



Mainstreaming Nature in Policy and Investment Decisions

Pilot Project Fact Sheet

Sri Lanka

Supporting food security, energy security & livelihoods through strategic management of the Mahaweli Watershed



Country context

Sri Lanka is a country with rich natural and human resources. Its highlands and coasts are popular with tourists, and produce important export commodities like tea and rubber. Coral reefs are abundant on its coasts, and its central highlands have a number of national parks with mega-fauna such as wild elephants. There is also a long tradition of nature-based solutions. Yet Sri Lanka faces a number of challenges, including a foreign debt crisis, shortages of key commodities including fertilizer, and water scarcity in its northern dry lands. Sri Lanka is also highly vulnerable to climate change and its effects on water availability. New water infrastructure is being built to transfer water from the Mahaweli Basin to Sri Lanka's dry zone in the north, to increase agricultural production and provide clean drinking water to over 350,000 people, promoting economic and food security and health.

What will this pilot project do?

This project will co-create a watershed investment plan for the Mahaweli Watershed to help the Asian Development Bank and other partners in Sri Lanka reduce erosion from land degradation and development. This erosion, and subsequent sedimentation, compromises soil fertility and obstructs downstream irrigation and hydropower infrastructure. Investments in nature-based solutions, such as forest restoration or sustainable agriculture, in key areas can mitigate sedimentation. This project will help assess where such investments are cost-effective and align with local livelihoods. It will also develop capacity within Sri Lanka's financial and research institutions, including the University of Peradeniya, the World Bank, and the International Water Management Institute, to understand the importance of ecosystem services and make the case for investing in natural capital as an integral part of solutions to the country's interconnected challenges.

Note that this is an iterative process and the specifics of the project may evolve.

Key steps

- Identify stakeholder visions and values** for the Upper Mahaweli Watershed, to determine key benefits and possible interventions to include in a natural capital assessment.
- Model sediment origins in the Upper Mahaweli Watershed** under current conditions and under possible future watershed conservation measures (e.g., agroforestry, sustainable tea, restoration)
- Prioritize watershed interventions and investment options** based on sediment and other values
- Develop capacity of Sri Lankan partner institutions** to carry on and refine natural capital approaches beyond this project
- Collaborate with ADB on new financing instruments** (e.g., bonds and debt swaps) to mobilize capital for environmental projects

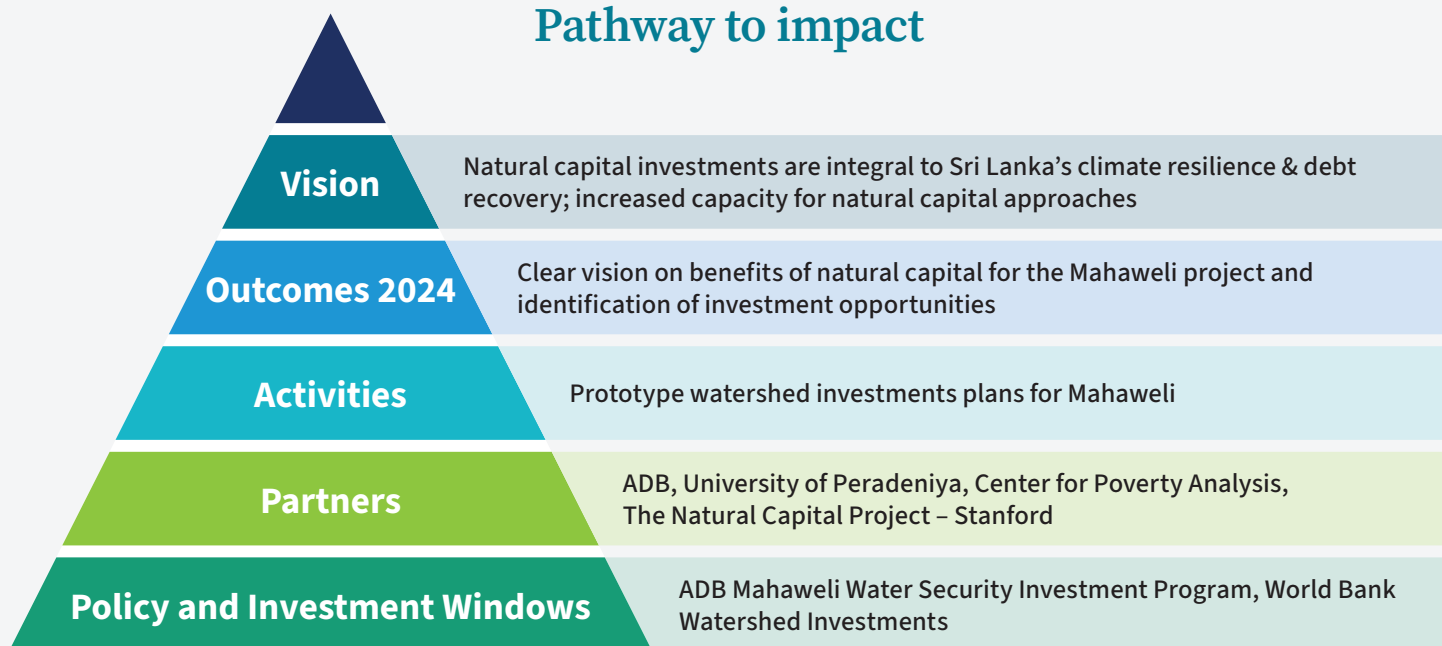


Project-at-a-glance

Mahaweli Watershed investments

Type of policy or finance mechanism this will inform:	Policy and institutional reforms to improve watershed management; watershed investments, green bonds, and climate finance
Planned methods for natural capital approach:	Prioritization of watershed investments
Key issues to be addressed:	Water, energy, and food security
Geographic scale:	Watershed
Ecosystem services to be assessed:	Sediment retention

Pathway to impact



For more information, please visit the project page: bit.ly/peopleplanetprosperity.
Please contact naturalcapitalproject@stanford.edu with questions about this project!



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Asian Development Bank
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Key Collaborators
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