for coral reef conservation.

**Sri Lanka Coral Reef Initiative (SLCRI) long-term vision:** The proposed SLCRI is expected to focus on healthy climate refugia coral areas and catalyze finances towards enhancing knowledge, partnerships and innovative approaches by way of coral-positive investments that enhance the resilience of coral climate refugia and the communities that rely on coastal and marine resources. The SLCRI will consolidate on the earlier limited work in the country<sup>23, 24</sup> in sustainable financing. GFCR/SLCRI will work towards unlocking finance to implement a set of revenue generating initiatives to protect coral reefs and climate refugia while linking the benefits to coral dependent economic sectors and communities. SLCRI will bridge the identified project opportunities with investments by enhancing the country capacity and enabling environment through three interdependent approaches, namely, a) Technical Readiness; b) Investment and Monitoring Readiness and c) Implementing and Upscaling. Blended finance combined with ecosystem knowledge are expected to reduce the cost of funds



and enhance the effectiveness of climate sensitive biodiversity conservation while strengthening the cross-cutting areas such as gender mainstreaming, governance and rights-based approaches.

SLCRI will cover key coral refugia and related businesses and communities focusing on the three selected "Investment Regions (Annex II)." The SLCRI vision of multi-stakeholder partnerships and benefit sharing by coastal communities connected with coral refugia aims to minimize pressure on marine natural capital thereby saving corals and communities in the long-term. It will use IUCN Global Standards for NBS as the main guidance supported by an extensive Management Effectiveness Tracking Tool to pave the way for private friendly approaches and investments.

The GFCR/SLCRI will create a pipeline of sustainable and bankable ecosystem friendly and coral-positive businesses and projects. It will initially cover a population about 150,000 living in the landscape connected to climate refugia corals but having overall influence on the coastal and marine ecosystems. The actual number of direct and indirect beneficiaries will be much higher including the stakeholders involved in the use and in the value chains.

<sup>23</sup> Central Bank of Sri Lanka. 2018. [Roadmap for Sustainable Finance in Sri Lanka | Central Bank of Sri Lanka \(cbsl.gov.lk\)](https://www.cbsl.gov.lk)

<sup>24</sup> IUCN. 2021. Road map for Sustainable Financing for Apparel Sector - <https://www.dropbox.com/s/8xuigvag737oif9/IUCN-A%20Roadmap%20Towards%20a%20Greener%20Apparel%20Sector%20Final%20Version%20June%202021.pdf?dl=0>



Investment Region	District	Division	Village Divisions	Total Population	Male	Female	Area (ha)
Northwest	Mannar	Mannar Town	12	5,793	2,980	2,813	24,102
	Mannar	Musali	15	9,434	4,826	4,608	10,974
	Puttalam	Kalpitiya	18	36,677	18,354	18,323	27,600
Southwest	Galle	Hikkaduwa	28	22,223	10,686	11,537	1,030
Eastern	Trincomalee	Kuchchaveli	15	31,774	15,591	16,183	6,971
	Batticaloa	Eravur Pattu	25	40,594	19,635	20,959	23,675
<b>Total</b>			<b>113</b>	<b>146,495</b>	<b>72,072</b>	<b>74,423</b>	<b>94,353</b>

### Long-term targeted change

As a result of GFCR/SLCRI we trust that:

a) The communities, agencies and private sector understand the value of ecosystems and ecosystem services for their livelihoods, business continuity and overall sustainability, thereby paying adequate attention to conserve and manage those same resources, they depend on. Private sector recognition and transformational shift of nature-based solutions led business continuity to change the investment climate towards conservation while balancing development.

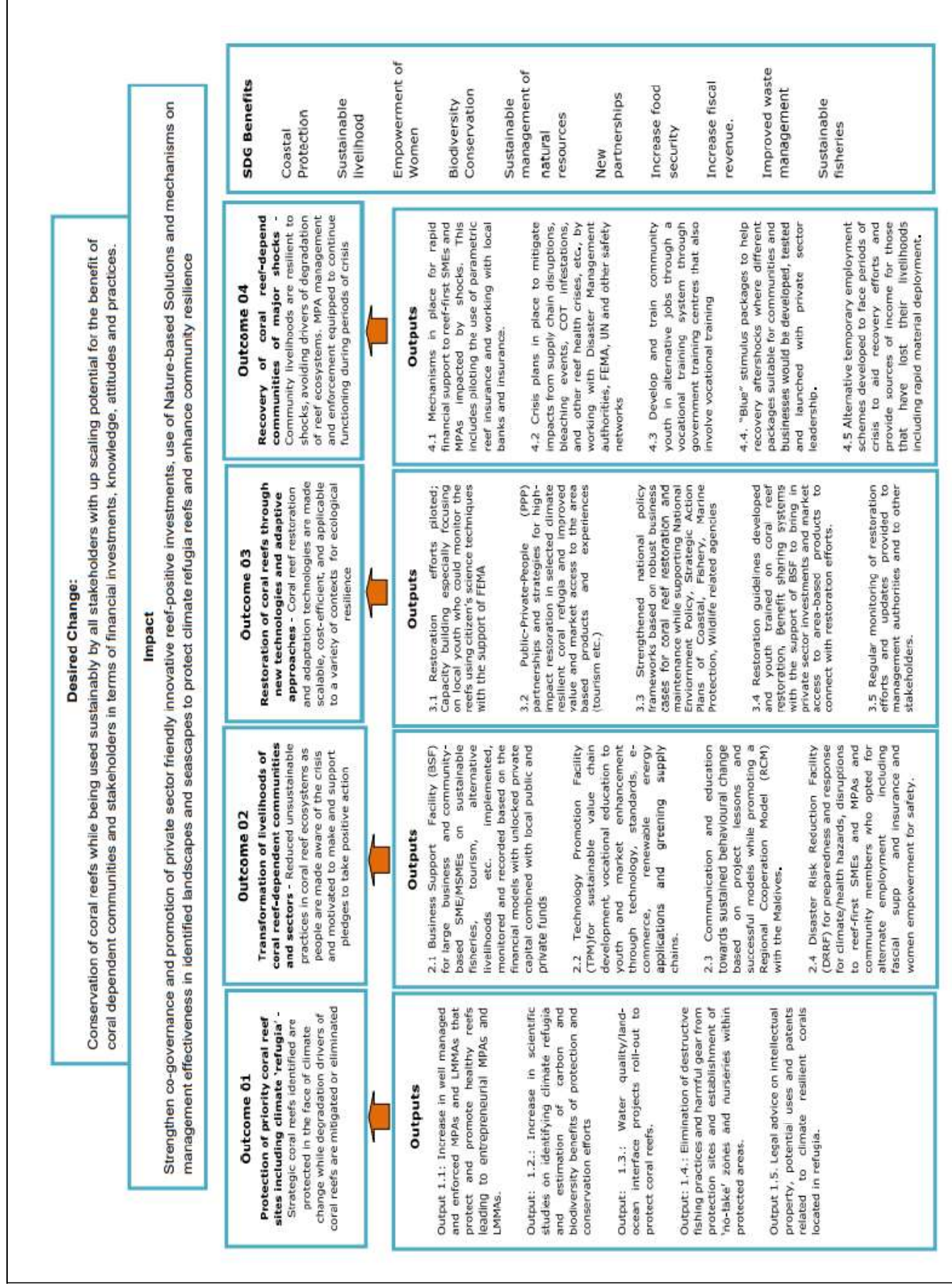
b) To achieve the long-term benefits multiple stakeholder entities come together and work together to enhance biodiversity quality while aiming for the long-term to improve existing MPAs and form new LMMAs to adopt sustainable co-management mechanisms with benefit sharing and enhancing the adaptive capacity of natural systems and communities.

c) Private sector positive innovative sustainable financing and the efforts to unlock private capital would be supported by the results of the initiatives designed by the GFCR/SLCRI while justifying the value of conserving and managing the coastal and marine resources in a sustainable manner, in line with global standards and Global IUCN standards for Nature based Solutions.

d) Citizen science, disaster risk reduction measures and ecosystem knowledge would earn the co-operation and involvement to protect ecosystems including coral reef refugia. The negative perceptions of communities on private investments and businesses will be dispersed by the evidenced based positive results of the initiatives and the possibilities provided to community members to engage in alternative livelihoods with enhanced private investments

d) Shared co-benefits, technology adoption, renewable energy use and disaster risk reduction measures would enhance the resilience of ecosystems and communities while reducing the harvesting pressure on natural fish stocks and fish stocks subject to overfishing. The models and lessons learned will help to scale up the models locally and regionally through different promotional models.

In that context the theory of change associated with SLCRI supported by GFCR is as follows:



## 6. What are the specific intervention(s) of the proposed Programme?

Max 500 words

### **Sri Lanka Coral Reef Initiative (SLCRI) Interventions**

As outlined in the TOC SLCRI will pursue investment solutions such as performance grants, concessionary loans, de-risking and unlock financing for coral reef-positive, climate smart adaptation and market-based green solutions for the income generation options. During the SLCRI several management entities will be formed/strengthened to ensure the coral positive management. The key entities are:

a. Forum for Ecosystem Management and Advocacy (FEMA) is already functional under the IUCN GEF7 project on "Mainstreaming natural capital assessment and accounting." In SLCRI, FEMA members are mostly from academia and research (local and working abroad) will be engaged for technical inputs to design sustainable coral friendly projects that are bankable. They will also support baseline development, information collection and carryout modeling and assessments to support investments and monitor management effectiveness.

b. Business Support Facility (BSF) for large business and community-based SME/MSMEs on sustainable fisheries, tourism, alternative livelihoods etc., that will have a positive impact on coral reefs. The BSF will provide the technical and operational backbone for SLCRI initiatives and assess potential pipeline for coral reef impact based on the GFCR sector-specific business models. It will be a part of the project management support. BSF will have full-time, part-time and short-term experts.

c. The Technology Promotion Facility (TPF) will help in value chain development, vocational education to youth, market enhancements through technology, standards, e-commerce, renewable energy applications and greening supply chains. The TPM will engage short-term consultants for subject area as needed and have a voluntary expert base comprising of retired professionals and expatriates willing to contribute as in the International Executive Service Corps model.

d. A Regional Cooperation Model (RCM) with Maldives. The RCM will capitalize on the Sri Lanka Tourism businesses in Maldives (Aiken Spence, Keels, Jetwing etc.) and other Sri Lanka large operators to operationalize RCM while replicating the IUCN supported Biodiversity Sri Lanka (currently over 75 companies) in Maldives. The output 2.4. supports risk reduction in business and communities through a Disaster Risk Reduction Facility (DRRF) to enhance preparedness and response for climate/health hazards.

**Outcome 01: Climate refugia coral reefs protected and empowered community stewardship, and de-risked catalyzed financing led to replicable better managed sustainable coastal ecosystems**

In the Output 1.1:

During Output 1.2 to develop and operationalize sustainable MPA and LMMA management plans based on Nature-based solutions using innovative financial models for climate refugia coral reef protection and restoration. SLCRI recognize that existing MPAs do not have co-management or revenue sharing mechanisms in place. The funds generated, if any, will be added to the co-management system with Government permission to be used in SLCRI

objectives. AS such site specific cost center approach with co-management mechanisms by relevant stakeholder entities would be designed and implemented.

To support the process within Output 1.3 SLCRI will put in place co-management, law enforcement and monitoring systems to strengthen governance structures and science-based approaches for the management. Sri Lanka lacks industry – university linkages. As such the SLCRI will create and promote University-Business linkages through Chambers of Commerce on sustainable ecotourism, green infrastructure development, waste management, pollution controls etc.

Output 1.4 focus on sustainable blue finance revenue streams and models with a focus on coral reef impact. This will be the key mechanism to support SLCRI activities and the project will use external and local expertise in different disciplines to ensure the designs are robust, scenario modelling is comprehensive and financial flows are realistic and appropriate to local conditions and global norms are met.

**Outcome 02: Livelihoods of coral reef dependent communities are transformed to reef-first livelihood opportunities and increased resilience to climate change impacts and shocks**

The output 2.1. supports a coral friendly Business Support Facility (BSF) for large business and community-based SME/MSMEs on sustainable fisheries, tourism, alternative livelihoods etc., that will have a positive impact on coral reefs. The BSF will provide the technical and operational backbone for SLCRI initiatives and assess potential pipeline for coral reef impact based on the GFCR sector-specific business models. It will be a part of the project management support. BSF will have full-time, part-time and short-term experts.

The Technology Promotion Facility (TPM) towards coral reef restoration, alternative livelihoods for coral dependent communities etc. in Output 2.2. will help in value chain development, vocational education to youth, market enhancements through technology, standards, e-commerce, renewable energy applications and greening supply chains. The TPM will engage short-term consultants for subject area as needed and have a voluntary expert base comprising of retired professionals and expatriates willing to contribute as in the International Executive Service Corps<sup>25</sup> model.

Output 2.3.: deals with the communication and education. While helping towards sustained behavioral changes locally it will promote a Regional Cooperation Model (RCM) with Maldives. The RCM will capitalize on the Sri Lanka Tourism businesses in Maldives (Aiken Spence, Keels, Jetwing etc.) and other Sri Lanka large operators to operationalize RCM while replicating the IUCN supported Biodiversity Sri Lanka<sup>26</sup> (currently over 75 companies) in Maldives. The output 2.4. supports risk reduction in business and communities through a Disaster Risk Reduction Facility (DRRF) to enhance preparedness and response for climate/health hazards. SLCRI will build the capacity and empower women to adopt a range of disaster preparedness, safety measures, response and build back better options guided by the SENDAI framework. SLCRI will promote alternative livelihoods and insurance systems in collaboration with Disaster Management Authorities.

<sup>25</sup> [International Executive Service Corps - Home \(iesc.org\)](http://iesc.org)

<sup>26</sup> [Biodiversity Sri Lanka - BIODIVERSITY SRI LANKA](http://biodiversitysri.lanka)



### **Outcome 03: Restoration and adaptation technology**

SLCRI will work on restoration of corals through output 3.1 by restoration of reefs using infrastructure support and building capacity including high impact strategies (output 3.2), especially using local youth to facilitate monitoring the reefs using citizen's science techniques. SLCRI will support to develop strategies for high-impact restoration including potential technology transfers while strengthening national policy frameworks based on robust business cases (output 3.3) for coral reef restoration and maintenance. The project will develop restoration guidelines (output 3.4) and work on priority sites (output 3.5). In terms of coral restoration the SLCRI will work with companies such as Tokyo Cement engaged in coral restoration using hard infrastructure.

### **Outcome 04: Climate refugia coral reefs protected and empowered the community stewardship and de-risked catalyzed financing led to replicable better managed sustainable coastal ecosystems**

SLCRI will work on developing mechanisms to mobilize financial support to reef-first SMEs and MPAs impacted by shocks (output 4.1) where national disaster management approaches by Disaster Management Center (DMC) will also be complemented including the potential use of parametric reef insurance. The initiative aims to mitigate impacts from supply chain disruptions, bleaching events, health crises, etc. through improved planning and training (output 4.2) while engaging private sector to further ensure buffering of economic losses during crisis periods through business contingency planning. The building back better processes or recovery will be supported by a set of "Blue" stimulus packages in line with SENDAI framework. SLCRI will develop plans and schemes to provide alternative temporary employments during periods of crisis to aid recovery efforts and provide sources of income (output 4.4) and work with financial and govt. systems to mainstream the plans to be used at a time there are loss of livelihoods. This may include training the community youth on multiple skills so that they could engage in alternative jobs. SLCRI will also work with disaster management authorities to establish and practice mechanisms to carryout material deployment to deal with crises situations (output 4.5).

## **7. Programme and GFCR Equity Fund Engagement Strategy (900 words max.)**

The Sri Lanka Coral Reef Initiative (SLCRI) takes the advantage of the capacity and enabling environment for investments developed through the Grant Fund and associated UNCDF concessionary loans and work with the EF to facilitate equity and debt capital towards the coral reef survival through multiple mechanisms. The Equity Fund investments would be channelled through innovative systems developed via GF and using the formal financial systems in the country through banks and microfinancing institutions (Annex 3). Local drivers of degradation that can be addressed by an Equity Fund investment

### **Sustainable ocean production to address overfishing, destructive fishing techniques and enhance food security**

A key driver of reef degradation is the over harvesting of fishery resources disregarding the value of the ecosystem that support the same resource including coral reefs. GF and UNCDF

may carry out ocean scape planning, awareness and capacity building leading to sustainable ocean production by addressing overfishing, use of destructive fishing techniques such as dynamite and the options to minimize waste between the harvest and the market to enhance food security. The EF would then support Sustainable Fishery and sustainable ocean production of fishery resources by investments to manage the quality of the fish harvested by investing in boats, boat improvements, freezer storage (preferably using solar and wind energy) and marketing systems with traceability to bring more revenue to the fishing communities and fishery related business also by minimizing waste and developing value added products.

The EF investments combined with upcoming Extended Producer Responsibility (EPR) mechanism to minimize ocean pollution by plastic by investing in equipment and system for recycling of discarded / unusable nets, finding other use of recycled plastics-based products, including the ghost nets and discarded bi-catch. Further selected investments on seaweed farming, finfish or shrimp maricultural under controlled environment, not damaging the ecosystem including coral refugia would help fishing communities to minimize pressure on ocean harvesting. The same labour force engaged in fishing and tourism could be engaged as private public partnership approaches to rebuild reefs and propagation of corals.

### **Ecotourism to address unsustainable tourism**

GF would build the capacity of hoteliers, guides and service providers attached to tourism trade while the EF would help hotels, resorts and service industries to adopt technology and green practices and serve to protect coral refugia while rewarding the green efforts.

The GF could help to promote appreciation of nature by way of "Ecotourism" in coastal and marine environment by promoting surfing, diving, snorkelling, liveaboards and other marine life related interactions. Further the investments on guides, safety equipment and improving services (food, guiding, medical and health etc.) plus research capacity in the field may improve the revenue of tourism business.

### **Sustainable infrastructure and waste management to address pollution**

Sustainable infrastructure and waste management is another area linked to tourism and fisheries, among others, including urban services in coastal areas, where EF could invest within the broad objective to protect coral refugia. The education, advocacy and sustainable financing mechanisms would be developed through the support of GF while the EF would invest in processing equipment for waste management including plastic waste management, energy recovery and soil quality related investments (biogas, composting, etc.).

The GF may engage tourists and communities to adopt higher technologies to improve circularity of such as using Artificial Intelligence to identify waste and recovery technologies promoting sorting, processing and recycling etc. are EF could provide the infrastructure and seed capitals. The investments may also include waste management related investments.

At an advance level the EF may invest on renewable energy, namely, wind and solar to green the tourism supply chains. It is very doable in Sri Lanka given the over 5,000 Megawatts Wind and Solar power development potential in coastal Northwest. The proposal is to carry out a feasibility within the project where EF could invest large sums in green hydrogen, energy storage, new freezing systems and processing infrastructure to add value and minimize waste loads to coral refugia. Green harbours could be a specific area to invest. Use of renewable energy may also improve the tourism and fishery practices significantly directly and indirectly protecting corals.

### **Type of pre-investment Technical Assistance needed to make room for EF**

Each idea proposed for EF may involve a prefeasibility and technology verification to support the enabling environment for EF investments. During the project preparation phase several inputs from Equity Fund (EF) is required to narrow down the potential investment applications and train the local partners on the EF use and potential. In addition, we aim to complete the "Safe Guards – based on GFCR and IFC material) to facilitate EF investments.

The project development phase may develop a number of terms of references for feasibility studies for EF where EF guidance would be expected in terms of potential funding instruments and to articulate the role of local banking partners. If the EF require policy level changes such as Board of Investment (BOI)<sup>27</sup> documentation or legislative support on energy or otherwise, those can be handled in consultation of EF during the project preparatory phase. It would be good to find an approach to value benefits of investments on coral refugia and ecosystem services agreed with EF, at the development stage. We may opt for UN developed tools on "System of Ecosystem Environmental Accounting (SEEA)<sup>28</sup> for any other EF required approach. In this context having a broader set of project partners to work with EF involving coastal conservation, wildlife, tourism, fisheries etc. may help to get the policy buy in and promote the enabling environment for EF inputs.

## **8. What are the expected results of the proposed Programme?**

*(If the Concept note is approved, this will be the basis for Results Framework of the Full Programme document).*

Max 400 words

The SLCRI would adopt the GFCR set of indicators as much as possible to measure the results for easy reporting. The adopted GFCR indicators under each GFCR outcome areas are given below.

<sup>27</sup> Board of Investment of Sri Lanka - [Investment Opportunities – Board of Investment of Sri Lanka \(investsrilanka.com\)](https://investsrilanka.com)

<sup>28</sup> System of Ecosystem Environmental Accounting - <https://seea.un.org/>

Outcome	Outcome Indicators	Outputs
<b>Outcome 1: Protect priority coral reef sites and climate change refugia</b> (IF more coral reef and associated ecosystem sites are protected, IF these sites are supported by capital for management and enforcement and by local and national governments, and IF there are increases in species richness and fish diversity, THEN the Fund will have implemented protective measures that are effective in reducing local stressors at scale and improved the resiliency of coral reefs.)	1.1 Area (ha) of new climate refugia and priority sites designated as MPAs or LMMAs for coral reef and associated ecosystems (i.e., mangroves and seagrass) protection.	Output 1.1: Increase in well managed and enforced MPAs and LMMAs that protect and promote healthy reefs leading to entrepreneurial MPAs and LMMAs.
	1.2 Annual capital expenditures (USD/yr) for strengthened management and enforcement capacities of MPA and LMMA network.	
	1.3 Species richness (# of species/ha) and fish density (# of fish/ha) in protection areas compared to previous levels.	Output: 1.2.: Increase in scientific studies on identifying climate refugia and estimation of carbon and biodiversity benefits of protection and conservation efforts
	1.4 Integrated local threat index 37 is decreased from high and very high levels (3,4,5 on the index) to low and medium levels (0,1,2 on the index).	Output: 1.3.: Water quality/land-ocean interface projects roll-out to protect coral reefs.
	1.5 Number of coral reef protection resolutions, declarations and laws passed by governing bodies, including national budget allocation to implement coral reef protected area management and enforcement.	Output: 1.4.: Elimination of destructive fishing practices and harmful gear from protection sites and establishment of 'no-take' zones and nurseries within protected areas.
	1.6 Ratio of protected area costs covered by the private sector vs. the public sector or grants (e.g. costs for management, monitoring and enforcement).	Output 1.5. Legal advice on intellectual property, potential uses and patents related to climate resilient corals located in refugia.
	1.7 MtCO <sub>2</sub> e per year sequestered through protection and/or restoration of threatened mangrove and seagrass ecosystems.	
<b>Outcome 2: Transform the livelihoods of coral reef-dependent communities</b> (IF fisher income from sustainable fisheries is higher than from non-sustainable	2.1 Fisher income (US\$/year) from sustainable fishery jobs vs. fisher income (US\$/year) from non-sustainable fishery jobs. Additionally, ratio of fishers employed in sustainable fisheries vs non-sustainable fisheries.	Output: 2.1.: Community-based projects and alternative sustainable livelihoods for (sustainable fisheries, seaweed farms, aquaculture, tourism, etc. with higher return of investment (ROI) and reduced impacts on coral ecosystems.



<p>fisheries and a greater proportion of fishers are employed in sustainable fisheries, and IF we see larger fish being caught, THEN the Fund will have helped reef-dependent communities' transition to the sustainable management of their coral reef natural resources. IF the number of local entrepreneurs and locals hired in sustainable businesses that have a positive impact on coral reefs and associated ecosystems increases, and IF these businesses are generating a ROI, THEN the Fund will have supported the development of alternative livelihoods in viable sustainable businesses that reduce local pressure on reefs. IF businesses in and around coral reef sites reduce their carbon footprint and mitigate waste generation, THEN the Fund will have supported a transition of the private sector to more environmentally conscience business practices)</p>	<p>2.2 More sustainable, alternative livelihoods developed and taken up in the communities indicated by # of people trained and % of women per year</p>	<p>Output 2.2: Coral dependent communities and families, especially women empowered through capacity building and safety nets towards coral friendly businesses and alternative employment</p>
	<p>2.2 Mean standard length of caught fish (cm/fish) vs. baseline measurement at starting time of project (t=0).</p>	<p>Output 2.3: Fish length caught has increased towards adult cohort indicating more sustainable levels as per the main species consumed</p>
	<p>2.3 Number of local entrepreneurs (total # of individuals) and women trained and managing (# of women) businesses with a direct or indirect positive impact on coral reefs and associated ecosystems vs. baseline (t=0).</p>	<p>Output 2.4: Development of case studies on up scalable models and enterprises as coral friendly private or public private partnerships supported by footprint and other cost benefit estimates.</p>
	<p>2.4 Number of locals (total # of individuals) and women (# of women) trained and employed in businesses with a direct or indirect positive impact on coral reefs and associated ecosystems vs. baseline (t=0).</p>	<p>Output 2.5: Economic valuation of coral reefs and ecosystem services connected with coral ecosystems and coral dependent communities while promoting the value of coral reefs through communications and educational campaigns.</p>
	<p>2.5 ROI (%) of alternative livelihood initiatives supported by the GFCR.</p>	
	<p>2.6 Carbon footprint of private sector (tons of CO<sub>2</sub>/business/year) vs. baseline (t=0).</p>	
	<p>2.7 Number of waste management and water quality initiatives implemented by reef-linked businesses vs baseline (t=0).</p>	
<p><b>Outcome 3: Restoration and adaptation technology</b> IF there is a greater number of climate change resilient coral species identified and created, IF these species are used to restore degraded habitats quickly and at scale, and IF there is a measurable increase in coral cover that survives bleaching as</p>	<p>3.1 Number of coral species resilient to climate change identified and replicated.</p>	<p>Output 3.1: Restoration technologies developed and piloted in identified locations while designing innovative approaches to fast-track restoration efforts.</p>
	<p>3.2 Success rate (%), speed and efficiency (e.g., m<sup>2</sup>/year) of coral reef restoration efforts (use past restoration efforts in the same region as a baseline).</p>	<p>Output 3.2: Strategies for high-impact restoration developed and adopted through strengthened national policy frameworks based on robust business cases for coral reef restoration and maintenance from local and global experiences.</p>
	<p>3.3 Coral cover (%) that survives bleaching events after restoration efforts compared to</p>	

<p>a result of more resilient coral, THEN the Fund will have succeeded in developing restoration technology that is capable of regenerating degraded coral reef sites that are adapted to be resilient to the effects of climate change. IF government and private sector investments into coral reef restoration increases substantially, THEN the Fund will have built confidence in coral reef restoration efforts to the point that the public and private sector see the financial value of investing in coral reef restoration</p>	<p>past bleaching events of similar severity and location.</p> <p>3.4 Government and private sector investments (USD) into coral reef restoration efforts and coral reef restoration businesses.</p>	<p>Output 3.4: Restoration guidelines and training on coral reef restoration provided with updated knowledge and incentives, including "In situ" restoration projects.</p> <p>Output 3.5: Identification of priority restoration sites within targeted MPAs and carryout special programmes with private sector to develop long-term conservation and sustainable use.</p>
<p><b>Outcome 4: Recovery of coral reef-dependent communities to major shocks</b></p> <p>(IF crisis plans are incorporated into reef-linked businesses including parametric reef insurance schemes and favourable/crisis conscience loan terms, THEN businesses and initiatives that improve and conserve coral reef ecosystems will be better able to survive periods of crisis. IF GFCR-linked initiatives are able to retain and continue supporting their workforce, THEN there will be a less unemployment which will avoid individuals resorting to unsustainable practices on coral reefs for subsistence and income during periods of crisis)</p>	<p>4.1 Number of crisis plans incorporated into reef-linked businesses and initiatives to mitigate and be more resilient to impacts of large shocks such as intense storms, disease outbreaks, severe bleaching events, etc. vs baseline (t=0).</p> <p>4.2 Proportion (%) of crisis conscience loan terms and deferment plans incorporated into loan agreements for businesses and initiatives at GFCR sites vs. baseline (t=0).</p> <p>4.3 Number of parametric reef insurance schemes put in place vs. baseline (t=0).</p> <p>4.4 Proportion of workforce (%) retained in GFCR-linked initiatives and businesses during major shocks compared to non-GFCR linked businesses in similar sectors and geographies.</p>	<p>Output 4.1: Mechanisms in place for rapid financial support to reef-first SMEs and MPAs impacted by shocks. This includes the use of parametric reef insurance.</p> <p>Output 4.2: Crisis plans in place to mitigate impacts from supply chain disruptions, bleaching events, health crises, etc.</p> <p>Output 4.3: Develop and train community youth in alternative jobs through a vocational training system through government training centres.</p> <p>Output 4.4: Develop and implement "Blue" stimulus packages to help recovery after shocks including private sector capacity development</p> <p>Output 4.5: Alternative temporary employment during periods of crisis to aid recovery efforts and provide sources of income for those that have lost their livelihoods and rapid material deployment to deal with crisis.</p>

## 9. Expected added value of partners

Max 300 words

SLCRI would use number of national Government agencies working on coastal and marine environment in Sri Lanka as the co-implementors and expected value added partners. Coordination with private sector would be mainly through the programme management support managed by the convening agent with the support of Chamber of Commerce. In addition to the government agencies, several NGOs, financial institutions etc. have been identified to work in the Sri Lanka Coral Reef Initiative as indicated at the start (Factsheet).

Ministry	Agency	Function
<b>Agencies directly mandated to work on biodiversity</b>		
<b>Ministry of Environment (MoE)</b>	Biodiversity Secretariat (BDS)	National focal point for biodiversity conservation and sustainable use. Focal point for the Convention on Biodiversity.
	Climate Change Secretariat (CCS)	National focal point for climate change. Designated Authority for different climate change related bodies and liaises with the Secretariat of the UNFCCC in relation to the UNFCCC.
	Central Environmental Authority (CEA)	Provides for the protection, management, and enhancement of the environment and for the prevention, reduction, and control of pollution through a licensing system. Certain development activities must have approval from the CEA before commencement, and for approval, an Initial Environmental Examination (IEE) or an Environmental Impact Assessment (EIA) is needed. The CEA can declare areas as Environmental Protection Areas through an order published by a gazette. Once the CEA declares an area as an Environmental Protection Area, any planning scheme or project in the protection area under the provision of any law, which conflicts with any provision of the National Environmental Act, ceases to operate in that area.
<b>Ministry of Wildlife and Forests (MoW&amp;F)</b>	Department of Wildlife Conservation (DWC)	One of two main custodians of Sri Lanka's natural capital. The agency has some 1,2034,691 ha of protected areas under its jurisdiction and has a vision 'to conserve the wildlife heritage of Sri Lanka for present and future generations'. It implements the Fauna and Flora Protection Ordinance. <sup>29</sup> Focal point for the CMS, CITES and Ramsar conventions.
	Forest Department (FD)	The second main custodian of Sri Lanka's natural capital is the Forest Department (FD), with more than 1,340,202 ha of protected areas under their jurisdiction. Its vision is to 'sustainably manage forest and tree resources of Sri Lanka in order to meet the requirements of timber and forest produce, while preserving their ability to provide environmental services for the well-being of people

<sup>29</sup> See Section 3.4 for references.

Ministry	Agency	Function
		and the national economy' and which implements the Forest Conservation Ordinance. <sup>30</sup>
<b>Ministry of Urban Development and Housing (MoUD&amp;H)</b> (via the State Ministry of Urban Development, Coast Conservation, Waste Disposal and Community Cleanliness	Coast Conservation and Coastal Resource Management Department (CC&CRMD)	This agency is responsible for managing the coastal zone, as defined in the Coast Conservation Amendment Act No. 49 of 2011. <sup>31</sup>
	Marine Environment Protection Authority (MEPA)	The apex body for controlling, managing and preventing marine pollution in the territorial waters of Sri Lanka or any other maritime zone, its fore-shore and the coastal zone of the country.
<b>Ministry of Fisheries and Aquatic Resources (MFAR)</b>	Department of Fisheries and Aquatic Resource (DFAR)	It has jurisdiction over lagoons and can declare fisheries management areas (for sustainable management of resources) within and outside lagoons and estuaries, as well as fisheries reserves, for protecting a resource/s by restricting and controlling activities in the area. It also protects some species from export, as well as the reverse, the import of some non-native species. Regulations enacted in March 2017 state that no person shall pollute or discharge domestic or industrial effluent into Sri Lankan waters, or engage in any activity, which causes a threat to the conservation of fish species in Sri Lankan waters or the 'coastal belt adjacent to it'. Regulations enacted in January 2020 delegate authority to the state minister of fisheries and inland fisheries industry to develop and manage the marine, brackish (lagoon) water and freshwater fisheries industry, through the National Aquatic Resources Research & Development Agency (NARA) and National Aquaculture Development Authority (NAQDA).
State Ministry of Ornamental Fish, Inland Fish and Prawn Farming, Fishery Harbour Development, Multiday Fishing Activities and Fish Exports	National Aquatic Resources Research & Development Agency (NARA)	The agency has the responsibility of carrying out and coordinating research, development, management and conservation of activities on the aquatic resources in Sri Lanka.
	National Aquaculture Development Authority of Sri Lanka (NAQDA)	Mandated to develop eco-friendly aquaculture; promote employment opportunities; promote the farming of high valued fish species for export; and conserve and rehabilitate aquatic resources devastated by poor aquaculture practices'.
<b>Other agencies critical for collaboration in the proposed project</b>		
<b>Ministry of Finance &amp; Planning (MoFP)</b>	Central Bank of Sri Lanka (CBSL)	The national authority that conducts monetary policy, regulates banks, and provides financial services including economic research. It stabilises the nation's currency, keeps unemployment low, and prevents inflation.

<sup>30</sup> See Section 3.4 for references<sup>31</sup> See Section 3.4 for references

Ministry	Agency	Function
	Department of Census and Statistics (DCS)	Primary agency for compiling population and statistics and is also entrusted with the mandate and responsibility to compile the National Accounts Estimates.
<b>Ministry of Tourism (MoT)</b>	Sri Lanka Tourism Development Authority (SLTDA)	The national government authority tasked with planning, development, regulation, and policy implementation of tourism and related industries.
<b>Ministry of Defence (MoD)</b>	Sri Lanka Air Force (SLAF)	Primary mandate is to ensure that the skies above our nation is protected. The SLAF will be a critical collaborator in the proposed initiative for obtaining drone imagery for assessing ecosystem extent and condition.
	Sri Lanka Navy (SLN)	The role of the Sri Lanka Navy is to conduct operations at sea for the defence of the nation. The SLN will be a critical collaborator in the proposed initiative for obtaining drone imagery for assessing ecosystem extent and condition.
	Sri Lanka Coast Guard (SLCG)	This agency is multi-functional: with law enforcement, in the coastal areas, the territorial waters, and the maritime zones of Sri Lanka, and high seas; assisting in the preservation and protection of maritime and marine environment; assisting the relevant authorities in the implementation and monitoring of measures required for the prevention and control of marine pollution and other disasters which occur at sea; and assisting in the conservation of marine species.
State Ministry of Internal Security, Home Affairs and Disaster Management	Department of Meteorology (DoM)	The mission is to provide services pertaining to all areas of meteorology, to government agencies, private sector and the general public in keeping with national interest and international standards. The DoM's forecasting will be necessary for the proposed project.
<b>Minister of Urban Development and Housing</b>	National Physical Planning Department (NPPD)	This agency's functions are the formulation of a national physical plan policy and plan and to implement it. There is currently a policy and plan for 2017-2050.
State Ministry of Urban Development, Coast Conservation, Waste Disposal and Community Cleanliness	Urban Development Authority (UDA)	This agency's mission is 'to prepare development plans and to promote, implement and regulate development activities with a view to achieving the position of a financially independent and globally admired creator of fully-fledge, sustainable urban centres.
<b>Ministry of Lands (MoL)</b>	Survey Department (SD)	This is the 'national surveying and mapping agency of the government and is responsible for the standardization and production of all surveying and mapping activities in Sri Lanka'. This agency will be a critical collaborator in the proposed initiative for mapping.
State Minister of Tanks, Reservoirs and Irrigation	Land Use Policy Planning	This agency's mission is the 'formulation of policies, preparation of plans and facilitating their

Ministry	Agency	Function
Development Related to Rural Paddy Fields	Department (LUPPD)	implementation to achieve the optimum utilization of land resources while maintaining sustainability and environmental balance'. This agency will be a critical collaborator in the proposed initiative for providing baselines.
<b>Ministry of Agriculture</b> (via the State Minister of Paddy and Grains, Organic Food, Vegetables, Fruits, Chilies, Onion and Potato Cultivation Promotion, Seed Production and Advanced Technology Agriculture)	Department of Agrarian Development (DAD)	Provides necessary facilities to the Sri Lankan farmer community to strengthen their socioeconomic background.

## 10. Leadership and implementation of the Programme

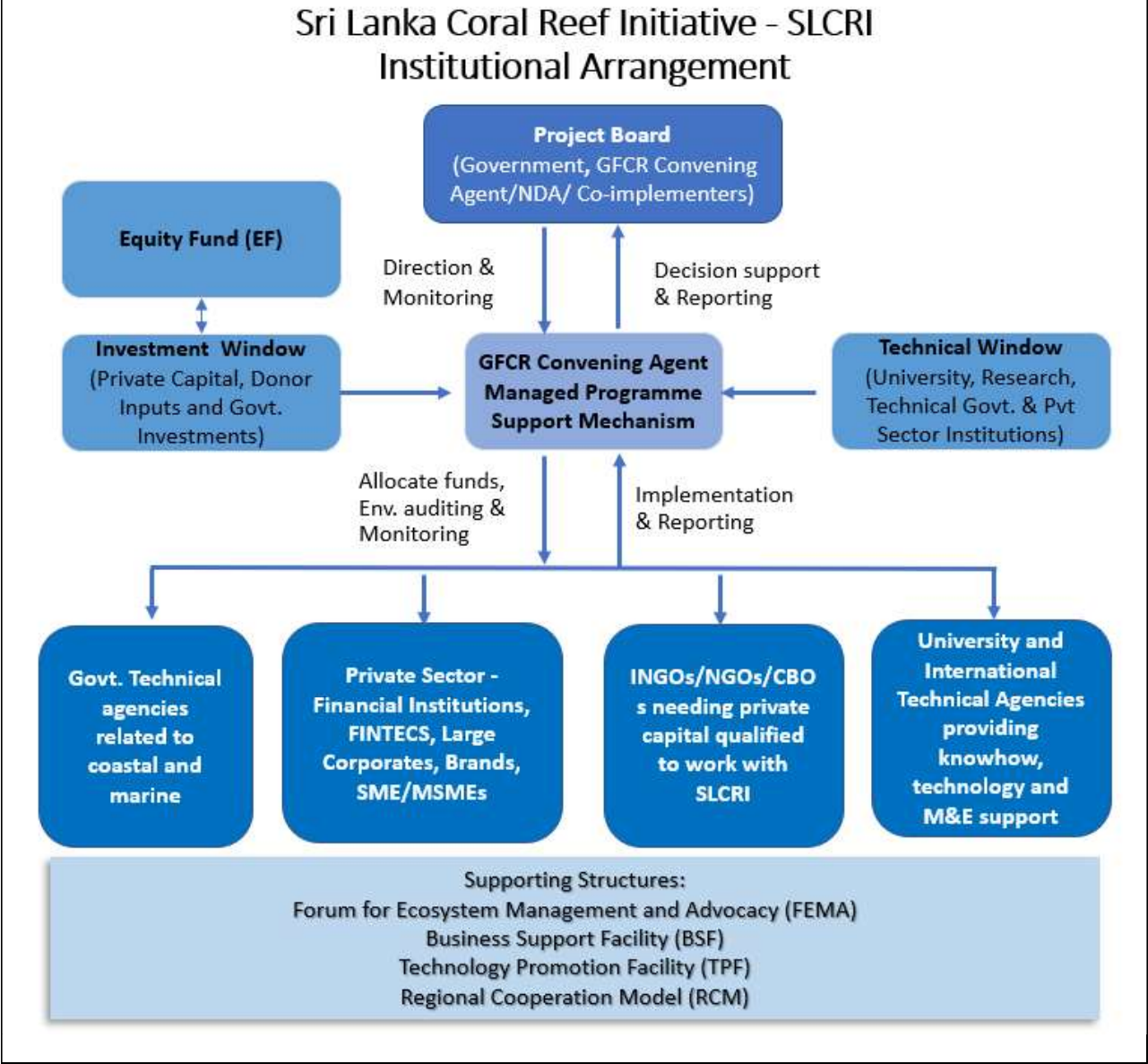
While IUCN Sri Lanka contributes to the GFCR/SLCRI initiative as the Convening Agent, it will also contribute technically towards the success of the coral friendly investments and initiatives. The other lead agencies involved in the project are the Dept. of Coastal Conservation and Coastal Resource Management, Banks and ground level NGOs and CBOs to be identified during the project preparatory phase.

IUCN Sri Lanka is uniquely positioned as the leader to facilitate the SLCRI. IUCN management board that is comprised of lead Govt. agencies including the Ministry of Environment, Dept. of Wildlife Conservation, Forest Department, Small Fishers Federation (an NGO working in coastal communities) and Seva Lanka (a leading NGO working in livelihoods). IUCN Sri Lanka operates in the country under an MoU with the Government of Sri Lanka equivalent to that of UNDP. Our corporate agenda is described by the theme "One Nature – One Future" and we work on land, water, oceans, climate, and people related challenges.

In the areas related to the GFCR/SLCRI vision, IUCN has been in the forefront of coral reef conservation in the South Asia Region since the 1990s. IUCN Sri Lanka Office helped the South Asia Regional Coordinators of the Global Coral Reef Monitoring Network from 1997 to 2003. Our recently concluded activities include surveys of coral reefs under the Mangroves for the Future Regional Project in the Gulf of Mannar and coral reef surveys in the Palk Bay and Palk Strait during the biodiversity surveys in the Islands and Lagoons of Northern Sri Lanka in 2016 and 2017. IUCN is currently engaged in studying the impacts of nitrogen used in agriculture on exacerbating coral bleaching under the South Asia Nitrogen Hub as well. IUCN is also engaged in studying the Abandoned, Lost and Discarded Fishing Gear (ALDFG) in the Gulf of Mannar and Palk Bay to reduce the damage to coral reefs and pollution by fishing gear. On invitation by the Dept. of Wildlife Conservation IUCN coordinated the GEF funded Dugong Conservation project where about 10 Govt. and Non-Govt. agencies were implementing partners.

IUCN SL is currently implementing GEF funded 'Managing Together' Project—a 'Ridge to Reef' approach—which contributes to well managed and enforced MPAs that protect and promote healthy reefs in the Mannar Basin. This project will directly introduce alternative livelihoods to fishing communities to aid post-Covid recovery efforts and provide sources of income for those who have lost their livelihoods. In addition, the Norway funded MARESSOL plastic pollution project, GEF funded South Asia Nitrogen Hub, and UNEP funded CounterMeasureII

project have multiple elements to enrich the SLCRI. Further, these projects comprise of strong communication and capacity building components that would complement and strengthen the SLCRI project portfolio development and help to enhance co-financing for the SLCRI and GFCR.





11. Expected period of implementation

Max 200 words

The GFCR-SLCRI programme is being designed as an eight (8) year programme that is divided into three phases that may have overlaps and parallel implementation modalities.



**Initial Phase (2-3 years) - Investment readiness of pipeline projects:** This phase will introduce the GFCR vision and promote tools and approaches to adopt blended finances to catalyze coral friendly programmes focusing on climate refugia corals. Importantly, this phase also will look for quick wins to consolidate the initiative and create the enabling environment for private sector friendly investments to come. Stakeholder buy-in and getting the traction of stakeholders who are responsible for degradation related drivers will be among quick gains. Qualitative and quantitative linkages of coral health to socio-economic development, sustainability and resilience of coral dependent sectors and communities will be another win.

This initial phase will therefore cover Technical Assistance to conduct research to characterize the climate refugia corals and establish baselines and management tools to help stakeholder agencies and entities on project formulation, value chain analysis, prefeasibility designs, safeguards etc. The IUCN GEF project starting in June 2022 on "Natural Capital Assessment and Accounting" will complement the training and capacity building as it promotes "System of Ecosystem Environment Accounting – SEEA)" and "System of National Accounts" along with landscape and land use planning tools such as ROAM, InVEST, USLE, US Army Corps of Engineers FLUX load estimation model etc. The "Forum for Ecosystem Management and Advocacy (FEMA)" established in December 2021 by the Ministry of Environment and IUCN to mobilize University staff and professionals on SEEA would support the Training of Trainers (TOTs) on technical and financing aspects of project developments. The approaches and tools in Nature based Solutions Standards (NbS) and EbA, Eco-DRR to be adopted with IFC safeguards to ensure that coral friendly businesses and partnerships are sustainable and deliver co-benefits to communities.

**Midterm Phase (2-6 years) - Blue economy project portfolio development:** Growth in the Investments is expected to start and continue during the phase. The phase includes, identifying and supporting scalable business models, innovative financial mechanisms, market assessments, green infrastructure plans, technologies, standards, certifications, branding, partnerships, trade agreements, access to markets, etc. There will be multiple overlaps



between initial and mid-term phases as the capacity building requires to be continued as the project expands and for new stakeholders aiming at coral friendly enterprises. This phase will involve extensive feasibility studies, environment, and social management system establishment etc. Therefore, the systems developed in the earlier phase including baselines and monitoring systems will help much for the success of the project development.

**Scaling Phase (4-8 years) - Operationalizing the Investment Window to unlock and de-risk private investment:** This stage includes consolidation, growth and gaining lessons from the GFCR/SLCRI project portfolio. The phase expects to attract investment capital from the GFCR Equity Fund and resources of impact investors, well-wishers etc. Multiple mechanisms to source and expand the pipeline of investible projects with replicable technologies and business models are envisaged at this step. This phase would include extensive knowledge management and advocacy where FEMA and Private Sector Chambers could play a key role. The De-Risking element of the GFCR initiative would attract more private capital. At this point, it is expected that the models would be in a position to mainstream into a range of additional funding sources and Govt. investments. Emergence of a number of projects funded by GEF and GCF to complement the GFCR/SLCRI is expected, in addition to bilateral and multilateral schemes, such as EU Green Challenge and Greening initiatives by "Brands" and others.

## 12. Cost, co-financing and leverage potential of the Programme

The GFCR / SLCRI total budget is about USD 46.5 million out of which USD 8 million is expected through the grant window. GFCR allocation would be about 17% of the total budget of USD 46.5 million over eight years with a leveraging of 1:4.9. Co-financing contribution will increase from the initial phase to investment phase with 44% of GFCR contribution in the initial phase reducing to 2% in the last and the investment phase. It is anticipated that approximately 80% of GFCR funding sought under the Grant Window will be in the form of grants and 20% will be in the form of concessional loans. This ratio will be confirmed during the full proposal development.

The SLCRI will capitalize on the potential Public-Private Partnerships (PPPs) and Public-Private-People Partnerships (PPPPs) towards coral friendly business and initiatives guided by the Paris Agreement – NDCs, post-COVID 19 Green Challenges, post-Biodiversity 2020 initiatives such as 30/30/30. This approach would facilitate further financial contributions of bilateral and multi-lateral sources, sustainability windows of private sector, investments on green businesses and well-wishers on sustainable coastal and marine development including the expatriate populations. The investment models will be facilitated by the ongoing IUCN GEF project on Natural Capital Assessment and Accounting and System of Environmental Economic Accounting (SEEA) where stakeholders plan together on supplies and uses of ecosystem services.

The planning and training for SLCRI initiatives would consider and include land-based activities impacting corals, climate change challenges on coral reefs and drivers of reef degradation including bottom trawling, pollution from streams, coastal area urban settings, industry, agriculture etc. These discussions would focus on the investments to address drivers and investments for medium to long-term recovery of reefs through different economic instruments based on sectors such as tourism, fisheries and other economic activities benefiting from healthy coral reef environments. SLCRI would promote "Payment for Ecosystem Services", "Green Bonds" and other sustainable financing models backed by Science based Targets, METT, Higg Index etc.

SLCRI will negotiate with the Government, especially, with the support of the Central Bank and Dept. of National Planning to further reduce the cost of investments with modified taxes and cross subsidies from tourism, agriculture, disaster management, health and other socio-economic sectors benefiting directly and indirectly through the SLCRI initiatives. Several selected projects and government initiatives-based co-financing opportunities that can complement GFCR/SLCRI are:

- a. GCF/IUCN/GoSL "Strengthening Climate Resilience of Subsistence Farmers and Agricultural Plantation Communities residing in the vulnerable river basins, watershed areas and downstream of the Knuckles Mountain Range Catchment of Sri Lanka"
- b. GEF/UNDP/IUCN/GoSL "Managing Together: Integrating Community-centered, Ecosystem-based Approaches into Forestry, Agriculture and Tourism Sectors"
- c. GEF/IUCN/GoSL "Natural Capital Values of Coastal and Marine Ecosystems Integrated into Sustainable Development Planning"
- d. GEF/IUCN South Asia Nitrogen Hub (SANH) – monitor the health of corals and study the links of coral health to water quality.
- e. UNEP/IUCN/GoSL CounterMEASUREII project to identify plastics hotspots in watersheds and coastal areas and measure microplastic concentrations in coastal waters.
- f. World Bank Climate Resilience Improvement Project on climate resilience in river basins where erosion and flooding conditions in upper watersheds is a concern and connected to coral reefs.
- g. Bay of Bengal Large Marine Ecosystems (BOMLME) Phase II that cover GEF6 and may extend into GEF7 cycle is a multi-country International Waters Project implemented by FAO.
- h. Surakimu Ganga (Safe Rivers) a Govt. initiative with a fund allocation of about 200 million SL Rs. About 1 million USD each year

The GFCR/SLCRI will be promoted in a way to attract funding from multiple sources and the envisage summary of fund flow as per the three phases are given below. These will be refined at the full-proposal stage.

Source	Phase 01: Investment readiness of pipeline projects	Phase 02: Blue economy project portfolio development	Phase 03: Operationalizing the Investment Window to unlock and de- risk private investment	Total (USD/Mn)
<b>GFCR Grant Window Contribution</b>	2,000,000	5,500,000	500,000	<b>8,000,000</b>
<b>Grant – TBD (80%)</b>				
<b>Concessional loans – TBD (20%)</b>				
<b>Investment Window (Debt &amp; Equity)</b>			15,000,000	<b>15,000,000</b>
<b>Co-financing - GEF project portfolio</b>	1,000,000	1,000,000	1,000,000	<b>3,000,000</b>
<b>Co-financing - GCF project portfolio</b>				
<b>Co-financing - Government (In kind contribution)</b>	500,000	1,000,000	500,000	<b>2,000,000</b>

<b>Co-financing – Government (in cash contribution)</b>	1,000,000	2,000,000	4,000,000	<b>7,000,000</b>
<b>Co-financing Private sector blended financing facilities</b>		2,000,000	10,000,000	<b>12,000,000</b>
<b>Public and philanthropic finance</b>			500,000	500,000
<b>Total</b>	<b>4,500,000</b>	<b>11,500,000</b>	<b>31,500,000</b>	<b>46,500,000</b>
<b>GFCR %</b>	44	48	2	17
<b>Co-financing %</b>	<b>56</b>	<b>52</b>	<b>98</b>	<b>83</b>
<b>Co-financing ratio</b>				<b>1:4.9</b>

### 13. Country conservation ambition

*Max 300 words*

#### **Country efforts to conserve nature including the marine environment**

Being an island country rich in biodiversity, Sri Lanka has a historic record to balance conservation and development using natural capital related knowledge. Sri Lanka planning includes its nature-culture-heritage link where the natural resource base is appreciated and protected through cultural norms. The draft Environment Policy<sup>32</sup> indicate that "Achieving sustainable development depends on wise and responsible management of country's environmental resources. The environmental resources of the country comprise of, inter alia, a rich base of fertile land, a sizeable endowment of freshwater and marine aquatic resources, a diverse range of ecosystems housing numerous species, a variety of mineral resources and groundwater and abundant sources of hydro, solar and wind energy. Sri Lanka is blessed with a diverse array of tropical ecosystems, which offers many services for the wellbeing of the people, creating a habitable environment nearly all over the country." This approach is very much in line with GFCR principles to protect coral refugia.

The National Policies aim to achieve the following goals related to GFCR vision:

a) A sound land use planning and governance system based on science with integrated approaches to manage natural capital (land, air, water, fauna, flora, marine, ocean etc.); b) Critical and sensitive terrestrial and marine ecosystems of the country will be covered by a well-managed network of protected areas with clearly defined rules for sustainable use, management and protection of resources including pollution controls; c) Robust system of pollution prevention and control will be developed and implemented to ensure healthy air, water and soil conditions in all urban and rural areas in the country with an integrated waste management to handle municipal solid waste, agricultural and industrial waste, wastewater and all forms of hazardous waste; d) Foundation for a climate resilient sustainable economy by mainstreaming climate change adaptation in all vulnerable sectors, building adaptive capacity of key stakeholders, managing losses and damages due to climate induced disasters and enhancing national, sub-national and community capacity through awareness, education, research and development, technology transfers and information; e) Innovative practices of

<sup>32</sup> Ministry of Environment. 2021. Draft Environment Policy -

green development and production such as eco-friendly and organic agriculture, cleaner production, green building, eco-tourism and nature-based tourism will be mainstreamed in key economic sectors such as agriculture, industry, construction, transportation, tourism and energy; f) Valuation of environmental benefits and costs and application of environmental economics analytical tools will be made mandatory in evaluation of all investment and resource allocation decisions while complying and in line with global conventions related to environment management and to take advantage of the emerging global knowledge in green infrastructure, nature-based solutions including ecosystem based risk reductions

At the same time, Sri Lanka Global threats on the environment introduce new challenges to economic and social life. Sri Lanka was ranked second in the world in Global Climate Risk Index (GCRI) in 2018<sup>33</sup>. Sri Lanka Nationally Determined Contributions (NDC's) cover several key areas important for GFCR/SLCRI while aiming to achieve its Carbon Neutrality by 2060. In the NDCs Sri Lanka commits;

- To achieve 70% renewable energy in electricity generation by 2030
- To achieve Carbon Neutrality by 2050 in electricity generation
- No capacity addition of coal power plants

Sri Lanka has already launched following major initiatives;

- 'Colombo Declaration on Nitrogen Management' to halve nitrogen waste by 2030
- Banning agro-chemicals and chemical fertilizer (reversed in April 2022)
- Promoting organic fertilizer and farming
- Banning single-use plastics and designing an extended producer responsibility - EPR
- Promoting E-mobility
- Promoting circular economy

## 14. Risk assessment

Max 300 words

The main risks towards the GFCR/SLCRI is outlined in the following summary. IUCN as an international agency with experience in GCF, GEF bilateral, multilateral and Govt. funded project designing and implementation, will take adequate safeguards and adaptive measures to address the risks and mitigate any new risks, to the maximum extent possible. IUCN Sri Lanka is involved in both GCF and GEF projects. The project board will continuously monitor and guide the project to take necessary actions and Govt. lead in the Project Board would help to engage relevant authorities to enhance any policy measures to un-lock private capital and facilitate the findings of the pilot models towards scaling.

During the process, IUCN will ensure the coordination and adoption of international norms and we will capitalize on our long-term experience on working on UN agency related initiatives.

<sup>33</sup> [www.germanwatch.org](http://www.germanwatch.org)

<b>Risk</b>	<b>Likelihood: Certain – 5; Likely – 4; Possible – 3; Unlikely – 2; Rare – 1</b>	<b>Mitigating measures</b>
Sri Lanka poor credit rating due to the deteriorating economic condition may lead an unfavorable investment climate	3	Present SLCRI as an initiative providing long-term sustainability that also helps in building back better, especially in post-COVID-19 context.
Slower buy in of the blended financing mechanisms due to the lack of familiarity on the potential and challenges in upscaling	4	<p>Emphasis the ability of the approach to bring capital and knowhow at a lower cost and the advantage of un-locking private capital.</p> <p>Align with Govt. initiatives and vision from the inception</p> <p>Involve Government planning, especially the national planning and resource related agencies in project planning and create environment within the project board to play key roles</p>
Challenges involve in introducing extensive safeguards and monitoring to support effective use of private capital	4	<p>Ensure the project designs, prefeasibility and financial and technical evaluations are robust and uses high level technical competence</p> <p>Adopt transparent approaches that involve citizen science as well as ICT and IOT</p>
Perception among communities, media and segments of political circles that private investment is part of a multi-national agenda to acquire natural resources	5	<p>Adopt a strong communication, awareness and education on the concept, reason for un-locking private capital, potential direct and indirect benefits and opportunity cost of not taking advantage of the project concept.</p> <p>Use global knowledge, multimedia and all possible measures to dilute and disperse the misconceptions about development vs conservation; private sector led profit making etc.</p>
Less than optimal market development for the products and services leading to unsustainability of the investment projects	5	<p>Use experts with proven success and support of agencies starting with the design and continuing through the implementation.</p> <p>Adopt successful business models and e-marketing along with high standards at international level in products and quality assurance</p> <p>Ensure sustainability during the planning and feasibility steps and articulate the approaches towards sustaining the project outcomes</p>

## OVERVIEW OF FUNDING REQUESTED

Indicate the financing needs from the GFCR grant window and the leverage ratio of private sector investment capital. Additionally, please provide a very brief description of the activities in each funding category. The below is for the full programme vision, not the preparatory grant.

*The amounts indicated below are only an estimated figure. The budget will be refined during the full proposal preparation process.*

Category	Amount (USD)	Description
Baseline studies	1,290,000	Supporting the enabling environment, needs assessments and capacity development, baseline assessments, designing management effectiveness tracking systems for pipeline project development
Pipeline projects support	4,640,000	Set-up and operationalizing of scalable business models with catalytic financial mechanisms, monitoring and valuations
Programme development & operations	1,430,000	Build strategic partnerships, incubation, research & development, replicate technologies and business models, knowledge management and scaling up of GFCR Solutions
Programme management	640,000	Project management costs including, office space, IUCN staff costs, travel, communication etc.
<b>TOTAL</b>	<b>8,000,000</b>	
<b>Expected Programme leverage ratio of grants to investment capital</b>	1:4.9	

## Annex I: Technical review criteria for Concept Notes

Category	Criteria	Weight in category	Weight of total
1. Mandatory criteria	1.1 Submission is appropriate, complete and follows guidelines outlined in Concept Note template and the budget and workplan template such as includes inclusion of maps, Theory of Change figure, etc.	Pass/Fail	
	1.2 Concept is aligned with national priorities and demonstrated by a government letter of support for the programme	Pass/Fail	
	1.3 Vision for programme timeframe is aligned with GFCR expectations (3-10 years)	Pass/Fail	
	1.4 Concept Note demonstrates blended finance approach to increasing the resilience of priority coral reef ecosystems and associated communities	Pass/Fail	
2. Relevance	2.1 Alignment to the GFCR Theory of Change and integrated ecosystem approach.	x/15	65%
	2.2 Blended finance approach is viable and applied to generate revenue streams, leverage investment capital, and achieve financial sustainability. This criterion includes leverage ambition.	x/10	
	2.3 Selected Priority Sites satisfy the following criteria: climate refugia, biodiversity value; socio-economic value; potential for revenue streams; impact potential	x/10	
	2.4 Convening Agent role is well reflected through appropriate and diverse partnerships, government relationships, ability to plan coordination.	x/10	
	2.5 Coral reef resilience and associated socio-economic impacts are project priorities and demonstrate ambition for scaled and sustained impact. Further, programme aims to address issues of gender and social inclusion.	x/10	
	2.6 Needed enabling conditions are identified and reflected within the programme activities	x/10	

3. Delivery and operations	3.1 Governance arrangement are appropriate, efficient, and inclusive of stakeholders.	X/10	35%
	3.2 Partners' Capacities (technical capacities and/or abilities) to implement a holistic approach towards conservation, community and private sector engagement objectives	X/10	
	3.3 Risks and mitigation factors delineated	X/10	
	3.4 Envisioned full programme cost adequacy (cost-efficiency and appropriateness). Scoring is lightly weighted due to need for further pipeline scoping during proposal development.	X/5	



## Annex 2: additional baseline data

*Please provide any site-specific documents of baseline studies on coral reef ecosystem health, resiliency to climate change and baseline data on socio-economic context.*

Summary of each region is provided below and the detailed socio-economic compilation on each site is in the form of individual map compendiums for each coral refugia in the below mentioned links.

1. Northwestern Region:

[https://www.dropbox.com/sh/jnji8o0vbfhqqlg/AAC10zs5xSWOXngCG\\_45pF5Fa?dl=0](https://www.dropbox.com/sh/jnji8o0vbfhqqlg/AAC10zs5xSWOXngCG_45pF5Fa?dl=0)

2. Eastern Region:

<https://www.dropbox.com/sh/xmwaxbwwq3dq4a5/AABa4eFhwCHFoYmDLIT-uRlIya?dl=0>

3. Southwestern Region:

<https://www.dropbox.com/sh/gly42j39lkrw784/AACls7QDV80g3b-rhjWIg8Nba?dl=0>

The maps of the three project regions are provided in the Figure 2 below

**Northwestern Region** is comprised of three clusters of coral reefs refugia a) Silavathurai – Arippe; b) Vankalai; and c) Bar Reef located in the Gulf of Mannar. In Silavathura and Arippe seagrass meadows are among the largest remaining feeding grounds of the Dugong. These reef ecosystems support over 100 species of hard corals, more than 300 species of reef and reef associated fish, spiny lobsters, sea cucumber, chanks and aquarium species. The Bar Reef covers 30,607 ha (306.7 km<sup>2</sup>) declared in 1992 under the Fauna and Flora Protection Ordinance as a Marine Sanctuary, consists of extensive sandstone reefs. Three of the five species of endangered marine turtles occurring in Sri Lanka are among these reefs, innumerable fish, molluscs and crustaceans. The Bar Reef had a live coral cover of about 90% up to 1998 but was severely damaged during the 1998 coral bleaching event, but recovered relatively well about 10 years later, but the dominate coral assemblage was plate Acropora (Rajasuriya, 2005). The reef was again severely damaged in 1996 during the El Nino related coral bleaching event in 2016- 2017 period. Five species of whales and 3 species of dolphins have been recorded in addition sea turtles are also common (CCD 2007). Fishing plays a major role in the destruction of the coral reefs due to dynamite fishing and netting on the reef areas for fish and lobsters. Fishing is taking place due to lack of management (Ohman et al., 1993; Wilkinson 2004 & 2008). Bar Reef Management Plan was developed by UNDP in 2018<sup>34</sup>.

The **Eastern Region** covers two clusters of coral reefs refugia First cluster extends from Kuchchaveli to the Dutch Bay including Pigeon Island Marine National Park. These fringing coral reefs include hard corals, soft corals, reef fish and invertebrates. Coral bleaching has been a recurring problem since 1998. Over 100 species of corals, 222 reef fish including blacktip reef sharks and many invertebrates have been recorded as well as three species of sea turtles. The live coral cover in 2013 was 21%. The Crown of Thorns Starfish infestations have been reported periodically. Second cluster in the east from Mankerni to Batticoola including Kayankerni coral reef in the Thennadi Bay was declared as a Marine Sanctuary in 2019. The Kayankerni reef suffered severe coral bleaching in 2016.

The **Southwest Region** includes Hikkaduwa Marine National Park - the first marine sanctuary declared in 1979 and encompasses 110 acres (44.5 ha) of fringing coral reefs. In 1998 the sanctuary was upgraded to a Nature Reserve and the area was expanded to cover 250 acres (101.5 ha). In 2002 the Nature Reserve was further upgraded to a National Park. Special Area

<sup>34</sup> UNDP. 2018. Management Plan for Bar Reef.

<https://www.dropbox.com/s/4n95mnx9vol0f7u/Bar%20Reef%20Management%20Plan%20-%20Draft%20July%202018.doc?dl=0>

Management Plan was developed for Hikkaduwa in 1998<sup>35</sup>. Early studies carried out in 1985, 1992 and 1994 reported an increase of live coral cover from 18% (1985) to 34% (1994) (Nakatani et al., 1994). One hundred and sixty-eight (168) species of reef fish were recorded in 1994 in addition to several species of invertebrates including spiny lobsters. Sea turtles are also present within the protected area. Recovery of the bleached coral reef is challenged due to heavy siltation and sand accumulation within the protected area (Rajasuriya 2005). Tourism related glass bottom boats cause much damage to the corals by striking the reef in attempts to go over very shallow coral patches. There are trails of kerosene from the exhausts of the outboard motors and occasional spillage from the tanks. An environmental profile and a special area management plan was prepared for the Hikkaduwa MNP (Nakatani et al., 1994; H.S.A.M.M.S.C.C. 1996). Despite the management plan the Hikkaduwa Marine National Park lacks proper management (Wilkinson 2004; 2008).

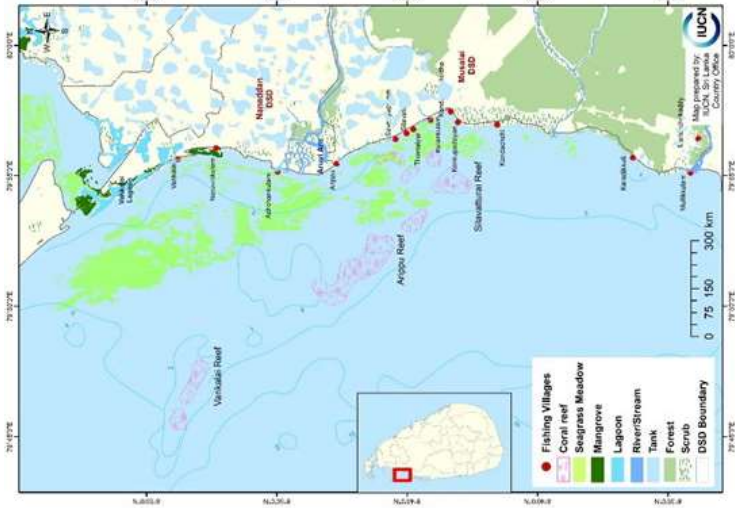
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<sup>35</sup> Hikkaduwa Special Area Management Plan -  
<https://www.dropbox.com/s/2tdsukcc1qe4jcx/Hikkaduwa%20SAM%20plan%20%20%281%29.pdf?dl=0>

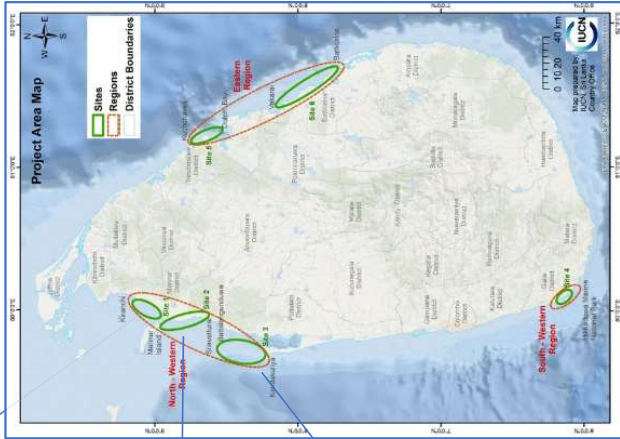
Figure 2: Project Investment Regions and Clusters of Coral Refugia



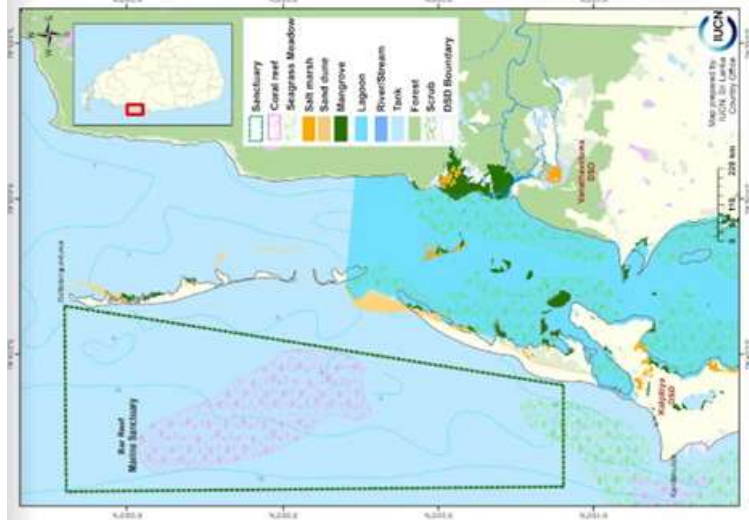
Northwest Region: Vankalai



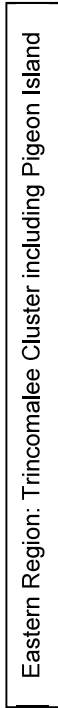
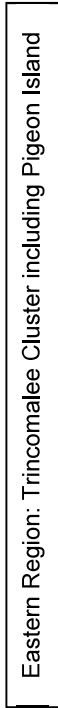
Northwest Region: Silawathura and Aripu Cluster



Northwestern Region: Bar Reef Marine Sanctuary



Northwestern Region: Bar Reef Marine Sanctuary





### Ecosystem services in the proposed project sites by type of ecosystem

	Ecosystem Type							
Ecosystem Service	Lagoons & Estuaries	Mangroves	Salt Marshes	Inter-tidal flats	Sand Dunes	Seagrass Meadows	Reefs	Beaches
<b>Provisioning services</b>								
Timber								
Fuelwood								
Medicine								
Food								
Non-timber forest products								
Clean water								
Sand & other minerals								
Aquaculture & aquarium trade								
Anchoring boats								
Sustaining coastal fisheries								
Pollination								
Biochemical & genetic material								
<b>Supporting services</b>								
Supporting coastal biodiversity								
Carbon sequestration								
Primary production								
Enriching nutrients								
Replenishing underground aquifers								
Organic decomposition								
Nutrient cycling								

	Ecosystem Type							
Ecosystem Service	Lagoons & Estuaries	Mangroves	Salt Marshes	Inter-tidal flats	Sand Dunes	Seagrass Meadows	Reefs	Beaches
Habitat provisioning								
<b>Regulating services</b>								
Protection of shoreline								
Flood regulation								
Climate regulation								
Absorption of pollutants								
Biological sentinels								
Protection from storms and tidal surges								
Trapping sediments and filtering water								
Drainage								
Promotion of accretion								
Stabilisation of coastal & sea beds								
<b>Cultural services</b>								
Tourism								
Supporting traditional fisheries								
Recreation								
Species conservation								
Spiritual inspiration								
Human habitation								

## **RELEVANT REFERENCES (MAY INCLUDE MORE ITEMS THAN THE CITED IN THE CONCEPT PAPER):**

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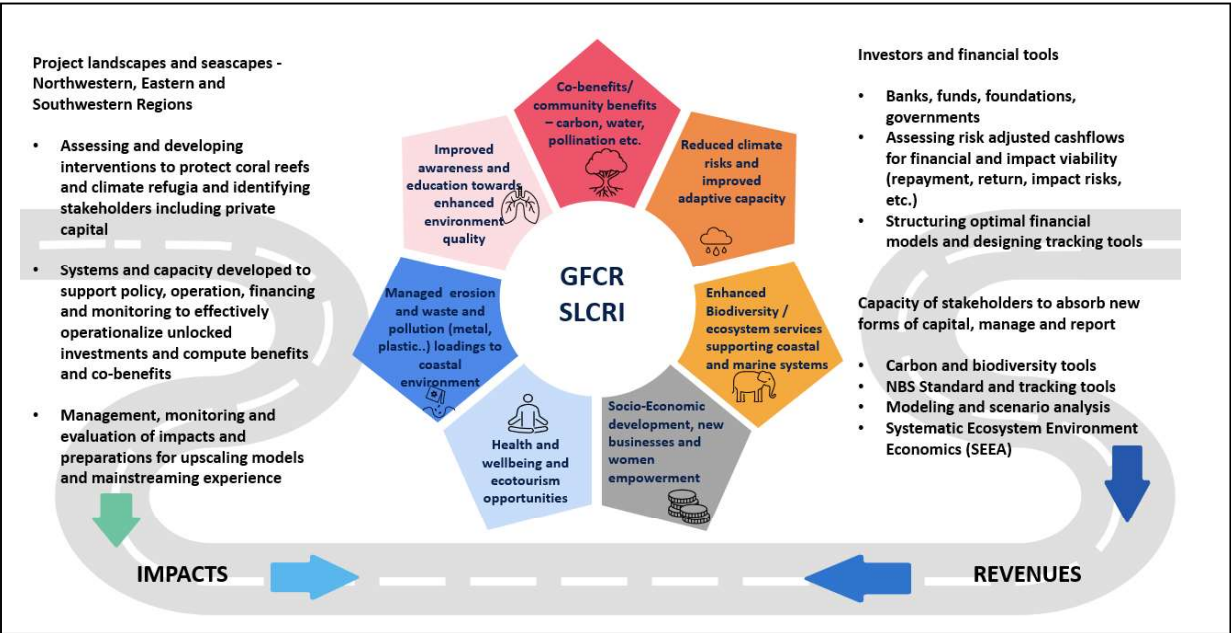


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Annex 3: Business models and financial instruments

Please provide any specific documents or graphics that illustrate in greater detail the financial models associated with the interventions of the programme.

GFCR/SLCRI operational model that indicates impacts and revenues along with co-benefits envisaged



IUCN Global Standard for Nature Based Solutions Model and supporting materials

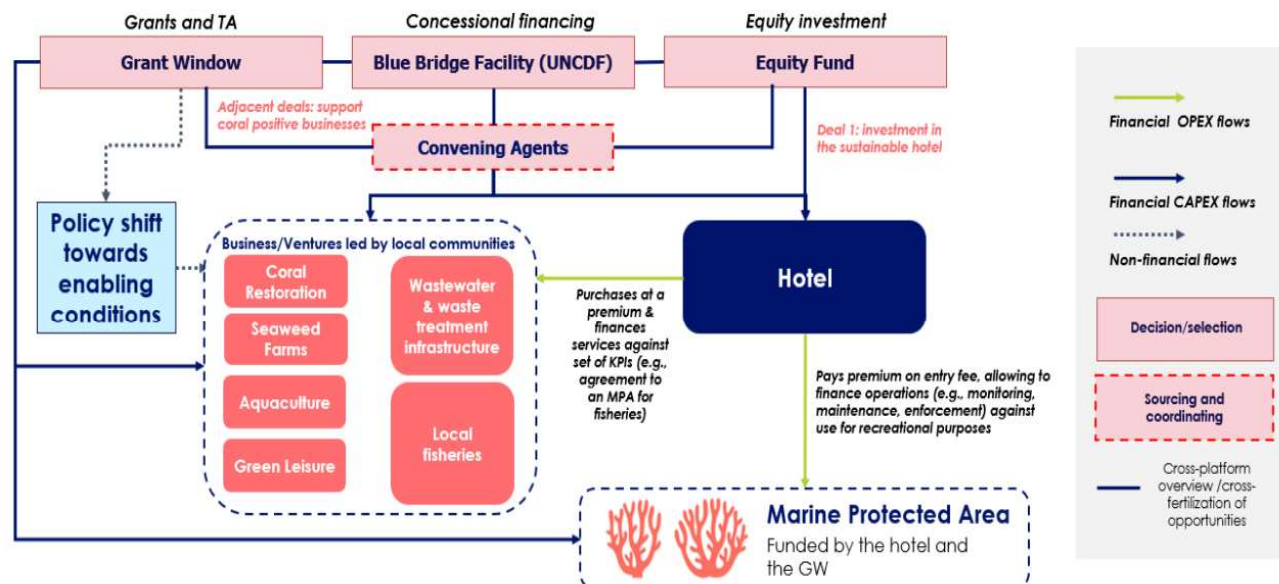
**IUCN Global Standard for Nature based Solutions (NBS)**

- The Standard:**
  - Consists of eight criteria and associated indicators, which address the pillars of sustainable development (economy, environment and society) and resilient project management.
  - Each of the criteria contain brief guidance, a description of indicators, case studies, informative graphic and photo example.
- The Guidance:**
  - Helps to put NbS into context with detailed descriptions of the rationale and requirements behind each criterion and indicator.
- The Self-Assessment Tool:**
  - The self-assessment sheet, in the form of an excel spreadsheet, enables users to identify the extent to which their intervention adheres to the IUCN Global Standard, using a traffic light system; strong, adequate, partial or insufficient.

The image shows three documents related to the IUCN Global Standard for Nature based Solutions (NBS):

- IUCN Global Standard for Nature-based Solutions** (Cover image)
- Guidance for using the IUCN Global Standard for Nature-based Solutions** (Cover image)
- Self-assessment tool** (Excel spreadsheet image)

### Illustrative approach to combine GF, EF and the role of the Convening Agent (adapted from GFCR)



### Annex 4: Accountability, financial management, and public disclosure

[TEXT IS FIXED DO NOT CHANGE]

The Programme will be using a pass-through fund management modality where UN Multi-Partner Trust Fund Office will act as the Administrative Agent (AA) under which the funds will be channeled for the Programme through the AA.

The convening agent and recipient organizations shall assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent of the Global Fund for Coral Reefs (Multi-Partner Trust Fund Office). Such funds will be administered by each recipient organizations, Fund, and Programme in accordance with its own regulations, rules, directives and procedures. Each recipient organizations shall establish a separate ledger account for the receipt and administration of the funds disbursed to it by the Administrative Agent.

Indirect costs of the Recipient Organizations recovered through programme support costs will be 7%. All other costs incurred by each entity in carrying out the activities for which it is responsible under the Fund will be recovered as direct costs. The project management cost should not exceed 18%.

Funding by the GFCR will be provided on an annual basis, upon successful performance of the programme.

Procedures on financial transfers, extensions, financial and operational closure, and related administrative issues are stipulated in the Operational Guidance of the GFCR.

Partners must comply with GFCR Fund brand guidelines, which includes information on donor visibility requirements.

Each recipient organization will take appropriate measures to publicize the GFCR and give due credit to the other partners. All related publicity material, official notices, reports and publications, provided to the press or Fund beneficiaries, will acknowledge the role of the host Government, donors, partners, the Administrative Agent, and any other relevant entities. In particular, the Administrative Agent will include and ensure due recognition of the role of each recipient organization and partners in all external communications related to the GFCR.

## **Annex 5: Project Administrative Arrangement for Recipient Organizations**

On behalf of the Recipient Organizations, and in accordance with the UNDG-approved “Protocol on the Administrative Agent for Multi Donor Trust Funds and Joint Programmes, and One UN funds” (2008), the MPTF Office as the AA of the GFCR will:

- Disburse funds to each of the Recipient Organizations in accordance with instructions from the GFCR Global Team. The AA will normally make each disbursement within fifteen (15) business days after having received instructions from the GFCR Global Team along with the relevant Submission form and Project document signed by all participants concerned;
- Consolidate the financial statements (Annual and Final), based on submissions provided to the AA by Recipient Organizations and provide the GFCR annual consolidated progress reports to the donors and the GFCR Global Team;
- Proceed with the operational and financial closure of the project in the MPTF Office system once the completion is completed by the Recipient Organizations. A project will be considered as operationally closed upon submission of a joint final narrative report. In order for the MPTF Office to financially close a project, each RO must refund unspent balance of over 250 USD, indirect cost (GMS) should not exceed 7% and submission of a certified final financial statement by the recipient organizations’ headquarters);
- Disburse funds to any RO for any costs extension that the GFCR Global Team may decide in accordance with the GFCR rules & regulations.

### **Accountability, transparency and reporting of the Recipient Organization:**

Each Recipient Organization will establish a separate ledger account under its financial regulations and rules for the receipt and administration of the funds disbursed to it by the Administrative Agent from the Fund Account. That separate ledger account will be administered by each Recipient Organization in accordance with its own regulations, rules, policies and procedures, including those relating to interest

The Recipient Organization will assume full programmatic and financial accountability for the funds disbursed to them by the Administrative Agent. Such funds will be administered by each recipient in accordance with its own regulations, rules, directives and procedures.

The Recipient Organization will have full responsibility for ensuring that the Activity is implemented in accordance with the signed Project Document;

In the event of a financial review, audit or evaluation recommended by the Executive Board, the cost of such activity should be included in the project budget;

Ensure compliance with the Financing Agreement and relevant applicable clauses in the Fund MOU.

### **Reporting:**

Each Receipt Organisation will provide the Administrative Agent and the Fund Secretariat with:

Type of report	Due when	Submitted by
Bi-annual project progress report	15 June	Convening Agent on behalf of all implementing or recipient organizations and in consultation with/ quality assurance by the GFCR Global Team, where they exist
Annual project progress report	15 November	Convening Agent on behalf of all implementing and recipient organizations and in consultation with/ quality assurance by the GFCR Global Team, where they exist
End of project report covering entire project duration	Within three months from the operational project closure (it can be submitted instead of an annual report if timing coincides)	Convening Agent on behalf of all implementing or recipient organizations and in consultation with/ quality assurance by the GFCR Global Team, where they exist
Annual progress report, which may contain a request for additional GFCR allocation if the context requires it	15 December	Convening Agent on behalf of all implementing or recipient organizations and in consultation with/ quality assurance by the GFCR Global Team

For the preparatory grant financing, the full programme document will be considered as the annual reports. The GFCR Global team might request a summary of the preparatory activities.

### Financial Reports and timeline

The financial reporting requirements for the below follow the 8 UNDG budget categories.

Timeline	Event
<b>28 February</b>	Annual reporting – Report <b>Q4 expenses</b> (Jan. to Dec. of previous year)
<b>30 April</b>	Report <b>Q1 expenses</b> (January to March)
<b>31 July</b>	Report <b>Q2 expenses</b> (March to June)
<b>31 October</b>	Report <b>Q3 expenses</b> (January to September)
<b><i>Certified final financial report to be provided at the quarter following the project financial closure</i></b>	

Unspent Balance exceeding USD 250 at the closure of the project would have to be refunded and a notification sent to the Administrative Agent, no later than three months (31 March) of the year following the completion of the activities.

### **Ownership of Equipment, Supplies and Other Property**

Matters relating to the transfer of ownership by the Recipient Organization will be determined in accordance with applicable policies and procedures defined by the Fund.

### **Public Disclosure**

The Fund Secretariat and Administrative Agent will ensure that operations of the GFCR are publicly disclosed on the GFCR website (<https://globalfundcoralreefs.org>) and the Administrative Agent website (<http://www.mptf.undp.org>)

### **Final Project Audit for recipient organization projects (Not Applicable to Preparatory Grant)**

An independent project audit will be requested by the end of the project (For multi-year projects the GFCR Executive Board might request add. audit reports). The audit report needs to be attached to the final narrative project report. The cost of such activity must be included in the project budget.

### **Special Provisions regarding Financing of Terrorism**

Consistent with UN Security Council Resolutions relating to terrorism, including UN Security Council Resolution 1373 (2001) and 1267 (1999) and related resolutions, the Participants are firmly committed to the international fight against terrorism, and in particular, against the financing of terrorism. Similarly, all Recipient Organizations recognize their obligation to comply with any applicable sanctions imposed by the UN Security Council. Each of the Recipient Organizations will use all reasonable efforts to ensure that the funds transferred to it in accordance with this agreement are not used to provide support or assistance to individuals or entities associated with terrorism as designated by any UN Security Council sanctions regime. If, during the term of this agreement, a Recipient Organization determines that there are credible allegations that funds transferred to it in accordance with this agreement have been used to provide support or assistance to individuals or entities

associated with terrorism as designated by any UN Security Council sanctions regime it will as soon as it becomes aware of it inform the head of Fund Secretariat, the Administrative Agent and the donor(s) and, in consultation with the donors as appropriate, determine an appropriate response.



## Annex 6: Provisions Related to the Prevention of and Response to Sexual Harassment (SH) and Sexual Exploitation and Abuse (SEA) involving Implementing Partners (IPs)

1. The Implementing Partner acknowledges and agrees that UNDP will not tolerate sexual harassment and sexual exploitation and abuse of anyone by the Implementing Partner, and each of its responsible parties, their respective sub-recipients and other entities involved in Project implementation, either as contractors or subcontractors and their personnel, and any individuals performing services for them under the Project Document.
  - a. In the implementation of the activities under this Project Document, **the Implementing Partner, and each of its sub-parties referred to above, shall comply with the standards of conduct set forth in the Secretary General's Bulletin ST/SGB/2003/13 of 9 October 2003, concerning "Special measures for protection from sexual exploitation and sexual abuse" ("SEA").**
  - b. Moreover, and without limitation to the application of other regulations, rules, policies and procedures bearing upon the performance of the activities under this Project Document, in the implementation of activities, **the Implementing Partner, and each of its sub-parties referred to above, shall not engage in any form of sexual harassment ("SH").** SH is defined as any unwelcome conduct of a sexual nature that might reasonably be expected or be perceived to cause offense or humiliation, when such conduct interferes with work, is made a condition of employment or creates an intimidating, hostile or offensive work environment.
2. A) In the performance of the activities under this Project Document, the Implementing Partner shall (with respect to its own activities), and shall require from its sub-parties (with respect to their activities) that they, **have minimum standards and procedures in place, or a plan to develop and/or improve such standards and procedures in order to be able to take effective preventive and investigative action.** These should include: policies on sexual harassment and sexual exploitation and abuse; policies on whistleblowing/protection against retaliation; and complaints, disciplinary and investigative mechanisms. In line with this, the Implementing Partner will and will require that such sub-parties will take all appropriate measures to:
  - i. Prevent its employees, agents or any other persons engaged to perform any services under this Project Document, from engaging in SH or SEA;
  - ii. Offer employees and associated personnel training on prevention and response to SH and SEA, **where the Implementing Partner and its sub-parties have not put in place its own training regarding the prevention of SH and SEA, the Implementing Partner and its sub-parties may use the training material available at UNDP;**
  - iii. Report and monitor allegations of SH and SEA of which the Implementing Partner and its sub-parties have been informed or have otherwise become aware, and status thereof;
  - iv. Refer victims/survivors of SH and SEA to safe and confidential victim assistance; and
  - v. Promptly and confidentially record and investigate any allegations credible enough to warrant an investigation of SH or SEA. The Implementing Partner shall advise UNDP of any such allegations received and investigations being conducted by itself or any of its sub-parties referred to in with respect to their activities under the Project Document, and shall keep UNDP informed during the investigation by it or any of such sub-parties, to the extent that such notification (i) does not jeopardize the conduct of the investigation, including but

not limited to the safety or security of persons, and/or (ii) is not in contravention of any laws applicable to it. Following the investigation, the Implementing Partner shall advise UNDP of any actions taken by it or any of the other entities further to the investigation.

2. B) The Implementing Partner shall establish that it has complied with the foregoing, to the satisfaction of UNDP, when requested by UNDP or any party acting on its behalf to provide such confirmation. Failure of the Implementing Partner, and each of its sub-parties, to comply of the foregoing, as determined by UNDP, shall be considered grounds for suspension or termination of the Project.

## Annex 7: Potential influence and impact of the prevailing Sri Lanka socio-economic conditions

The economic downturn Sri Lanka experiencing could influence the biodiversity and conservation of natural capital due to:

- a. Government agencies not taking biodiversity mainstreaming or coral reef conservation as a priority but interested in improving income sources even at the expense of extensive resource extractions – This require enhance level of advocacy and education at multiple levels to convince that the extensive extractions are not sustainable and not viable
- b. Due to the low intensity in economic activities such as coastal infrastructure, tourism, fishing etc. there could be less pressure on natural resources (including corals) – This time window could be used productively to setup the systems for sustainable harvesting, pollution control, waste management and also to promote coral restoration and enhance resilience of systems
- c. Private sector with less liquidity due to economic reasons may not be keen in partnerships and coral restoration etc. – The advocacy and the importance of ecosystem sustainability for business resilience, as demonstrated in post-2020 global biodiversity agenda and post-COVID-19 enhanced ecosystem considerations can be used to improve the private sector interest and engagement.
- d. The country is also participating in the human rights dialogue with UNHCR in addition to the economic challenges. A negative outcome through September 2022 UNHCR meetings could bring sanctions and restrictions to Sri Lanka imports etc. – This would again slow down the growth and reduce the pressure on natural capital while minimizing the ability to seek conservation support within the country both Govt. and private sources. As indicated earlier, the same could provide the project an opportunity to win private sector, help Govt. agencies to engage more on conservation and sustainable use of natural resources and communities to participate in alternative livelihoods while working towards better protected area co-management based on carrying capacities.
- e. Sri Lanka global ranking would be reduced from middle-income to low-income status. Which will attract more conservation funds from multiple sources. Already we are seeing an increase in several donor funding with donors such as USAID, Canada and EU. For example, USAID funded initiatives on Plastics (starting in October 2022 and the ongoing Energy and Climate Adaptation initiatives), Canada “International Biodiversity Programme” expected to go online with IUCN as a partner in early 2023, to name a few. All these programmes could be leveraging and catalytic towards the Sri Lanka Coral Reef Initiative.

- f. Typically, the politically-driven decisions do not pay attention to ecosystem contributions or ecosystem services. If this trend continues, the environment would be at the receiving end and the long-term sustainability of ecosystems would be challenged. - The project aims to highlight the value of conserving high biodiversity and sensitive ecosystem related areas including coral reefs and refugia. The project proposes to catch the attention of policy makers and educate political authorities and affiliates via advocacy efforts. IUCN's recent efforts in highlighting the value of islands in the North in development are paying dividends in this context. Efforts are underway in this aspect also through the ongoing GEF6 – Managing Together Project (combining tourism, agriculture and land management for global and local ecosystem benefits) – where IUCN is the Executing Agency.
- g. Increasing influence by Western and Eastern powerhouses and the interest in investment, mostly in coastal harbours, airports etc. - This may lead to the Government providing lands for investments on long-term leases (e.g., 99 year) to these countries, partly as a solution in a debt-trap-related restructuring or as part of the repayments. - In this context, the project is timely as it helps to aware the Government and stakeholder entities to protect key natural capital and avoid environmentally sensitive areas in such payment/leasing schemes. For example, some of the project sites (Trincomalee and Vidattaltivu) are critical for biodiversity where international interest for development are high, yet, do not have a proper ecosystem valuation to highlight the biodiversity value.
- h. Migration of professionals out of the country (brain drain). The youth and the educated in the country are seeking to migrate (either temporarily or permanently) because of the current economic crisis and prevalent conditions of governance. This would impact establishing technical teams and ground-level structures to mainstream biodiversity and for effective implementation of protected areas etc. - The project has already established a pool of scientists through a mechanism titled “Forum for Ecosystem Management and Advocacy – FEMA” led by the Secretary of Ministry of Environment, with IUCN/Biodiversity Secretariat playing the secretariat role at the start. These efforts will help involve scientists from a large pool within and outside Sri Lanka. The project will focus on continued capacity building at different level to compensate potential migration impacts although it is a national issue.