

Partnerships and Innovative Financing to Mainstream Biodiversity and Sustainable Land Management in the Wet and Intermediate Climatic Zones

Review PIF and Make a recommendation

Basic project information

GEF ID

10537

Countries

Sri Lanka

Project Name

Partnerships and Innovative Financing to Mainstream Biodiversity and Sustainable Land Management in the Wet and Intermediate Climatic Zones

Agencies

UNDP

Date received by PM

3/24/2020

Review completed by PM

4/17/2020

Program Manager

Pascal Martinez

Focal Area

Multi Focal Area

Project Type

FSP

PIF

Part I – Project Information

Focal area elements

1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

Yes, cleared.

Agency Response

Indicative project/program description summary

2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?

Secretariat Comment at PIF/Work Program Inclusion

March 26, 2020

1. Component 1, which includes restoration works on the ground, is identified as 'TA' while Component 2, which is about studies and capacity building is identified as 'INV'. Shouldn't it be the opposite? Please explain.
2. The output 2.6 presented as 'improved compliance' by farmers is unclear as output and sounds more like outcome. Please clarify this output.
3. The result of GHG emission avoided appears under Component 2 while the concrete activities on the ground of restoration, management and promotion of best practices are under Component 1. Shouldn't this result be reported under Component 1? Please clarify.

April 10, 2020:

1, 2 and 3. Thank you for the adjustments. Cleared.

Agency Response

UNDP Response, 9 April 2020

1. Revised accordingly to reflect 'INV' under Component 1 and 'TA' for Component 2.
2. Revised accordingly to reflect provision of technical assistance, extension and training of farmers to improve land management practices.

3. Revised to reflect GHG emission avoided under Component 1.

Please refer to Table B (pg.1-3)

Co-financing

3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

Yes, cleared.

Agency Response

GEF Resource Availability

4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

Yes, cleared.

Agency Response

The STAR allocation?

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

Yes, cleared.

Agency Response

The focal area allocation?

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

Yes, cleared.

Agency Response

The LDCF under the principle of equitable access

Secretariat Comment at PIF/Work Program Inclusion N/A

Agency Response

The SCCF (Adaptation or Technology Transfer)?

Secretariat Comment at PIF/Work Program Inclusion N/A

Agency Response

Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion N/A

Agency Response

Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion N/A

Agency Response

Project Preparation Grant

5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

Yes, the PPG requested is within the allowable cap. Cleared.

Agency Response

Core indicators

6. Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? (GEF/C.54/11/Rev.01)

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

1. The project description include 4,000 hectares of HCVF under improved conservation, restoration and improved connectivity and 50,000 hectares of plantation under improved practices. Nevertheless the core indicator table reports 100,000 under improved practices. Please clarify and ensure the results are consistent throughout the proposal.
2. The table includes 50,000 hectares of Area of HCVF loss avoided (Indicator 4.4). Nevertheless it is unclear in the component description where this expected result would come from. Please explain.
3. The project will also promote renewable energy. Are there expected GHG emissions avoided from this activity?

April 10, 2020:

1, 2 and 3. Thank you for the adjustments and clarification. Cleared.

Agency Response

UNDP Response, 9 April 2020

Thank you for the comments. The core indicator figures are clarified as presented below:

1. Core indicator 4: Area of landscapes under improved practices of 54,000 hectares is a total of the following sub-indicators:
 - Sub-indicator 4.3: area of landscape under SLM in production systems: 50,000 hectares;
 - Sub-indicator 4.4: HCVF loss avoided: 4,000 hectares

Please refer to table F (foot note 5) and annex B (pg.47)

2. The 4,000 hectares of area of HCVF loss avoided would be achieved through the activities under **Output 1.4** to support implementation of priority measures for the selected pilot priority forests and ecological habitats through (i) improved conservation management and protection measures; (ii) assisted natural regeneration of degraded habitats with native species (including rare and endemic flora) through seeding, replanting and protection; and (iii) restoration of critical riparian areas including rivulets, gullies and stream banks to enhance connectivity corridors for terrestrial and aquatic faunal species

Please refer to Output 1.4 in Table B (pg.2) and description (pg.26-27).

3. With regard to GHG emissions avoided from promoting RE - at this stage, we are not able to confirm the type and extent of RE technology that would be promoted in the project site. This would be further assessed during the PPG and accordingly carbon benefit will be estimated.

Project/Program taxonomy

7. Is the project/ program properly tagged with the appropriate keywords as requested in Table G?

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

The forest related boxes are not checked. Please complete.

April 10, 2020:

Thank you for your consideration. Cleared.

Agency Response

UNDP Response, 9 April 2020

This is done.

Please refer to Table G (pg.9-10) and Annex C (pg.53)

Part II – Project Justification

1. Has the project/program described the global environmental / adaptation problems, including the root causes and barriers that need to be addressed?

Secretariat Comment at PIF/Work Program Inclusion

March 26, 2020

1. The paragraph on Biodiversity Sri Lanka (BSL) doesn't fit under the description of problems. Please consider using this information under the baseline.
2. The description mentions the biodiversity importance of project area but the environmental degradation actually occurring in this area (including not only the biodiversity loss but also the forest degradation and the deforestation) in particular isn't specified. Please clarify as it is an important justification of the project.

3. The legal status and institutional protection instruments of the forest patches are unclear. For instance we don't know what 'included forest' or 'Environmentally Sensitive Areas' are. We only know that 'the current model ... is not adequate'. Please present the regulatory framework already in place to protect these forests within and beyond the protected areas and explain what is allowing the environmental degradation despite this framework.

4. Insufficient monitoring and law enforcement of illegal exploitation are not presented among the causes of the environmental degradation while this is mentioned under the alternative scenario. Isn't this a problem too?

April 10, 2020:

1. Thank you for the adjustment. Cleared.

2. Thank you for the additional clarification. Cleared.

3. Thank you for the clarification. While we understand that the conservation activities in forests will target in particular the HCVMs, please clarify it in the description of component 1 and indicate the names and areas of the HCVMs within 4 Regional Plantation Company estates that could be selected as pilot sites.

4. Thank you for the additional input.

April 15, 2020:

3. Thank you for the clarification. Cleared.

Agency Response

UNDP Response, 9 April 2020

1. The para on Biodiversity Sri Lanka (BSL) has been moved to the baseline as suggested.

Please refer to description under Section 2 of the baseline (pg. 18-20)

2. As suggested additional justification has been provided on environmental degradation including forest degradation and deforestation in proposed project landscape.

Please refer to project description under Part II, Sl. 1a (pg. 12-13).

3. While there are a number of PA categories within Sri Lanka, in particular those forests and other ecosystems that are managed by the Department of Wildlife Conservation (DWLC) and the Forest Department (FD). The FD manages about 56.5 percent of the area under the Protected Area network in the country under the Forest Ordinance, whilst the DWLC administers the remaining area under PAs (43.5 percent). However, the forest patches within the estates have no legal status and are not within the PA network that is managed by either the FD or DWLC. The Regional Plantation Companies (RPCs) voluntarily manage the forest areas within

their plantations. These include both natural forests that are managed for its biodiversity and plantation forests that are managed to provide fuel wood to the workers and for the tea estates for the tea and rubber production process. Some RPCs manage the forest plantations/wood lots within the estates according to Sri Lanka specifications for Principle Criteria and Indicator for Sustainably Produced Firewood (2016)

The current agreement with the Government prevents the conversion of these areas into other land uses. The intent of the project is to further support the RPCs to improve conservation outcomes within the natural forests and enhance management of the plantation forests by improving fuel wood production (through better silvicultural practices, improved selection of planting stock, etc.) as well as integrating conservation practices into the current monoculture plantation management practices (establishing natural vegetation strips, improved weeding practices, etc.) so as to extent the range of species. In addition, the project will at the PPG stage review existing legislation and practices to assess if these patches need to be accommodated within existing forest or related legislation or if a new protection category is needed such as ‘included forests’ or Environmentally Sensitive Areas (ESAs). At this juncture, we are only reviewing if legal status for these forests is required or not. It is important to recognize that these wet and intermediate forests are intricate biological systems that contain many endemic and rare species that have specific niche requirements and although the area of forests within the RPA areas may not have not decreased in the recent past, except for a few locations, there has been changes within the forest ecosystem that have implications for these specific niche dependent species on account of fuel wood collection, disturbance of under growth, etc.

Please refer to project description Part II, Sl.1a (pg.12)

4. As suggested insufficient monitoring and law enforcement of illegal exploitation and over extraction are presented as the root causes of biodiversity loss and land degradation.

Refer to para on exploitation and over-extraction under the root causes (pg.13)

UNDP Response: April 14, 2020

3. Thank you for the comments. The individual forest parcel within the estates belonging to the 4 Regional Plantation Companies (RPCs) are small in extent (less than 200 ha each with most of these being even much smaller in area). There are at least 60-80 individual forest parcels within the 4 RPCs covering a total area of around 6,700 ha. Since these small forest parcels are privately owned by the 4 RPCs and have not been established as protected areas, they have no specific names assigned to them. At the PPG stage, the specific location of the individual forest patches will be mapped to provide a better understanding of their spatial distribution and options for connectivity.

*Please refer to **Table 6 (pg 34)** in the PIF for breakdown of forests extents within the 4 RPCs.*

2. Is the baseline scenario or any associated baseline projects appropriately described?

Secretariat Comment at PIF/Work Program Inclusion

March 26, 2020

1. Very relevant baseline projects are presented notably from the international cooperation and the private sector. Nevertheless, there no information of what is being planned or done by the national and local authorities, including the ministries responsible for agriculture and environment, that could be aligned and articulated with the project. Please complete accordingly.
2. In particular, the proposal informs in another section that the Government of Sri Lanka has defined the specific actions to achieve Land Degradation Neutrality in the context of UNCCD. Please explain how and where these actions are currently implemented and if/how they can be complementary to and linked with the project activities.
3. The baseline mentions the existing sustainability tourism certification program but there is no other certification schemes presented for the plantation products. Please describe any other relevant certification scheme the project could make use of.
4. The proposal mentions that there is a demonstrated interest and willingness in the plantation sector to conserve biodiversity and reverse land degradation. Please clarify in the baseline how this is demonstrated and materialized so that we can understand how the project will build on this favorable enabling environment.
5. The success of the project will strongly depend on the uptake by involved stakeholders of identified and attractive business models. Are there existing relevant successes in the plantation sector in Sri Lanka or elsewhere the project could build on? Please explain.

April 10, 2020:

1, 2, 3,4 and 5. Thank you for the complements and clarification. Cleared.

Agency Response

UNDP Response, 9 April 2020

1. Information of what is being planned or done by the national and local authorities, including the ministries responsible for agriculture and environment has been presented in table 3 & 7 as follows:

The projects are all implemented by national and local authorities as part of strengthening their on-going efforts to enhance conservation, watershed and water resources management, climate adaptation and support for small holder plantations. In addition, a number of national agencies will support the project as part of their mandated responsibilities: (i) the Forest Department will provide technical and extension support for improving conservation of natural forests and woodlot plantations within the estates; (ii) the Department of Agriculture will provide technical support, extension and seed materials to ensure sustainable agricultural practices for small farmers and home garden development for villages living around the tea/rubber plantation areas; and (iii) the Tea Smallholder Development Authority will provide extension and technical support for smallholders. The role of Ministry of Mahaweli Development, Ministry of Plantation Industries and

numerous others are provided in Table 7 (Stakeholder Roles and Responsibilities). The Ministry of Environment and Wildlife Resources is the Implementing agency for the project that would enable alignment with the key biodiversity and conservation priorities of the government.

Please refer to Table 3 (pg.16-18) and Table 7 (pg.34-37).

2. With regard to specific actions taken by Sri Lanka in the context of addressing its LDN obligations under UNCCD, are presented in Part II, Sl. 2 under the baseline scenario (pg.19-20).

3. Regarding certification schemes, the following are what is currently operational:

- Several tea plantation companies in the country have acquired sustainable agriculture network/Rainforest Alliance Certification to make environmental claims and improve the quality of the product targeting international markets;

- Forest Stewardship Council^(R) FSC is an international organization that provides a system for voluntary accreditation and independent third-party certification. This system allows certificate holders to market their products and services as the result of environmentally appropriate, socially beneficial and economically viable forest management;

- The UTZ standard: All UTZ certified coffee, tea, cocoa and hazelnuts are produced according to the UTZ standard, which is guided by the principles of fairness and transparency. This helps us make the biggest difference possible in support of people, planet and profit. The standard operates through two sets of guidelines, its Code of Conduct covers the growing and harvesting process and its Chain of Custody covers products from the moment they leave the farm to when they arrive on the shelves. Refer: <https://utz.org/what-we-offer/certification/the-standard/>

- Sri Lanka Standards Institution (SLSI) in association with the Sri Lanka Tea Board (SLTB) operates a Product Certification Scheme to certify the manufacturing process and the final product, i.e. Black Tea;

- ISO 14001 & ISO 9001

Please refer to Part II, Sl. 2 baseline scenario and associated baseline projects (pg.18-19)

4. This has been elaborated in the baseline description:

The private sector has created, nurtured and established the Sri Lanka Business and Biodiversity Platform also known as Biodiversity Sri Lanka and comprises of 85 members from Ceylon Chamber of Commerce, IUCN, Dilmah Conservation and the Regional Plantation Companies (RPCs). The Platform serves to coordinate their efforts in biodiversity conservation, build related capacities, and facilitate the implementation of biodiversity conservation activities. For example, Dilmah Conservation has long term commitment to establishment a much larger corridor with the Kahawatte Plantation Company in the Nuwara Eliya district in the higher elevation of the central highlands to link forests in the Kataboola, Westhall, Barcaple and Queensberry estates; Kahawatte Plantations PLC is planning the establishment of a larger biodiversity corridor (1.5km long) to link large forest patches on several divisions of the Queensberry estate with those in other estates (Kataboola, Westhall, and Barcaple) with the Sinharaja Forest Reserve.

Please refer to the baseline description in Part II (pg.18-19), Annex D & F (pg.56 & 61) on specific activities and commitment by the 4 RPCs and other private sector partners.

5. Fully agree with the comments that the success of the project would require strong involvement of acceptable conservation-oriented business models. The proposed project will build on the already extensive work that has been initiated by the RPCs. Please refer to response in 4 above indicating successes so far in the plantation sector that the project will build on, and this is further elaborated in the commitment letter Annex F (pg. 61)

3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?

Secretariat Comment at PIF/Work Program Inclusion

March 26, 2020

1. The connectivity of the currently fragmented forest ecosystems is indeed an important consideration. The description says 'where options exist'. Is there at this stage an idea of the actual possibility to implement this activity in the targeted plantations and are there already successful examples?

2. Four plantations are targeted in the proposal. Beyond their own interest in participating in this project, there little information on their relative environmental importance and potential comparing with other plantations. Please provide information on the selection criteria that are and will be applied to select the plantations to maximize the project benefits.

3. In the pilot sites, the proposal considers improving silvicultural practices in plantations (tea, rubber and forest). It is unclear what silvicultural practices can be applied, especially in tea plantations. Please clarify the final land uses of the targeted areas, the considered silvicultural practices and how they will benefit to the environment.

4. We understand the project will carry out forest restoration activities using only native species. Please confirm and clarify how these species can contribute to meet the objective of alleviate the pressure of fuel wood demand.

5. What 'institute financial and institutional mechanisms' means concretely is unclear. Please clarify.

6. The status of the so-called 'conservation forests' and the definition and extension of the buffer zones are unclear. Please clarify.

7. The output 2.7 will provide seed funds to attract private sector and government financing to support introduction of renewable energy technologies. Please explain what this means concretely in terms of activities, especially for GEF funding.

April 12, 2020:

1. Thank you for the examples provided. Nevertheless, while the project also attempts to connect remaining forests with PAs, it remains unclear how this could be achieved where possible. Please clarify during PPG the landscape approach where PA and PA managers are also involved, in particular in activities related to enhancing connectivity.

2, 3, 4. Thank you for the clarification. Cleared.

5. The proposal considers several options to finance sustainable practices including PES. During the PPG phase, the GEF invites the project developers to look at STAP's guidance on PES and ensure that all threats and criteria set out therein are addressed in the project (https://www.thegef.org/sites/default/files/publications/STAP_PES_2010_1.pdf).

6. Thank you for the clarification. Cleared.

7. The promotion of renewable energy is not eligible for BD and LD funding. Please, make clear that activities related to renewable energy will be funded by co-financing.

April 15, 2020:

1, 5. Thank you for the clarification. Cleared.

7. The proposal still says "The GEF increment will provide technical support, extension and best practices to attract private sector and government financing to support introduction of renewable energy technologies". As this is not eligible for BD and LD funding, please make clear in the description of the output 2.7 of the project proposal that any activity related to renewable energy will be not funded by GEF but only co-financing. This activity should also not be part of the GEF increment table.

April 17, 2020:

Thank you for the clarification in the project description. Cleared.

Agency Response

UNDP Response, 9 April 2020

1. The forest patches with the plantation estates are small and scattered (while there are very high in endemism), with few exceptions where they are connected to either fragments within the estates or to the PAs in the vicinity. There are few examples (refer Annex D) where individual estates are in the process of reverting

degraded tea lands to forest with the intent to create such connectivity within forest patches or establish connectivity with PAs. Options exist within the plantations to enhance stream vegetation with the intent of extending connectivity with the forest patches and in a few cases this is being undertaken.

Please refer to Annex D (pg.56)

2. The 4 Regional Plantation Companies (RPCs) own many individual estates. The 4 RPCs manage about 75 individual estates. The estates belonging to the 4 RPCs are the pioneers in environmental conservation in the country and they collectively own about 40% of the privately owned tea/rubber lands in the country. These 4 RPC estates include high value conservation and watershed areas; they estates have a significant portfolio of annual environmental conservation activities; and have demonstrated interest in involving in conservation activities. For the reasons mentioned above, the initial list of selection criteria that can be applied include the following: (i) RPCs having a prominent presence in the Wet and Intermediate zones of the country; (ii) engaged in national dialogue; (iii) a member of Biodiversity Sri Lanka (BSL) with the common objective of conserving Sri Lanka's rich biodiversity; (iv) playing an active part in the deliberations of the Plantations and Agri-business steering committee of BSL; (v) having a strong corporate sustainability and environmental commitment; (vi) showcasing demonstrable efforts in biodiversity conservation in the national interest which are also replicable; and (vii) allocating specific budgets set aside for conservation efforts. Annexes D (pg.56) and F (pg.61) provides evidence of the on-going conservation activities and the interest and commitment of the 4 RPCs to participate and co-finance activities for the project.

Selection criteria is noted in the description of **Output 1.2** (pg.26).

3. Improved management measures in tea and rubber estates will include:

- leguminous shade trees within the tea plantations to improve biodiversity, provide a source of firewood, nitrogen fixation;
- maintaining ground cover such as tea pruning and leafy material to reduce erosion;
- contour planting, improved drainage design, silt pits, grass planting on field edges etc. to control erosion;
- sustainable pesticide use and management;
- no application of pesticides/chemicals near waterways;
- optimal nutrient balance, efficiency and application rates;
- pest management through possible introduction of IPM;
- during tea and rubber replanting undertake soil rehabilitation works prior to planting, including growing a leguminous crop to improve nutrients;
- reduce use of heavy machinery during replanting;
- maintaining forest undergrowth to retain moisture and protect forest dwelling species;
- breaking monocultures in forest plantations;
- establishing multi-layered tree systems in home gardens to enhance species, ecology and provide multiple economic benefits to local people.

Refer to Output 2.2 (pg.27-28)

4. The forest restoration activities are intended exclusively to promote the conservation of species and provide increased habitat for endemic and threatened species and not to meet fuel wood demand. All the plantation estates have established fuel wood plantations to meet the energy needs of the tea factories and estate labor. While the project will facilitate the improved management of these fuel wood plantations, it would also attempt to enhance diversity in these fuel wood plantations to improve habitat for native faunal species (through patch restoration with native species to break the monocultures). In terms of improving fuel wood and energy needs, the project will support RE technologies, increased plantation of fuel wood species on estate boundaries, roadsides and labor housing perimeters.

Refer to Output 1.4 (pg.26-27) for forest restoration objectives (including conservation and meeting fuel wood needs) and Output 2.7 (pg. 28-29) for supplementary energy needs.

5. Comment regarding **“Instituting financial and institutional mechanisms”** are discussed in Outputs 2.1 through to 2.4. Output 2.1 outlines support to develop model(s) for private-public participation and financing for conservation of priority forests and ecosystems, and reduction of land degradation based on the on-going experiences in the country in the plantation sector. Output 2.2 – will focus on providing technical support, extension services and capacity development to interested plantation companies to support gradual shifts to alternative business practices. This would include new ecotourism-related ventures to supplement loss of revenue from alternative practices, participation in ‘greening’ programs and entry into niche markets for organic and environmentally-friendly products and production processes. Output 2.3 focuses on supporting the development of investment criteria and guidelines for responsible private sector investment in conservation actions. Output 2.4 outlines the development and operationalization of incentive mechanisms to recognize, reward and communicate achievements of private plantation companies in sustainable practices. Financial incentives may include a biodiversity credit scheme that financially rewards the industry for its contribution to public biodiversity goods and services. Such a credit scheme is presently being designed by Biodiversity Sri Lanka using an on-going pilot forest restoration activity in the Kanneliya Rainforest supported by ten of its private sector members. In addition, the green lending programs in the banking sector may also be co-designed and made more accessible to the plantation industry. During the PPG stage, the potential for establishing a Plantation Sector Fund for sustainable development will be explored and potential options for capitalization of this Fund is provided under Output 2.4.

Please refer to narrative under outputs 2.1 through to 2.4 (pg.27-28).

6. As responded to an earlier comment (Question 1.3 of Part II above), the RPC lands include both natural forests and plantation forests (mainly woodlots to meet fuel wood needs). These forests have no legal status and are managed voluntarily by the RPCs and agreements with the Government dictates that these forests cannot be converted to any other land use. The reference to “buffer zones” is revised to “enhancing conservation and land management measures in plantation practices within the vicinity of natural forests”, which means practices that do not impact on biodiversity and species, such as creation of a chemical free, weed free and fire protection zones around the forest patches, etc.

Refer to project description under Part II, 1a (pg.12).

7. Output 2.7 is revised to reflect what the project will support such as - technical support, extension and best practices to attract private sector and government financing to facilitate introduction of renewable energy technologies.

Please refer to output 2.7 (pg.28)

UNDP Response, 14 April 2020:

1. This has reference to previous comment (3 in part II above). The specific location of the individual forest patches that will be mapped during the PPG stage to provide a better understanding of their spatial distribution and options for connectivity. Where the HCVMs within the plantations estates are connected to PAs, the project will set up collaboration between the PA managers and RPCs for (i) species surveys, (ii) joint patrolling, and (iii) monitoring.

Please refer Output 1.4 (on pg. 27)

5. Thank you for the comment. During the PPG phase, the project developer will be asked to refer to STAP's guidance on PES and ensure that all threats and criteria set out therein are addressed in the project.

7. This is well noted. The intent is not to use GEF funds for promotion of RE technologies, rather any investment in RE would be funded through the private sector.

Please refer to Output 2.7 (pg. 28) and Table 4 (pg.31)

UNDP Response, 16 April 2020:

The project will not use GEF resources to promote RE technologies, rather any investment in RE would be funded through the government and private sector co-financing. This has been further detailed out in the project description as follows:

Output 2.7 will focus on providing technical assistance and best practices through private sector and government financing to support introduction of renewable energy technologies such as more efficient biomass use, mini and micro hydro-power and solar alternatives to reduce fire wood demand from the woodlots and reduce its usage in tea estates. This will also facilitate smallholders' productivity improvement through better access to energy, soil and water conservation. The intent of the RE technology improvements is to reduce removal of fire wood from the forest and the forest floor, the extraction of which currently causes forest degradation and loss of habitat for endangered species as well as land degradation through exposure of the soil, soil cover and fertility loss and lowering of soil organic content. For the broader community, and especially the labour force in the plantation estates, the project will explore access to cleaner renewable energy to dissuade the use of fuel wood for cooking and heating water that is sourced from natural forest areas so as to reduce impacts on natural forests and its species. In addition, to reduce impacts on natural forests, RPCs will work towards improving management of the fuelwood and timber plantations to enhance fuel wood and timber production (through better silvicultural practices, improved selection of planting stock, fast growing species, etc.) so as to reduce dependency on natural forests that often result in loss of biodiversity and species. The introduction of RE technologies and management of timber and forest plantations will be financed through the private sector/government financing and not through GEF resources.

This activity has also been removed from the GEF increment table as advised.

*Please refer to table B (pg. 5), description of **Output 2.7** (pg. 28-29).*

4. Is the project/program aligned with focal area and/or Impact Program strategies?

Secretariat Comment at PIF/Work Program Inclusion

March 26, 2020

Yes, cleared.

Agency Response

5. Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?

Secretariat Comment at PIF/Work Program Inclusion

March 26, 2020

We understand the planned forest restoration activities will not be supported by the GEF but by the co-financing. Considering the existing strong financial baseline, the added value of GEF investments is unclear. Please explain clearly and with more details how the activities funded by the GEF will build on and articulate with the different existing initiatives presented in the baseline.

April 12, 2020:

The improvement of practices in timber and fuel wood forest plantations is not eligible for GEF funding. Please ensure these activities will be supported by the co-financing.

April 15, 2020:

Again, the still says "Output 1.4 will provide technical support, training and monitoring support for the implementation of selected investments in the priority HCVMs and connecting ecological habitats to promote: ... (iii) improve practices in timber and fuel wood forest plantations within tea and rubber estates. Please make clear in the description of the output 1.4 of the project proposal that no activities in timber and fuel wood forest plantations will be funded by GEF but only co-financing.

April 17, 2020:

Thank you for the clarification in the project description. Cleared.

Agency Response

UNDP Response, 9 April 2020

For the restoration activities (proposed to be financed from the co-financing) the added value of GEF support as discussed in Output 1.4 (pg.26-27) will be to provide technical support, training and monitoring of the implementation of selected investments in the priority ecological habitats to promote: (i) improved conservation management and protection measures; (ii) support assisted natural regeneration of degraded tea and rubber lands, degraded forests and riparian areas with native species (including rare and endemic flora), with additional seeding, replanting and protection; (iii) improve practices in timber and fuel wood forest plantations within tea and rubber estates to enhance species diversity, enhance habitats and overall biodiversity; and (iv) restoration of critical riparian areas including rivulets, gullies

and stream banks to enhance connectivity corridors for terrestrial and aquatic faunal species. In terms of how GEF increment will built on existing baselines is presented in Table 4 (pg.30-31)

UNDP Response, April 14, 2020:

This is well noted. The improvement of practices in timber and fuel wood forest plantations will not use GEF resources and will be financed through the co-financing (by the RPCs)

Please refer to Table 4 (pg.31)

For the restoration activities (proposed to be financed from the co-financing) the added value of GEF support as discussed in Output 1.4 (pg.26-27) will be to provide technical support, training and monitoring of the implementation of selected investments in the priority ecological habitats to promote: (i) improved conservation management and protection measures; (ii) support assisted natural regeneration of degraded tea and rubber lands, degraded forests and riparian areas with native species (including rare and endemic flora), with additional seeding, replanting and protection; (iii) improve practices in timber and fuel wood forest plantations within tea and rubber estates to enhance species diversity, enhance habitats and overall biodiversity; and (iv) restoration of critical riparian areas including rivulets, gullies and stream banks to enhance connectivity corridors for terrestrial and aquatic faunal species. In terms of how GEF increment will built on existing baselines is presented in Table 4 (pg.30-31)

UNDP Response, April 16, 2020:

Thank you for the comments.

Financing for activities related to restoration and improve practices in timber and fuel wood plantations will be fully financed through the co-financing committed by the RPCs/government and not from GEF resources. These activities are proposed to enhance species diversity, enhance habitats and overall biodiversity as well as meet fuel wood and energy needs; and restoration of critical riparian areas including rivulets, gullies and stream banks to enhance connectivity corridors for terrestrial and aquatic faunal species. This has been clearly reflected in the description of output 1.4 in the proposal.

Please refer to the description of output 1.4 (pg.26-27)

6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?

Secretariat Comment at PIF/Work Program Inclusion

March 26, 2020

Yes, cleared.

Agency Response

7. Is there potential for innovation, sustainability and scaling up in this project?

Secretariat Comment at PIF/Work Program Inclusion

March 27, 2020

Yes, cleared.

Agency Response

Project/Program Map and Coordinates

Is there a preliminary geo-reference to the project's/program's intended location?

Secretariat Comment at PIF/Work Program Inclusion

March 26, 2020

Yes, cleared.

Agency Response

Stakeholders

Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?

Secretariat Comment at PIF/Work Program Inclusion

March 27, 2020

Yes, cleared.

Agency Response

Gender Equality and Women's Empowerment

Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?

Secretariat Comment at PIF/Work Program Inclusion

March 27, 2020

Yes, cleared.

Agency Response

Private Sector Engagement

Is the case made for private sector engagement consistent with the proposed approach?

Secretariat Comment at PIF/Work Program Inclusion

March 27, 2020

Yes, cleared.

Agency Response

Risks

Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?

Secretariat Comment at PIF/Work Program Inclusion

March 27, 2020

Yes, cleared.

Agency Response

Coordination

Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined? Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?

Secretariat Comment at PIF/Work Program Inclusion

March 27, 2020

Please also indicate how the project will coordinate with the other important related initiatives identified in the baseline from the WB, IFAD and GCF.

April 12, 2020:

Thank you for the clarification. Cleared.

Agency Response

UNDP Response, 9 April 2020

Coordination with other related initiatives identified in the baseline will be ensured by establishing a national Technical Advisory Committee (TAC) consisting of technical staff of the Ministry of Environment and Wildlife Resources, Ministry of Mahaweli Development, Ministry of Plantation Industries, RPCs, BSL, Ministry of Agriculture, and other technical agencies. The TAC will guide and advise the PMU in the implementation of the project as well as ensure coordination and collaboration across the agencies that are involved with development activities and donor financed projects in the GEF 7 project areas. At the local level, project activities will be coordinated through the District Agricultural Committees (DAC) that consist of local representatives of district agencies of agriculture, irrigation, land management, smallholder plantations, local government, forestry, etc. DAC will facilitate coordination of inter-agency activities. This mechanism will facilitate agreements with the national and local agencies identified in the baseline to ensure synergies and coordination across the different programs.

Please refer to Coordination section (p.41).

Consistency with National Priorities

Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

The LDN process carried out by the country is not presented. Please clarify the status of the country regarding this important objective of the UNCCD.

April 12, 2020:

Thank you for the complement. Cleared.

Agency Response

UNDP Response, 9 April 2020

LDN process undertaken by Sri Lanka is presented under the baseline scenario (pg.19-20)

Knowledge Management

Is the proposed “knowledge management (KM) approach” in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project’s/program’s overall impact and sustainability?

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

Yes, the Knowledge management is included in the Component 3 and is in line with GEF requirements. Cleared.

Agency Response

Part III – Country Endorsements

Has the project/program been endorsed by the country’s GEF Operational Focal Point and has the name and position been checked against the GEF data base?

Secretariat Comment at PIF/Work Program Inclusion

March 25, 2020

Yes, cleared.

Agency Response

Termsheet, reflow table and agency capacity in NGI Projects

Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.

Secretariat Comment at PIF/Work Program Inclusion

N/A

Agency Response

UNDP Response, 9 April 2020

The comments are well noted and addressed to the possible extent. All the changes in the text are highlighted in yellow.

Agency Response

UNDP Response, 21 April 2020:

1. Thank you for the comments. Name of the co-financier has been changed to World Bank and GCF, and the co-financing source has also been changed to ‘Donor Agency’ in Table C (page 7-8).

2. Description on stakeholder engagement mainly CSO and private sector has been elaborated. During the initial conception of the project idea and at the time of PIF development, UNDP together with the Ministry of Environment and Wildlife Resources has extensively consulted CSOs and private sectors to seek their commitment and partnership in this project. The list of stakeholders including their role and responsibilities are presented in **Table 7** (Page 35-37) and **Annex D** (page 58-61).

While the presence of indigenous peoples (Veddahs) are not confirmed at the PIF stage, we have noted this as one of the risks in the pre-SESP screening where they may be directly or indirectly affected by the project if they are not adequately involved in project design. At the PPG stage, the project development team will consult with IP experts in the country to further validate the presence of IPs in the project area, or its area of influence. Accordingly, will assess potential impacts of the project on rights and interests, lands, territories, resources, and traditional livelihoods.

Please refer to stakeholder section (Page 35)

3. The proposal was pre-screened for any social and environmental risks along and was rated as a ‘high risk’ project. The Social and Environmental Screening Procedure (SESP) along with the checklist was completed and reviewed/cleared by Safeguards Specialist. Pre-SESP was uploaded in the portal on 21st March 2020.

UNDP Response, 21 April 2020:

Additional comments to be considered during the PPG are well noted and will be included in the PPG initiation plan. The status will be updated at the time of CEO endorsement.

GEFSEC DECISION

RECOMMENDATION

Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?

Secretariat Comment at PIF/Work Program Inclusion

March 27, 2020

Not yet. Please address the comments above. In addition, please indicate in the responses where exactly in the proposal the text is modified. Finally, the text includes many acronyms (ESMF, ESI, GRM, IPP...). Please ensure to mention what they stand for when they appear for the first time.

April 12, 2020:

Not yet. Please address the remaining last comments.

April 15, 2020:

Not yet. Please make sure the remaining last comments are clearly addressed in the project description and not only in the review sheet.

April 20, 2020:

Not yet, please address the following comments:

- 1. On co-financing (table C): In the "Name of Co-Financier" field, please provide the name of the entity (the World Bank and GCF) that provides the co-financing, rather than the name of the project with which it is associated. A loan or grant from the World Bank and GCF should also be listed as co-financing from a "Donor Agency" in the field "Sources of Co-financing". For further details, please refer to the Co-Financing Guidelines (http://www.thegef.org/sites/default/files/documents/Cofinancing_Guidelines.pdf).
- 2. On Stakeholder Engagement: Please provide a description of the Consultations that took place with civil society organizations and private sector entities, as indicated in the Stakeholders section (#2). Please note that the GEF Policy on Stakeholder Engagement (Nov 2017) requires that that at PIF stage 'Agencies provide a description of any consultations conducted during project development...'

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•3. On Environmental and Social Safeguards: Section #5 of the PIF shows that some risks screening has taken place and states the overall risk at PIF stage as high. Please provide the completed UNDP Social and Environmental Screening (SESP) Checklist, and attach the SESP, if available.

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•**April 21, 2020:**

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Thank you for the clarification provided. The comments have been addressed. The PIF and PPG are now recommended.

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ADDITIONAL COMMENTS

Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.

Secretariat Comment at PIF/Work Program Inclusion

During the PPG stage, please:

- Clarify the landscape approach where PA and PA managers are also involved, in particular in activities related to enhancing connectivity;
- Inform the names and map the specific location of the HCVPs to provide a better understanding of their spatial distribution and options for connectivity;
- Refer to STAP's guidance on PES and ensure that all threats and criteria set out therein are addressed in the project (https://www.thegef.org/sites/default/files/publications/STAP_PES_2010_1.pdf).

Review Dates

	PIF Review	Agency Response
First Review		
Additional Review (as necessary)		

	PIF Review	Agency Response
Additional Review (as necessary)		
Additional Review (as necessary)		
Additional Review (as necessary)		

PIF Recommendation to CEO

Brief reasoning for recommendations to CEO for PIF Approval

Context:

Sri Lanka is an island and it is one of the smallest, but biologically most diverse countries in Asia. While tea plantations are a prominent and very abundant land use type in the Central Highlands, and rubber in the lower elevations, the remaining natural habitats that occur within these sustains an abundance of biodiversity. It is estimated that 20% of the tea and rubber plantation areas are under natural vegetation or plantation forestry. While these forest patches are small in extent and fragmented, they are considered as important conservation refuges which contain irreplaceable biodiversity. They have no legal status but the Regional Plantation Companies (RPCs) voluntarily manage them within their plantations to protect their biodiversity.

However, while the extent of forest cover loss is not very significant, these forests suffer the consequences of the over uses of their products. The plantation landscapes including their forests are being degraded through habitat destruction, soil losses, soil fertility decline and landslides. Among the most important identified root causes of biodiversity loss and land degradation are the demand for land, the fragmentation and degradation of habitats, the exploitation and over-extraction, invasive alien species and unsustainable agricultural and other land use practices. To reverse this trend, critical barriers need to be overcome: the limited financing for conservation outside protected areas, the lack of policy coherence and supportive incentive system for private sector engagement, the limited adaptive management of a multi-use landscape, and the Limited capacity in increasing agriculture and land productivity.

Project:

Relying on promising initiatives of the private sector and notably the partnership Biodiversity Sri Lanka and the Sri Lanka Business and Biodiversity Platform, the project aims at incentivizing further and integrating biodiversity conservation and sustainable land management practices within tea and rubber plantations. This will be achieved through a set of targeted outputs that will support biodiversity and land degradation assessments, restoration of degraded and riparian forests, and the development of alternative financing and business models for tea and rubber plantations through innovative partnerships between the public sector, private sector, smallholder groups and local communities.

The project includes 3 components: 1- Improving conservation and restoration of High Conservation Value (HCV) forest ecosystems in the Wet and Intermediate Climatic Zones; 2- Innovative Public-Private-Community Partnerships for conservation and sustainable land management established within the plantation sector; and 3- Increasing capacity for policy coherence, project implementation and monitoring

Global Environment Benefits:

The project will provide the following GEBs: (i) 1,500 ha of degraded agricultural and forest land restored, and (iii) 54,000 ha of landscapes under improved practices including 54,000 ha of landscapes under sustainable land management in production systems and 4,000 ha of High Conservation Value Forest loss avoided, and 6.2 million tCO_{2e} emissions mitigated. 5,000 stakeholders, including workers on plantations, tea and rubber small holders and vegetable farmers (50% female), will directly benefit from this project.

Co-financing:

The expected co-financing amount of \$ 28 million (including \$19.9 as grant) is provided by the Government (\$22.9 million) and the private sector (\$5.1 million).