



Annual Narrative Progress Report

Reporting Period: 1 January – 31 December 2021

Programme Title & Project Number Programme Title: Maldives Resilient Reef Ecosystems and Environment for the Future Preparatory Grant Detailed Budget And Workplan For Full Programme Development Programme Number: 00126456	Programme Location Country/ies: Maldives
Convening Agent <ul style="list-style-type: none">United Nations Development Programme - Maldives	Preparatory Grant Period Duration <ul style="list-style-type: none">Start Date¹: 23 March 2021End Date: 31 May 2022
Total Approved Budget Total GFCR Preparatory Grant Budget: USD 100,000	Report Submitted by: Name: Ahmed Shifaz Organisation & Title: Assistant Resident Representative – UNDP Maldives Email address: ahmed.shifaz@undp.org Phone:

¹ The start date is the date of the first transfer of the funds from the MPTF Office as Administrative Agent. Transfer date is available on the [MPTF Office GATEWAY](#)

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Executive Summary

In January 2021, the first GFCR Executive Board meeting approved the inclusion of Maldives in the first round of GFCR Priority Ecosystem programmes. UNDP Maldives was confirmed as Convening Agent to lead the development and implementation of this initiative. A project preparation grant of \$100,000 was allocated to the Country Office for the development of a full proposal tentatively titled “Maldives Resilient Reef Ecosystems and Environment for the Future” with the ambition to deploy \$10 million in grant funding and leverage at least \$30 million through the GFCR’s investment window (per the expected 1:3 ratio) during 2022-2030. Maldives therefore represents a flagship investment by GFCR and for UNDP. The approval of the Maldives full proposal is expected in July 2022 at the GFCR Second Executive Board Meeting, which will be held during the UN Ocean Conference. However, major challenges (including the novelty of blended financing and partner limitations in fully understanding the application potential, COVID and a cabinet reshuffle) stalled the development of the full programme proposal.

The programme proposal has undergone several review and revision processes. Each subsequent version developed with the aim of bringing it closer to the theory of change of the GFCR. The first version of the proposal focused heavily on creating the necessary national policy environment for the incubation and growth of successful blue economy interventions, waste management solutions at local level and creation of a national conservation trust fund (aligned with a proposed debt for nature swap) which would enable both investment and grants towards coral positive economic and conservation activities.

The second version featured Lhaviyani atoll in the Maldives as a pilot site for coral conservation and coral positive business incubation. It retained the waste management component as well as the financing component for MSMEs in the atoll.

Given the urgency to submit a high-quality final proposal to a tight timeframe (by 31 May 2022), this mission – comprising the UNDP STA for EBD and the Deputy Head of the GFCR – was deployed to support the finalisation of the Maldives proposal. The third version which is currently under development through engagement of this mission will now be centered in Addu and Fuvahmulak atolls featuring financially sustainable MPA management mechanisms, sustainable financing mechanisms for MSMEs and exploration of investment and financing opportunities for coral positive conservation and blue economy initiatives in the Maldives. The project will also strive to strengthen the national data and coral science capacities which would in turn aid the monitoring and evaluation processes of the programme. The proposal will also identify linkages and synergies between the CO’s Environment Programme, Vertical Fund portfolio and the GFCR programme that can be leveraged for coordinated sustainable development and SDG impacts. This report will therefore feature updates on this latest version of the programme proposal.

I. Progress, Challenges and Lessons Learned

1. Identification and Description of Priority Areas	
Summary	<p>Based on consultations with key stakeholders, the GFCR proposal will be reoriented per the Programmatic Vision below. This sets out three interconnected and mutually reinforcing workstreams that fully respond to the GFCR mission and Theory of Change. It is framed by and supports the implementation of Maldives' Blue Economy Vision, and the ongoing Marine Spatial Planning process and ambition to protect 20% of the EEZ. Proof of Concept or Target Sites have been identified in Addu and Fuvahmulah Atolls. Total grant amount is \$10 million split across three phases of implementation (Phase 1: 2024-2024 requesting \$3M grant, Phase 2: 2025-2027 requesting \$5M grant, 2028-2030 requesting \$2M. The requested grant finance is catalytic and expected to unlock direct private sector engagement in each workstream through a) investment in coral-positive businesses in Blue Economy sectors; or b) financial/market-based instruments (such as impact or blue bonds) that deliver defined coral reef benefits.</p>
Objectives Achieved	<p>The programme proposal identified the following programming streams for development:</p> <ol style="list-style-type: none"> 1- Addu and Fuvahmulak atolls both have biosphere status and unique marine ecosystems which are managed under nationally administered MPA management offices. These offices were severely impacted financially during the COVID crisis and much of the equipment and facilities at these sites have fallen into disrepair due to lack of sustainable financing for their upkeep and maintenance. This was identified as a quick win injection which would help the MPA management offices better monitor the coral reefs under their purview. Innovative financing to be deployed for the expansion of effective services. Related to this, investment to be brought into decentralized public-private partnership or sustainable financing of these MPA management pilot initiatives. Finally, to explore the possibility of deploying innovative financing instruments such as impact/blue bond which would in turn set up and capitalize a conservation trust fund. 2- Coral positive economy – Given the infancy of blue economy concepts in the country, the ecosystem from incubation to growth and large scale investment will need to be set up. UNDP SGP grants to incubate sustainable livelihoods in poorer communities. Business Center Corporation (BCC) identified to take lead in mentorship, training and business incubation to access initial financing from the SME Development Financing Corporation (SDFC). SDFC through their Blue Economy window would have dedicated lending facilities focused on coral positive blue economy initiatives which would in turn be mentored by BCC to ensure highest chances of success and growth. 3- Coral science, data and M&E – Working with the Maldives Marine Research Institute (MMRI) work to establish integrated database and monitoring protocols for the reefs of the Maldives focusing on both drivers of degradation as well as drivers for resilience. Explorative research is also envisaged for larval propagation and the

	deployment of citizen science and crowd sourcing of data in the monitoring process.
Challenges	<ul style="list-style-type: none"> • The data that was used for this identification process was observed to be slightly outdated – the most recent set of information inferred were from 2017. Ecological and other surveys were not undertaken for the identified atoll after this time period. Further, more recent data could not be gathered for the atoll during the project preparation phase due to the reduced capacities of the stakeholders, as well as extensive travel restrictions owing to the COVID-19 pandemic. • Blue economy though a central development strategy is loosely defined and lacks strong policy and legislative foundations. • The possibility of establishing a nationally centralized MPA management SPE is unclear and will need to be explored in the first phase of the project. • The geographic dispersion of the coral reef sites present challenges for the national authorities to maintain regular monitoring and health checks. • Anthropogenic drivers of degradation can be addressed through the programme however coral bleaching events linked to warming oceans would be beyond the control of the programme.
Lessons learned	<ul style="list-style-type: none"> • The programme proposal initially focused on fledgling MPAs in a specific atoll – this was found to not generate the economies of scale required for the development of a blended finance vehicle • The identified intervention area also required heavy investments in creating a platform by which the community could engage in a blended finance vehicle geared towards coral conservation – indicating that programme may not be able to achieve targets effectively until these investments are in place. • Therefore, it was found that the although the identified interventions of strengthening the MPA mechanisms in the Maldives were of sound quality, the targeted intervention area would need to be revised. • The programme proposal is now identifying several other areas, with the necessary economic and ecological baselines, to include within the scope of the programme. • There is limited understanding among practitioners on how blended financing could be deployed for conservation. Therefore efforts will also be needed to build the capacity of national duty bearers on the potential and benefits that blended financing could bring to improve conservation as opposed to pure grant based interventions. • In order to develop reef positive business opportunities, Blue Economy area needs sensemaking to ensure that the several blue economy aligned complimentary but independent initiatives underway at national level are weighted against their unique value addition and progress timelines. This would help the GFCR proposal to establish its own unique value addition and avoid duplication.
2. Partnerships	
Summary	Key governmental entities, primarily the Ministry of Fisheries, Marine Resources and Agriculture and the Ministry of Environment, Climate Change and Technology along with Maldives Marine Research Institute and SME Development Financing Corporation, were engaged from the on-set of the programme development. A technical working group of representatives from

	<p>each agency convened to form the GFCR Project Proposal Development Team.</p> <p>The latest version of the proposal will engage sub-national MPA management offices, Business Center Corporation, Invest Maldives Corporation, the UNDP small Grants Programme and the Ministry of Economic Development.</p>
Objectives Achieved	<p>Through these engagements, the proposal development team identified the key outcome areas and required activities to undertake. The consultative process, coupled with available empirical data, allowed for all partners to reach consensus on which activities to undertake and which capacities to extend to the project implementation process.</p> <ul style="list-style-type: none"> Established concept model for MSME incubation and financing through the BCC and SDFC. Both partners are on board to develop a coral positive blue economy window within their respective business models. Established potential for data, research and M&E of coral ecosystems with the MMRI. Established concept model for public private investment into sub-national MPA management through MPA management offices in Addu and Fuvahmulak.
Challenges	<ul style="list-style-type: none"> The proposal development process further identified the necessity of engaging with private sector partners directly, as any possible capitalization and deployment of the blended finance vehicle depends on the engagement of the private sector. However, given the nature of MPA management legislature in the Maldives, considerable challenges were presented in directly engaging with the private sector. Limited cohesion across national initiatives on blue economy. Blue economy needs to be placed as the main canvas upon which coral positive investment can be placed. There is considerable work that will need to be done in the first phase to create common understanding among the 4 key national agencies who have mandate overlaps. (Ministry of Economic Development, Ministry of Environment, Ministry of Fisheries and President's Office). This would then help create pathway for larger investments.
Lessons learned	<ul style="list-style-type: none"> Mandate overlaps between and among key partners pose challenges in clearly defining implementation and management roles. Some mediation will be required on the part of the programme through consultations and clear definition of roles and responsibilities in the final programme.
3. Pipeline identification	
Summary	<p>The GFRC mission and subsequent discussions in country reinforced elements of earlier proposals such as the MSME incubation and financing. As per the guidance and policy directive of the Minister of Environment, the team was also able to direct a more targeted intervention aimed at improving the functionality and financial performance of existing MPA management structures in larger atoll systems. The prevailing logic of the latest proposal is to deploy \$10 million in grant funding and leverage at least \$30 million through the GFCR's investment window (per the expected 1:3 ratio) during</p>

	2022-2030. The first phase will set up the enabling environments and explorative research and proof of concept for deployment of higher order financial instruments and mechanisms for better and more integrated MPA management in the country.
Objectives Achieved	<ol style="list-style-type: none"> 1- Addu and Fuvahmulak atolls MPA management offices. were identified as a quick win injection which would help the MPA management offices better monitor the coral reefs under their purview. Innovative financing to be deployed for the expansion of effective services. Related to this, investment to be brought into decentralized public-private partnership or sustainable financing of these MPA management pilot initiatives. Finally, to explore the possibility of deploying innovative financing instruments such as impact/blue bond which would in turn set up and capitalize a conservation trust fund. 2- UNDP SGP grants to incubate sustainable livelihoods in poorer communities. Business Center Corporation (BCC) identified to take lead in mentorship, training and business incubation to access initial financing from the SME Development Financing Corporation (SDFC). SDFC through their Blue Economy window would have dedicated lending facilities focused on coral positive blue economy initiatives which would in turn be mentored by BCC to ensure highest chances of success and growth. 3- Working with the Maldives Marine Research Institute (MMRI) work to establish integrated database and monitoring protocols for the reefs of the Maldives focusing on both drivers of degradation as well as drivers for resilience. Explorative research is also envisaged for larval propagation and the deployment of citizen science and crowd sourcing of data in the monitoring process.
Challenges	<ul style="list-style-type: none"> • Purely grant based interventions historically fell short in creating sustainable financing models for MPA management. The GFCR model is innovative to the same stakeholder group and therefore will require some time to create common understanding and establish its value. • Investment ready interventions in fisheries sector could not be easily sourced as the nature of fisheries in the Maldives is inherently environmentally friendly. However there is growth for mariculture and bait fishery hatchery. To be explored further. • Investments in waste management would also need to be explored as there are large scale national investments in Addu and Fuvahmulak atolls to address the issue. Segregation at source was however lacking and is therefore an opportunity for GFCR to explore through focused interventions dedicated to the expansion of knowledge and practice of circular economy at community and household levels.
Lessons learned	<ul style="list-style-type: none"> • Explorative research and analysis would be needed to deploy innovative financing instruments. This will need to be covered in the first phase of the programme.
4. Stakeholder engagement	

Summary	<p>The stakeholder engagement for the proposal development followed three consequent steps:</p> <ul style="list-style-type: none"> • Engagement with Government partners, namely the Ministry of Fisheries, Marine Resources and Agriculture, Ministry of Environment, Climate Change and Technology, Ministry of Economic Development and Ministry of Finance • Following these consultations, secondary consultations were held with SME Development Financing Corporation, exploring the means by which a loan scheme could be established for the programme • Finally, an open-call was extended to NGOs/CSOs and private sector partners operating in the industries of marine conservation, fisheries and tourism. Through the open call, parties expressed their interest in collaborating with the programme. • <u>2 field missions comprising of government and UNDP personell were conducted to Lhaviyani Atoll.</u> • <u>1 field mission was conducted to Addu Atoll.</u>
Objectives Achieved	<ul style="list-style-type: none"> • Ministry of Environment, Climate Change and Technology: being the governing authority for all MPAs in the country, the ministry was engaged with and consulted in the formulation of the programme proposal. The information received from the ministry allowed for the proposal to include interventions that were aligned with national and governmental development priorities. During the second phase of the proposal development, the Ministry was also engaged with as the lead partner in carrying out components 1 and 2; the set-up of the effective management mechanism of 6 MPAs and the addressing of solid waste management in Lhaviyani Atoll. • Ministry of Fisheries, Marine Resources and Agriculture: the information received from the Ministry allowed for the proposal to include interventions that were aligned with national and governmental development priorities. • Maldives Marine Research Institute: the Institute provided crucial baseline information regarding the status of coral ecosystems in the targeted atoll, allowing for the proposal to focus and cater to the specific needs of each MPA. The MMRI also agreed to collaborate with the programme in undertaking and supporting research components of the programme interventions. • SME Development Financing Corporation: the initial engagement with the SDFC allowed for the development of a credit guarantee facility to be developed within the programme. During the 3rd and current phase, this engagement has now been further refined to better encapsulate GFCR theories of change, and are in the process of formulating the component that seeks to provide low-interest loans to coral-positive projects and enterprises. • Business Centre Corporation: the BCC was engaged during the 3rd phase of proposal development, during which an agreement was reached where the corporation would provide capacity building support to proponents of low-interest loans from SDFC.
Challenges	<ul style="list-style-type: none"> • Due to the innovative programming nature of the fund, stakeholders tend to fall back to default grant based programming and therefore significant effort was needed to keep orienting proposed interventions back into ones that either use or could lead to the deployment of blended financing and investment. • The mandate spread across different agencies meant that the development team had to carry out individual sensitization and

	orientation with each leading agency. This results in the need for significant HR hours.
Lessons learned	<ul style="list-style-type: none"> • The role and responsibility of the working group to provide timely inputs and provide agency specific insights on any given programming approach needs to be strengthened through senior level directives.

II. Reporting on Activities

Outputs & Activities	Objectives Achieved	Objectives missed
Management		
Development of ToRs	The ToRs were successfully completed within the stipulated timeframe	Given that the proposal was at its infancy at the time of the ToR development, assumptions needed to be made in capturing the scope of research work required to develop the programme.
Recruitment of specialized consultants to support proposal development	<p>The following consultants were successfully recruited to support the proposal development:</p> <ul style="list-style-type: none"> • International Finance expert: providing research and expertise on the viability of a blended financing vehicle generally • Local PPG consultant; providing localized expertise in describing the status of coral reefs and drivers of degradation • Local Finance Expert: providing research and expertise on the viability of a blended financing vehicle in the Maldivian context • Local Legal Expert; providing a legal review of opportunities and gaps of developing a blended financing vehicle in the Maldivian context 	As mentioned above, the ToRs that were developed for the consultancies were necessitated to include several assumptions regarding the scope of the proposal. However, the proposal development process remained dynamic in nature, and the consultants were not able to undertake the full remits of their ToRs.
Baseline		
Preparation of baseline assessments	<ul style="list-style-type: none"> • Established local drivers of degradation, and a ground truthing exercise was carried out in the form of 2 scoping missions to the intended intervention atoll. The programming has since moved on from this atoll and a third scoping visit was undertaken to Addu atoll which established the new programming interventions for MPA management. • Identified the intended coral reef ecosystems to target the interventions, and verified with available data and findings from MMRI 	

Outputs & Activities	Objectives Achieved	Objectives missed
Operational		
Stakeholder consultations and needs assessment	<p>Extensive stakeholder consultations were held for government partners, where the ToC of the GFCR, as well as the intended interventions were described.</p> <p>Following this, further stakeholder consultations, in the form of an open-call invitation, were held with private sector partners, NGOs, CSOs and other community groups.</p> <p>These consultations assisted the proposal development team to explore the viability of the intended interventions, as well as gauge the appetite from both public and private sector partners to collaborate with the programme.</p>	
Conceptualizing of the blended financing vehicle	Direct consultations were held with both the Ministry of Economic Development, as well as the SME Development Financing Corporation (SDFC). Through the discussions, it was mutually agreed that SDFC would be able to develop lending scheme through the GFCR grant window, whereby enabling the development of a financing vehicle for the disbursement of low-interest loans to coral-positive projects in the country.	
Conservation		
Consultations with key government institutions	<p>The following government agencies were consulted:</p> <ul style="list-style-type: none"> • Ministry of Fisheries, Marine Resources and Agriculture • Ministry of Environment, Climate Change and Technology • Ministry of Economic Development • Ministry of Finance • Maldives Marine Research Institute • Addu Nature Park • Addu City Council • Waste Management Corporation 	

Outputs & Activities	Objectives Achieved	Objectives missed
Consultations with CSOs/NGOs	An open call was extended to CSOs/NGOs working with environmental portfolios. The ToC and the intended interventions of the GFCR proposal was shared with these partners, and their appetite was gauged. These consultations happened during the 2 nd phase of the proposal development, and several CSOs/NGOs had expressed their interest in collaborating with the project.	
Consultations with SME banks / BCC	<p>Direct consultations were held with the SME Development Financing Corporation (SDFC) during the 2nd and 3rd phases of the proposal development. The SDFC had agreed to become a RP for the programme, undertaking components of loan disbursement for coral positive interventions.</p> <p>During the 3rd phase of the proposal development, it was also identified that proponents of any such loans for coral-positive projects would need support in capacity building – BCC was engaged during these consultations and had agreed commitment to support the programme in providing these capacity building exercises.</p>	

III. Highlights

Highlight #1:

Descriptive Title:

Improved MPA Management for improved coral protection

Description of objective and/or challenge faced:

MPA Management systems lack adequate operational and financial management systems to fully undertake conservation activities. Addu and Fuvahmulak atolls both have biosphere status and unique marine ecosystems which are managed under nationally administered MPA management offices. These offices were severely impacted financially during the COVID crisis and much of the equipment and facilities at these sites have fallen into disrepair due to lack of sustainable financing for their upkeep and maintenance,

Description of activities conducted including stakeholder engagement:

1 field visit was undertaken to Addu Atoll to understand the management system currently in practice and to understand how this could be mobilized for decentralized MPA management under the new decentralization legislation which grants city councils fiscal decentralization. Review of financial performance of the nature parks pre-pandemic provides a positive estimate on viability and financial sustainability that could result from timely financial injection.

Results:

This was identified as a quick win injection which would help the MPA management offices better monitor the coral reefs under their purview. Innovative financing to be deployed for the expansion of effective services. Related to this, investment to be brought into decentralized public-private partnership or sustainable financing of these MPA management pilot initiatives. Finally, to explore the possibility of deploying innovative financing instruments such as impact/blue bond which would in turn set up and capitalize a conservation trust fund.

Challenges:

- Limited standard operating procedures for MPA management across the atolls and MPA Management offices
- Grey areas on public private partnership formation.

Lessons learned:

Proof of concept with 1 or 2 MPA management systems will prove invaluable in creating common understanding and working knowledge on the deployment of financing models for MPA management as opposed to grant financed once off interventions.

Link to supporting visuals: pictures and videos of ecosystem, communities, supported businesses, key stakeholders. Strive to provide a variety of shots– e.g. extreme close-ups, close-ups, mid shot, long shot, staged shots, and action shots. Landscapes, portraits, etc. Strive to provide good images of the people that have provided quotes. Link:











Highlight #2:

Descriptive Title:
Incubating coral positive economic activities aligned with national Blue Economy Aspirations
Description of objective and/or challenge faced:
Given the infancy of blue economy concepts in the country, the ecosystem from incubation to growth and large scale investment will need to be set up.
Description of activities conducted including stakeholder engagement:
A self-reinforcing financing and incubation ecosystem was mapped out and consultations with agencies that are required to implement this model were held. BCC, SDFC and UNDP SGP were identified as implementing partners and their buy-in was confirmed.
Results:
UNDP SGP grants to incubate sustainable livelihoods in poorer communities. Business Center Corporation (BCC) identified to take lead in mentorship, training and business incubation to access initial financing from the SME Development Financing Corporation (SDFC). SDFC through their Blue Economy window would have dedicated lending facilities focused on coral positive blue economy initiatives which would in turn be mentored by BCC to ensure highest chances of success and growth.
Challenges:
<ul style="list-style-type: none">• Conservation impact aligned lending schemes are a new concept to the Maldives and will therefore need upfront investment on building capacities within these agencies to administer the model.
Lessons learned: There is scope for expanding this activity line into differentiated categories for different scales of economic activities and has the potential to create a strong pipeline of investible projects.
Link to supporting visuals: pictures and videos of ecosystem, communities, supported businesses, key stakeholders. Strive to provide a variety of shots– e.g. extreme close-ups, close-ups, mid shot, long shot, staged shots, and action shots. Landscapes, portraits, etc. Strive to provide good images of the people that have provided quotes. Link: Meeting MMRI, Noo Raajje (MSP), Ministry of Fisheries.



Meeting with SDFC



Highlight #3:

Descriptive Title:

Improved national and sub-national capacity for country specific science, data generation and monitoring and evaluation

Description of objective and/or challenge faced:

Maldives lacks integrated and periodical systems for coral health monitoring. Data collection and analysis is sporadic and largely depends on limited financing that is available for this type of undertaking.

Description of activities conducted including stakeholder engagement:

MMRI was consulted on their current practices and agreement was sought to jointly develop a national integrated data and monitoring system.

Results:

- 1- Working with the Maldives Marine Research Institute (MMRI) work to establish integrated database and monitoring protocols for the reefs of the Maldives focusing on both drivers of degradation as well as drivers for resilience. Explorative research is also envisaged for larval propagation and the deployment of citizen science and crowd sourcing of data in the monitoring process.
- 2- Further partnerships could also be sought with academic institutions such as the Maldives National University, University Biccola as well as dive operations across the country to create a network of decentralized research, data collection and monitoring protocols

Challenges:

The geographical dispersion remains a challenge for any single entity to fully fund and operate.

Lessons learned:

Clear understanding of mandates and roles and responsibilities needs to be established in the rollout of these activities.

Link to supporting visuals: pictures and videos of ecosystem, communities, supported businesses, key stakeholders. Strive to provide a variety of shots– e.g. extreme close-ups, close-ups, mid shot, long shot, staged shots, and action shots. Landscapes, portraits, etc. Strive to provide good images of the people that have provided quotes. Link: