



GEF-6 REQUEST FOR PROJECT ENDORSEMENT/APPROVAL

PROJECT TYPE: FULL-SIZED PROJECT

TYPE OF TRUST FUND: GEF TRUST FUND

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PART I: PROJECT INFORMATION

Project Title: (NGI) The Meloy Fund: A Fund for Sustainable Small-Scale Fisheries in Southeast Asia			
Country(ies):	Indonesia, Philippines	GEF Project ID:	9370
GEF Agency(ies):	Conservation International (CI)	GEF Agency Project ID:	
Other Executing Partner(s):	Rare	Submission Date:	07/19/2017
GEF Focal Area (s):	Biodiversity	Project Duration (Months)	60 months (Project Investment Period), over a 120-month term, plus two optional 12-month extensions
Integrated Approach Pilot	IAP-Cities <input type="checkbox"/> IAP-Commodities <input type="checkbox"/> IAP-Food Security <input type="checkbox"/>	Corporate Program: SGP <input type="checkbox"/>	
Name of Parent Program		Agency Fee (\$)	540,000

A. FOCAL AREA STRATEGY FRAMEWORK AND OTHER PROGRAM STRATEGIES

Focal Area Objectives/Programs	Focal Area Outcomes	Trust Fund	(in \$)	
			GEF Project Financing	Co-financing
BD-3 Program 6	Outcome 6.1: Integrity and functioning of coral reef ecosystems maintained and area increased	GEFTF	6,000,000	35,199,864
Total project costs			6,000,000	35,199,864

B. PROJECT DESCRIPTION SUMMARY

Project Objective: To improve the conservation of coral reef ecosystems by providing financial incentives to fishing communities in the Philippines and Indonesia to adopt sustainable fishing behaviors and rights-based management regimes through capital investments in commercially viable enterprises.

Project Components/Programs	Financing Type	Project Outcomes	Project Outputs	Trust Fund	(in \$)	
					GEF Project Financing	Confirmed Co-financing
Component 1: The Meloy Fund for	Inv	Outcome 1.1: Area of coral reef	Output 1.1.1: Investments in 12-18 ventures in	GEFTF	6,000,000	12,000,000

Sustainable Small-Scale Fisheries		<p>ecosystems¹ in Indonesia and the Philippines under improved sustainable management increased through financial investments that incentivize adoption of sustainable rights-based fisheries management practices that include protection for critical habitats.</p> <p>Target 1.1: 1.2 million ha of coral reef ecosystems included or targeted for inclusion under community-level rights-based management within 10 years</p>	<p>Indonesia and the Philippines that increase the potential earnings of small-scale fishing communities, thereby incentivizing their transition to and continued practice of sustainable fisheries management in targeted coral reef ecosystems successfully executed.</p> <p>Output 1.1.2: At least USD 5 million in financing to acquire or upgrade equipment and/or other assets that preserve or add value to fish and fish products along the supply chain (e.g. ice plants, cold storage trucks) invested in ventures that source from sustainably managed small-scale fisheries in targeted coral reef ecosystems.</p> <p>Output 1.1.3: 50,000 hours of mentoring and business development support to portfolio companies' senior managers in</p>			
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¹ Under this project, *coral reef ecosystems* refer to marine habitats that include coral cover, seagrass beds, mangroves and oceanic.

			financial and operational management provided to build capacity to scale competitive businesses that source from sustainably managed small-scale fisheries (SSFs)			
Component 2: Fisheries technical assistance (TA) through Fish Forever	TA	<p>Outcome 2.1: Capacity of portfolio companies to deliver on the Fund’s environmental and social impact targets improved through fisheries TA provided by Fish Forever.</p> <p>Target 2.1: 100 percent of portfolio companies’ capacity improved to enable them to achieve the Environmental and Social (E&S) targets of the Fund.</p> <p>Outcome 2.2: Integrity and functioning of targeted coral reef ecosystems maintained through the implementation of community rights-based management at Fish Forever sites, as incentivized</p>	<p>Output 2.1.1: Pre-investment due diligence conducted to assess the Environmental and Social (E&S) impact on small-scale fisheries of potential portfolio companies and their ability meet the minimum E&S standards of the Fund in 100 percent of potential investments.</p> <p>Output 2.2.2: Capacity and constituency amongst fishers and communities to support sustainable fishing practices within targeted coral reef ecosystems (including marine habitats of coral reef, seagrass, mangroves and oceanic) strengthened.</p> <p>Output 2.2.3: Regulation violations in TURF and no-take zone stabilized or</p>	N/A	0	23,199,864

		through Meloy Fund investments. Target 2.2: Baseline measures maintained and/or improved.	decreased in priority marine ecosystems within 3 years of Fish Forever implementation.			
Subtotal					6,000,000	35,199,864
Project Management Cost (PMC)						
Total project costs					6,000,000	35,199,864

C. CONFIRMED SOURCES OF CO-FINANCING FOR THE PROJECT BY NAME AND BY TYPE

Please include evidence for co-financing for the project with this form.

Sources of Co-financing	Name of Co-financier	Type of Cofinancing	Amount (\$)
CSO	Rare Inc.	In-kind	22,899,864
Private Sector	Rare Inc. on behalf of confidential private sector investors	Equity	12,000,000
GEF Agency	Conservation International	In-kind	300,000
Total Co-financing			35,199,864

D. TRUST FUND RESOURCES REQUESTED BY AGENCY(IES), COUNTRY(IES) AND THE PROGRAMMING OF FUNDS

GEF Agency	Trust Fund	Country Name/Global	Focal Area	Programming of Funds	(in \$)		
					GEF Project Financing (a)	Agency Fee ^{a)} (b) ²	Total (c)=a+b
CI	GEFTF	Indonesia, Philippines	Biodiversity	Non-Grant Set Aside	6,000,000	540,000	6,540,000
Total Grant Resources					6,000,000	540,000	6,540,000

a) Refer to the Fee Policy for GEF Partner Agencies

E. PROJECT’S TARGET CONTRIBUTIONS TO GLOBAL ENVIRONMENTAL BENEFITS

Provide the expected project targets as appropriate.

Corporate Results	Replenishment Targets	Project Targets
1. Maintain globally significant biodiversity and the ecosystem goods and services that it provides to society	Improved management of landscapes and seascapes covering 300 million hectares	<i>1.2 million hectares</i>
2. Sustainable land management in production systems (agriculture, rangelands, and forest landscapes)	120 million hectares under sustainable land management	<i>hectares</i>
3. Promotion of collective management of transboundary water systems and implementation of the full range of policy, legal, and institutional reforms and investments contributing to sustainable use and maintenance of ecosystem services	Water-food-ecosystems security and conjunctive management of surface and groundwater in at least 10 freshwater basins;	<i>Number of freshwater basins</i>
	20% of globally over-exploited fisheries (by volume) moved to more sustainable levels	<i>Percent of fisheries, by volume</i>
4. Support to transformational shifts towards a low-emission and resilient development path	750 million tons of CO _{2e} mitigated (include both direct and indirect)	<i>metric tons</i>
5. Increase in phase-out, disposal and reduction of releases of POPs, ODS, mercury and other chemicals of global concern	Disposal of 80,000 tons of POPs (PCB, obsolete pesticides)	<i>metric tons</i>
	Reduction of 1000 tons of Mercury	<i>metric tons</i>
	Phase-out of 303.44 tons of ODP (HCFC)	<i>ODP tons</i>
6. Enhance capacity of countries to implement MEAs (multilateral environmental agreements) and mainstream into national and sub-national policy, planning financial and legal frameworks	Development and sectoral planning frameworks integrate measurable targets drawn from the MEAs in at least 10 countries	<i>Number of Countries:</i>
	Functional environmental information systems are established to support decision-making in at least 10 countries	<i>Number of Countries:</i>

G. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT? Yes

(If non-grant instruments are used, provide an indicative calendar of expected reflows to your Agency and to the GEF/LDCF/SCCF Trust Fund) in Annex D.

PART II: PROJECT JUSTIFICATION

A. DESCRIBE ANY CHANGES IN ALIGNMENT WITH THE PROJECT DESIGN WITH THE ORIGINAL PIF

A.1. *Project Description.* Elaborate on: 1) the global environmental and/or adaptation problems, root causes and barriers that need to be addressed; 2) the baseline scenario or any associated baseline projects, 3) the proposed alternative scenario, GEF focal area strategies, with a brief description of expected outcomes and components of the project, 4) [incremental/additional cost reasoning](#) and expected contributions from the baseline, the GEFTF, LDCF, SCCF, and [co-financing](#); 5) [global environmental benefits](#) (GEFTF) and/or [adaptation benefits](#) (LDCF/SCCF); and 6) innovativeness, sustainability and potential for scaling up.

- A.1.1: N/A

- A.1.2: N/A

- A.1.3:

As was included in the PIF, the project has two main Components:

- 1) The Meloy Fund for Sustainable Small-Scale Fisheries; and
- 2) Fisheries technical assistance (TA) through Fish Forever

Under Component 1, no changes were made to the originally proposed Outcome 1.1, however Output 1.1.3 as included in the PIF has now been moved under Output 1.1.1 as an Indicator (see Indicator 1.1.1b-ii). As noted under paragraph 105 in the ProDoc, given that one of the key goals of the Meloy Fund is to stabilize or even increase profitability of fishing operations while simultaneously rebuilding overfished stocks, the Project will assess the percentage increment in Profit Per Unit Effort (PPUE) instead of the originally stated Cost per Unit Effort (CPUE), as it was felt that PPUE is more reflective of what the Project aims to measure. PPUE is a key measure for fisher profitability, combining the often-used measure of fish stock productivity - CPUE - with the “business” dimension of a fishery, namely costs and prices. In addition, based on pipeline development conducted during the project preparation phase, the Meloy Fund will seek to invest at least USD 5 million in financing to acquire or upgrade equipment and/or other assets that preserve or add value to fish and fish products along the supply chain (please see Output 1.1.2). This reduction from USD 8 million as proposed in the PIF, better reflects the investment opportunities surfaced. As such, as outlined in paragraph 109 in the ProDoc, it is now expected that at least one-fourth of the Fund’s investments will be used to finance fixed assets.

During the project preparation phase, the TA role of Fish Forever was also further clarified. As outlined in paragraphs 115-116 in the ProDoc, although sites of investment impact will not always overlap with Fish Forever program sites (and vice versa), across the entire investment portfolio, the Fund will rely on technical inputs from Fish Forever’s global (US-based, centralized capacity) and in-country teams within Indonesia and the Philippines. More specifically, it was further clarified that the Fish Forever team will support Meloy Fund’s prospective and current investments in the following three ways:

- 1) Pre-investment due diligence;
- 2) Post-investment supervision; and
- 3) Development and implementation of FIPs for targeted fisheries.

To better reflect Fish Forever’s TA role within the project’s Results Framework (please see Appendix I in the ProDoc and Appendix A in this Request for Project Endorsement), a new Outcome was included (see paragraphs 121-123 in the ProDoc for details on Outcome 2.1). In addition, three new Outputs have been included under this Outcome. Please see paragraphs 124-133 in the ProDoc for details.

Furthermore, Outcome 2.1 in the PIF has now been shifted to be an Output (2.2.2) under a slightly revised Outcome 2.2. The other Outputs under what was Outcome 2.1 in the PIF have also been shifted to fall under Outcome 2.2. Outcome 2.2 has changed slightly from the PIF to include different indicators that focus more

on the integrity and functioning of the ecosystem, as the area based measure we felt was already well reflected under Outcome 1.1. As a result, Target 2.2 has changed to better align with the slightly revised Outcome 2.2 language. Please see paragraphs 134-136 in the ProDoc for details. Lastly, Output 2.2.1 from the PIF has been omitted from the Results Framework as this will essentially be measured under Outcome 1.1 at sites where Fish Forever sites and sites of investment impact overlap.

- A.1.4: N/A
- A.1.5: N/A
- A.1.6: N/A

A.2. Child Project? If this is a child project under a program, describe how the components contribute to the overall program impact.

N/A

A.3. Stakeholders. Elaborate on how the key stakeholders engagement, particularly with regard to [civil society organizations](#) and [indigenous peoples](#), is incorporated in the preparation and implementation of the project.

As outlined in paragraph 107 and Appendix VIII in the ProDoc, the Meloy Fund will work closely with local partners on the ground to develop deal flow, conduct due diligence and supervise its portfolio and its impacts. Throughout the project, the Fund will continue to engage relevant stakeholders to ensure the Fund's coordination and success. These engagements help to mitigate risks and ensure community buy-in, as well as improve selection of investees, execute due diligence processes, and protect against corruption.

Throughout the project development phase, the team engaged in a series of information sharing and consultation activities with a wide range of stakeholders. Engagement efforts during this period largely focused on stakeholder groups that would directly contribute to the successful development and implementation of the Fund, including:

- Potential investors;
- Potential investees;
- Sources of potential pipeline opportunities;
- Impact investors;
- Potential partners/project development partners;
- Other relevant initiatives;
- The United States Agency of International Development's (USAID) Development Credit Authority (DCA);
- Fund advisors/experts; and
- Fish Forever.

In addition, a Stakeholder Engagement Plan (SEP) has been developed, outlining key stakeholders, their role/interest in the Fund, the potential effects of the project on the identified stakeholders, and how they will be engaged throughout project implementation. Please see Appendix VIII in the ProDoc for the full SEP.

A.4. Gender Equality and Women's Empowerment. Elaborate on how gender equality and women's empowerment issues are mainstreamed into the project implementation and monitoring, taking into account the differences, needs, roles and priorities of women and men.

As outlined in paragraph 232 and Appendix IX in the ProDoc, the Meloy Fund and Fish Forever recognize that both men and women are equally important stakeholders and supports the rights of both men and women in local communities to manage their coastal resources. Ensuring that both men and women have equal opportunities to participate in and benefit from the Meloy Fund will be achieved by mainstreaming

gender dimensions throughout the investment and FIP development process. During the project preparation phase, an assessment was conducted to better understand the different, yet complementary, roles that men and women play within the SSFs sector in Indonesia and the Philippines. In addition, a Gender Mainstreaming Plan (GMP) was developed to identify specific actions that the project will take, noting that the Meloy Fund investees will have different capacities, needs and experiences in integrating gender into their business investments and operational structures. One of the goals of the project's GMP is to ensure that, for relevant investments², gender-related adverse impacts are avoided, minimized and/or mitigated. This goal is also reflected under requirement 1.2.6 of the E&S Guidelines (see Appendix V in the ProDoc for further details).

A.5 Risk. Elaborate on indicated risks, including climate change, potential social and environmental risks that might prevent the project objectives from being achieved, and, if possible, the proposed measures that address these risks at the time of project implementation. (table format acceptable):

In addition to the risks outlined within the PIF, the Fund's General Partner (GP) has also identified specific risks as relevant to Fund investors within the (confidential) legal documentation for the Fund (i.e. the Private Placement Memorandum and Subscription Agreement). Furthermore, the rating of the risks as outlined in the PIF has been updated to reflect the GEF's revised rating system.

Lastly, considering that Rare is in process of developing its strategy for the next cohort of Fish Forever sites in both countries, and will be required to raise funds in support of the outlined interventions, during the project preparation phase this was identified as a "medium-level" risk given the Fund's explicit connection to Rare's global Fish Forever TA program. Please see Table 5 in the ProDoc for further details.

A.6. Institutional Arrangement and Coordination. Describe the institutional arrangement for project implementation. Elaborate on the planned coordination with other relevant GEF-financed projects and other initiatives.

A. Execution Arrangements and Partners

As a strategy to further Rare's charitable purpose, Rare has formed the Meloy Fund to provide small-scale fishers financial incentives to achieve sustainable management of the natural resources on which these fishers rely. Given Rare's deep experience in the sustainable fisheries sector and with conservation initiatives more broadly, the General Partner (GP) will work closely with Rare, including through Fish Forever, to provide expertise and fisheries technical assistance (TA) support to the GP and enterprises in which the Fund invests. Rare, including through Fish Forever, has developed substantial expertise related to developing comprehensive environmental, social, and financial models for community development around sustainable fisheries. It is the GP's intention to leverage Rare's depth of experience, including through Fish Forever, to support the Fund's work.

In addition, it is anticipated that Rare will support the investment program and subsidize a portion of GP costs (a) by raising grant funding to support the salaries of the Fund's Managing Director and Deputy Managing Director; (b) by Rare's grant support to Fish Forever; (c) through fisheries TA aimed towards enhancing the environmental and social impact of companies in which the Fund invests; and (d) providing a line of credit to the GP for Operating Expense. Additionally, some existing Rare grantors and Directors may become Limited Partners (LPs) in the Fund. As the Executing Agency of the GEF Project, Rare will provide oversight and management of all project related reporting to the GEF-CI Project Agency, as well as fisheries TA to the Fund, including pre-investment due diligence, post-investment E&S supervision, FIP

² Depending on the type of investment and scope of activities, the degree of relevance of gender dimensions may vary. Similarly, depending on the capacities and interest of the investees, the level of gender mainstreaming opportunity may vary.

development and implementation, and targeted monitoring and evaluation support at sites of overlap between the Fund and Fish Forever.

The GP of the Fund is the Meloy Fund I GP, LLC, a Delaware limited liability company and wholly-owned subsidiary of Rare. Rare is the sole member of the GP.

Fund Structure

LPs will have two options to invest in the Fund, depending on their legal and taxation considerations. US investors will likely invest directly in the Fund. Non-US investors making significant capital contributions may have the option to invest through a non-US domiciled fund that will invest in the Fund. The GEF funds will be directly invested in the Fund. The GP and the Fund were established as Delaware entities (formed on October 12, 2016). As the majority of the Fund's investors and the Fund's General Partner are based in the US, a Fund domiciled in Delaware was the most advantageous with regards to legal and tax liabilities. The GP will work with the LPs to ensure the appropriate handling of expected tax liabilities. Please see Figure 6 below.

The GP will manage the business affairs of the Fund. The GP may enter into agreements with Rare pursuant to which Rare will provide certain administrative services for Fund operations (such as office costs and benefit management), as well as technical expertise related to fisheries, including bio-economic modeling, FIP design, and social and environmental impact measurement, to maximize the Fund's intended environmental and social impact.

Fund Governance

Fund governance will be set-up and managed generally in accordance with the Institutional Limited Partners Association (ILPA) Private Equity Principles.

The sole decision-making body of the GP on behalf of the Fund will be the Fund Investment and Management Committee (FIMC). The FIMC will include the Managing Director, Deputy Managing Director, and Fund Manager. The FIMC will be responsible for (a) the executive management of the Fund, including the development and implementation of the investment program; and (b) investment approvals and portfolio supervision.

Since Rare is the sole member of the GP, it will rely upon its Board of Directors to provide oversight of the GP, particularly regarding ongoing compliance with the Internal Revenue Code. Conflicts of interest between Rare and the GP will be managed according to Rare and the GP's conflicts of interest policies.

The FIMC will also be responsible for reporting to the LPs. Quarterly reporting will include:

- a) unaudited quarterly reports with portfolio company financial, social and environmental performance;
- b) unaudited Fund financial accounts; and
- c) an update on Fund performance.

Annual reports will include:

- a) annual reviewed financial report for the Fund;
- b) portfolio valuation tied with a detailed analysis of the performance of each Portfolio Investment; and
- (f) an analysis of the Fund's environmental and social impact.

Fund Advisory Support

Additional advisory support will be provided by the bodies as detailed below:

Limited Partner Advisory Committee (LPAC)

The LPAC will be composed of an advisory committee of representatives of the LPs appointed by the GP. Each LP with a capital commitment equal to at least USD 1 million unless otherwise determined by the GP, will be entitled to designate one member to the LPAC. It is anticipated that the LPAC will have three to seven members. The GP will appoint Rare's Chief Executive Officer (CEO), as a non-voting member of the LPAC.

The GP is obligated to make certain disclosures to the LPAC with respect to conflict transactions, and the LPAC will have authority to approve and review certain matters as laid out in the Partnership Agreement, including but not limited to review of (a) transactions that potentially pose conflicts of interest, such as cross-Fund investments and related-party transactions, including those between Rare and the Fund; (b) valuation methodology used for Portfolio Investments; and (c) changes in the Fund's governing documents that result in (i) extending the Fund Term; (ii) altering investment limitations; and (iii) suspending or removing the GP. The GP will retain ultimate responsibility for all decisions relating to the operation and management of the Fund, including investment decisions.

Given that the Partnership Agreement cannot make advance provision for all circumstances and outcomes, the GP will ensure that the appropriate mechanisms are in place to work through unforeseen conflicts as well as changes to the investment team or other Fund parameters.

The LPAC will not replace frequent, open communications between the GP and LPs, including reporting to all LPs, as well as the immediate disclosure of any inquiries by legal or regulatory bodies in any jurisdiction, material contingencies or liabilities arising during the Fund Term, or breach of a provision of any Fund document.

Eco-Impact Investor Circle

Rare's Eco-Impact Investor Circle may be engaged to help vet potential portfolio investments at the pre-term sheet stage.

Regional Advisory Bodies

Regional advisory bodies are being developed in Indonesia and the Philippines to help facilitate community engagement and provide robust support for pipeline development and portfolio companies.

Fund Management

Under the Partnership Agreement, the GP will have sole authority to manage the Fund, including with respect to investment decisions, such as selection and oversight of Portfolio Investments, terms and conditions of Portfolio Investments and timing of and terms of sales of or realization of gains or losses on Portfolio Investments. Rare is the sole member of the GP.

The GP will have a dedicated fund management team, which will manage the relationship with each investee, through the origination, supervision, and exit from each portfolio investment. These individuals will be employed by Rare and engage in the activities of the GP through a services agreement between the entities. The GP anticipates engaging seven individuals as deal flow and portfolio under management grows (please see Figure 8 below).

The team will be led by a full-time Fund Manager, who is expected to be based out of Jakarta, Indonesia (start date was May 1, 2017). Additionally, each country will have a Portfolio Manager who will lead country operations and report to the Fund Manager. The GP intends enter into a services agreement with

Rare, which will hire in-country Investment Officers and Business Development professionals within two to three years of the Final Closing.

The Managing Director and Deputy Managing Director are anticipated to dedicate 25-30 percent of their work time to the GP, and the remainder of their work time to other activities of Rare. Managing Director and Deputy Managing Director responsibilities will include, but are not limited to, overall strategic development and management, partnership management (including with Rare), management and coordination of LP relations, and oversight of investments and operations.

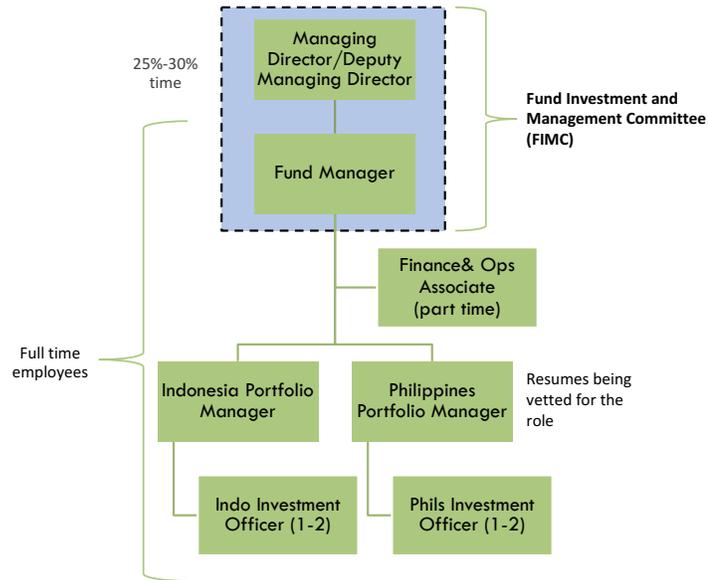
The Fund Manager will provide overall direction to the Fund, and will oversee country teams in Indonesia and the Philippines, including investment sourcing and investment management. Primary responsibilities of the Fund Manager responsibilities will include, but are not limited to, refining and executing the Fund’s investment strategy, leading investment teams in Indonesia and the Philippines to identify, process, and supervise investment opportunities to optimize outcomes blending social, environmental and financial outcomes, and managing a portfolio impact valuation and reporting process to investors.

The GP will work with Fish Forever staff or hire short-term consultants for additional expertise related to monitoring and evaluation, biological and economic modeling, community engagement, and other activities as needed. Third-party consultant expenses will be paid for by portfolio companies, through a services agreement with Rare, or through grants received through the GP.

B. Project Execution Organizational Chart

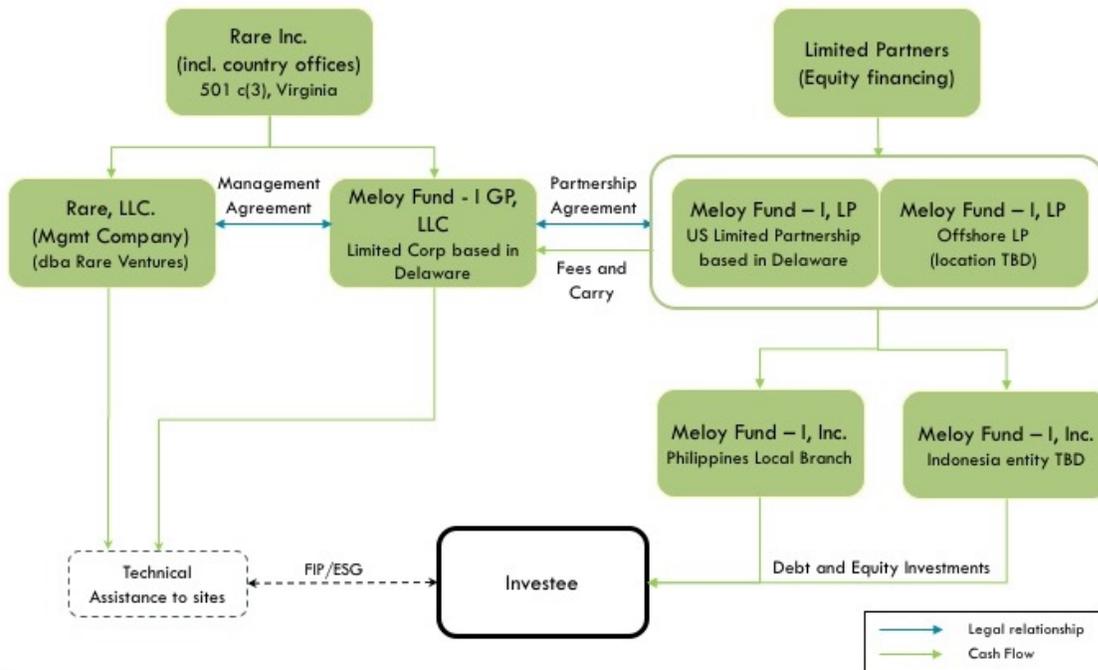


MELOY FUND MANAGEMENT ORGANIZATIONAL CHART



FUND CORPORATE STRUCTURE

This chart describes the relationship, which may be changed in Rare, as the sole member of the GP, and the GP's discretion, between the various legal entities which the GP anticipates will collaborate to pursue outcomes and returns that integrate social, environmental, and financial considerations.



Additional Information not well elaborated at PIF Stage:

A.7 Benefits. Describe the socioeconomic benefits to be delivered by the project at the national and local levels. How do these benefits translate in supporting the achievement of global environment benefits (GEF Trust Fund) or adaptation benefits (LDCF/SCCF)?

As outlined in the ProDoc (see paragraph 12), the Meloy Fund will offer new learning opportunities for the application of non-grant financial instruments as a tool to help combat the environmental degradation of important small-scale and coastal fishery habitats. Furthermore, the Fund will play an important role in de-risking a historically undervalued and underappreciated SSFs sector (see paragraph 59 in ProDoc). Through the improved conservation and management of 1.2 million hectares (12,000km²) of coral reef ecosystems, this project is directly linked to delivery of the global environmental benefits that the GEF's biodiversity focal area is designed to achieve, namely:

- The conservation of globally significant biodiversity, including seascapes with important marine habitat such as coral reef, seagrass, mangrove and oceanic; and
- The sustainable use of the components of globally significant biodiversity, including those found in marine habitats.

In addition, by improving income opportunities through enterprise and market interventions, the Fund will help reduce the 'cost of transitioning' to more sustainable practices and incentivize fishers to support improved fisheries management practices through a perceived positive "benefits exchange". The Fund will drive economic growth in the small-scale fishing sector in ways that allow fishers to maintain or increase income levels while reducing fishing pressure. In this way, small-scale fishers – often the poorest and most climate-vulnerable citizens – are both direct beneficiaries of the Fund and are incentivized to fish sustainably, creating indirect benefits for the millions of others who rely on long-term viability of local fish stocks for nutrition and livelihood.

As noted under paragraphs 179-180 in the ProDoc, the Fund has developed specific social impact targets and will set increasing annual impact goals for every investment, which ultimately roll up to the Meloy Fund's own social impact goals - to have a positive impact on the lives of 100,000 fishers and their household members, and to make USD 20 million in aggregate annual purchases from small-scale fishers.

A.8 Knowledge Management. Elaborate on the knowledge management approach for the project, including, if any, plans for the project to learn from other relevant projects and initiatives (e.g. participate in trainings, conferences, stakeholder exchanges, virtual networks, project twinning) and plans for the project to assess and document in a user-friendly form (e.g. lessons learned briefs, engaging websites, guidebooks based on experience) and share these experiences and expertise (e.g. participate in community of practices, organize seminars, trainings and conferences) with relevant stakeholders.

This section has been expanded from the PIF. As outlined in paragraphs 208 and 209, the project development team is currently crafting a strategy to share our learnings from the Meloy Fund. This multi-pronged strategy will include several key components:

- Events and Convenings;
- Press Releases;
- Websites;
- Thought Leadership Pieces and Other Publications; and
- Advisor and Other Strategic Engagements.

In addition, as stated in the PIF, to encourage peer-to-peer knowledge sharing, as supplemental funds allow, the Fund will explore possibilities for convening regular private sector forums or workshops, whereby investees would have the opportunity to learn from one another and across country boundaries.

B. DESCRIPTION OF THE CONSISTENCY OF THE PROJECT WITH:

B.1 *Consistency with National Priorities.* Describe the consistency of the project with national strategies and plans or reports and assessments under relevant conventions such as NAPAs, NAPs, ASGM NAPs, MIAs, NBSAPs, NCs, TNAs, NCSAs, NIPs, PRSPs, NPFE, BURs, etc.:

During the PPG phase, Table 6 in the ProDoc was expanded to include updated information on the following relevant policies/strategies:

- The Philippine Development Plan (PDP) - In February 2017, the Government of Philippines approved the 2017- 2022 PDP which includes an unprecedented national commitment to small-scale fisheries reform, strongly advancing Fish Forever’s programmatic ambition.
- Indonesia’s Guidelines for Utilization of Sustainable Fisheries Zones in Marine Protected Areas for Fishing by Local and Traditional Communities: The Guideline, endorsed on July 29, 2016, gives communities living in and around Marine Protected Areas (MPAs) the responsibility to co-manage their coastal resources and implement MPAs alongside government partners.

C. DESCRIBE THE BUDGETED M&E PLAN:

It should be noted that as this is a non-grant pilot project (vs. a standard GEF grant funded project), the large majority of M&E activities will be funded through the following channels:

- in-kind co-financing via Rare (including Fish Forever);
- in-kind co-financing via self-reporting by portfolio companies;
- in-kind co-financing via the Fund management fee; and/or
- in-kind co-financing via the CI-GEF PA.

However, the costs associated with the independent mid-term and terminal evaluations are to be included within the USD 6 million investment from the GEF.

For further details on these activities, please see Section 6, paragraph 268 in the ProDoc. The following Table is also included in the ProDoc as Table 11.

Type of M&E	Reporting Frequency	Responsible Parties	Indicative Budget from GEF (USD)	Indicative In-Kind Co-financing from Rare (USD)
<i>Inception Meeting and Fund Launch workshop and Report</i>	Within three months of CI signing the LPA on behalf of the GEF signing of CI Grant Agreement for GEF Projects	<ul style="list-style-type: none"> • GEF Project Team - (Rare) Executing Agency - FIMC 	N/A	USD 21,000
<i>Inception Meeting Workshop Report</i>	Within one month of inception meeting workshop	<ul style="list-style-type: none"> • GEF Project Team - (Rare) Executing Agency - FIMC 	N/A	USD 2,000
<i>Project Results Monitoring Plan (Objective, Outcomes and Outputs)</i>	Annually (data on indicators will be gathered according to monitoring plan schedule shown on Appendix IV)	<ul style="list-style-type: none"> • GEF Project Team - (Rare) Executing Agency - FIMC • Portfolio companies 	N/A	USD 1,790,000
<i>GEF Focal Area Tracking Tools</i>	i) After the investments have been made, ii) The mid-point of project period (year 3), and iii) At the time of the project period (year 5)	<ul style="list-style-type: none"> • GEF Project Team - (Rare) Executing Agency - FIMC 	N/A	N/A

<i>Annual Partner Meetings</i>	Annually	<ul style="list-style-type: none"> • Fund General Partner (GP) • Fund Limited Partners (LPs) 	N/A	N/A
<i>CI-GEF Project Agency Field Supervision Missions</i>	Approximately annual visits	<ul style="list-style-type: none"> • CI-GEF PA 	N/A	N/A
<i>Quarterly Progress Reporting</i>	Within sixty (60) days after the close of each of the first three (3) calendar quarters of each year	<ul style="list-style-type: none"> • GEF Project Team <ul style="list-style-type: none"> - (Rare) Executing Agency - FIMC • Portfolio companies 	N/A	USD 75,000
<i>Annual Project Implementation Report (PIR)</i>	Annually - within 120 days of the end of the fiscal year	<ul style="list-style-type: none"> • GEF Project Team <ul style="list-style-type: none"> - (Rare) Executing Agency - FIMC • Portfolio companies 	N/A	USD 95,000
<i>Project Completion Report</i>	Upon the project's operational closure	<ul style="list-style-type: none"> • GEF Project Team <ul style="list-style-type: none"> - (Rare) Executing Agency - FIMC 	N/A	USD 40,000
<i>Independent External Mid-term Review</i>	Approximate mid-point of project implementation period	<ul style="list-style-type: none"> • CI Evaluation Office • GEF Project Team • CI-GEF PA 	USD 30,000	N/A
<i>Independent Terminal Evaluation</i>	Evaluation field mission within three months prior to project completion.	<ul style="list-style-type: none"> • CI Evaluation Office • GEF Project Team • CI-GEF PA 	USD 30,000	N/A
<i>Lessons Learned and Knowledge Generation</i>	Ongoing	<ul style="list-style-type: none"> • GEF Project Team <ul style="list-style-type: none"> - (Rare) Executing Agency - FIMC • Portfolio companies 	N/A	USD 1,033,000

<i>Financial Statements Audit</i>	Annually - within 120 days of the end of the fiscal year	<ul style="list-style-type: none"> • GEF Project Team - (Rare) Executing Agency - FIMC • Portfolio companies 	N/A	N/A
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PART III: CERTIFICATION BY GEF PARTNER AGENCY(IES)

A. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for CEO endorsement under GEF-6.

Agency Coordinator, Agency Name	Signature	Date (MM/dd/yyyy)	Project Contact Person	Telephone	Email Address
Miguel Morales		07/19/2017	Miguel Morales	7033412637	mamorales@conservation.org

ANNEX A: PROJECT RESULTS FRAMEWORK

(Appendix I in the ProDoc)

Objective:	To improve the conservation of coral reef ecosystems by providing financial incentives to fishing communities in the Philippines and Indonesia to adopt sustainable fishing behaviors and rights-based management regimes through capital investments in commercially viable enterprises.		
Indicator(s):	<ul style="list-style-type: none"> a) Number of investments made in scalable ventures in Indonesia and the Philippines b) Percentage of fishers and fish workers with increased earnings through project investments as a measure of improved status of livelihoods c) Percentage increment in profit per unit effort (PPUE) at sites of investment that overlap with Fish Forever sites d) Number of hectares with improved management of coral reef ecosystems 		
Expected Outcomes and Indicators	Project Baseline	End of Project Target	Expected Outputs and Indicators
Component 1: The Meloy Fund for Sustainable Small-Scale Fisheries			
<p>Outcome 1.1: Area of coral reef ecosystems in Indonesia and the Philippines under improved sustainable management increased through financial investments that incentivize adoption of sustainable rights-based fisheries management practices that include protection for critical habitats.</p> <p><i>Indicator 1.1a: Number of hectares of coral reef ecosystems under sustainable management through financial incentives offered through Meloy Fund investments</i></p> <p><i>Indicator 1.1b: Number of investments made through the Meloy Fund</i></p>	<p>0 hectares of coral reef ecosystems with improved sustainable management due to financial investments</p>	<p>Target 1.1: 1.2 million ha of coral reef ecosystems included or targeted for inclusion under community-level rights-based management within 10 years</p>	<p>Output 1.1.1: Investments in 12-18 ventures in Indonesia and the Philippines that increase the potential earnings of small-scale fishing communities, thereby incentivizing their transition to and continued practice of sustainable fisheries management in targeted coral reef ecosystems successfully executed.</p> <p><i>Indicator 1.1.1.a: Number of investments in Indonesia and the Philippines made through the Meloy Fund</i></p> <p><i>Indicator 1.1.1.b: Number of fishers and fish workers with increased earnings through</i></p>

<p><i>Indicator 1.1c: Average percent increment in profit per unit effort (PPUE) at sites of investment that overlap with Fish Forever sites.</i></p>			<p>investments disaggregated by gender of beneficiaries where investments overlap with Fish Forever sites</p> <p><i>Indicator 1.1.1.c: Average percent increment in profit per unit effort (PPUE) at sites of investment that overlap with Fish Forever sites</i></p> <p>Output 1.1.2: At least USD 5 million in financing to acquire or upgrade equipment and/or other assets that preserve or add value to fish and fish products along the supply chain (e.g. ice plants, cold storage trucks) invested in ventures that source from sustainably managed small-scale fisheries in targeted coral reef ecosystems</p> <p><i>Indicator 1.1.2: Amount of USD invested for ventures that source from sustainably managed SSFs to acquire or upgrade equipment and/or other assets that preserve or add value to fish and fish products along the supply chain</i></p> <p>Output 1.1.3: 50,000 hours of mentoring and business development support to portfolio companies' senior managers in financial and operational management provided to build capacity to scale competitive</p>
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			<p>businesses that source from sustainably managed SSFs.</p> <p><i>Indicator 1.1.3:</i> Number of hours of mentoring and business development support provided to pipeline and portfolio companies</p>
Component 2: Fisheries technical assistance (TA) through Fish Forever			
<p>Outcome 2.1: Capacity of portfolio companies to deliver on the Fund's environmental and social impact targets improved through fisheries TA provided by Fish Forever</p> <p><i>Indicator 2.1:</i> Percentage of projected E&S impact targets achieved.</p>	<p>0 portfolio companies</p>	<p>Target 2.1: 100 percent of portfolio companies' capacity improved to enable them to achieve the Environmental and Social targets of the Fund</p> <p><u>Environmental target</u></p> <p>a: 1.2 million hectares of coral reef ecosystems under improved management (target 1.1 above)</p> <p><u>Social targets</u></p> <p>b: 100,000 fisher household members positively impacted</p> <p>c: USD 20 million aggregate annual purchases from fishers</p>	<p>Output 2.1.1: Pre-investment due diligence conducted to assess the Environmental and Social (E&S) impact on small-scale fisheries of potential portfolio companies and their ability meet the minimum E&S standards of the Fund in 100 percent of potential investments</p> <p><i>Indicator 2.1.1:</i> Percentage of portfolio companies that have undergone due diligence with technical input from the Fish Forever team</p> <p>Output 2.1.2: Post-investment supervision provided to 100 percent of portfolio companies to ensure adherence to the Fund's E&S Guidelines</p> <p><i>Indicator 2.1.2:</i> Percentage of portfolio companies in adherence with the E&S minimum standards</p> <p>Output 2.1.3: Fishery Improvement Project (FIP) roadmaps jointly developed by</p>

			<p>portfolio companies, the Fund and Fish Forever for relevant investments</p> <p><i>Indicator 2.1.3.a:</i> Number FIP roadmaps jointly developed.</p> <p><i>Indicator 2.1.3.b:</i> Number and percentage of portfolio investments sourcing seafood from at least one Fishery Improvement Project (FIP)</p>
<p>Outcome 2.2: Integrity and functioning of targeted coral reef ecosystems maintained through the implementation of community rights-based management at Fish Forever sites, as incentivized through Meloy Fund investments</p> <p><i>Indicator 2.2.a:</i> Percentage of live coral cover within targeted TURF + reserves</p> <p><i>Indicator 2.2.b:</i> Total fish biomass within targeted TURF + reserves</p> <p><i>Indicator 2.2.c:</i> Average length of target species under TURF + reserve management</p>	<p>To be established during the implementation phase as the exact areas of investment impact and their overlap with Fish Forever sites remains unknown at this time.</p>	<p>Target 2.2: Baseline measures maintained and/or improved</p>	<p>Output 2.2.1: At least 36,000 constituents in coastal communities impacting high-priority marine ecosystems reached by Pride (behavior change) campaigns, which build constituencies for sustainable community rights-based fisheries management.</p> <p><i>Indicator 2.2.1:</i> Number of constituents, disaggregated by gender, in coastal communities reached through Pride campaigns over the course of the project at Fish Forever sites</p> <p>Output 2.2.2: Capacity and constituency amongst fishers and communities to support sustainable fishing practices within targeted coral reef ecosystems (including marine habitats of coral reef,</p>

			<p>seagrass, mangroves and oceanic) strengthened.</p> <p><i>Indicator 2.2.2:</i> Percentage change in knowledge, attitudes, practices towards responsible fishing at targeted Fish Forever sites</p> <p>Output 2.2.3: Regulation violations in TURF and no-take zone stabilized or decreased in priority marine ecosystems within 3 years of Fish Forever implementation.</p> <p><i>Indicator 2.1.2:</i> Number of TURF and no-take zone regulation violations recorded within 3 years of Fish Forever implementation</p>
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ANNEX B: RESPONSES TO PROJECT REVIEWS (from GEF Secretariat and GEF Agencies, and Responses to Comments from Council at work program inclusion and the Convention Secretariat and STAP at PIF).

PIF Review – GEF Secretariat				
Review Criteria	Questions	GEF Secretariat Comments	Agency Responses (PIF)	Agency Responses expanded during the PPG phase and included within the ProDoc
Project Consistency	1. Is the project aligned with the relevant GEF strategic objectives and results framework?	<p>Jan 22, 2016 (Ikarrer): No. The rationale for BD Program 6 (Maintaining integrity and function of globally significant coral reefs) is well explained drawing on GBO-4. Paragraphs 1 -3 in particular explain how managing fisheries relates to improving globally significant coral ecosystems. Subsequent paragraphs explain the global importance of the region's coral reefs as well as the socioeconomic importance of the fisheries.</p> <p>With regard to Aichi Targets, the PIF articulates the tie to Strategic Goal B of the Aichi Biodiversity Target. However, SMART indicators are not identified. Please provide.</p>	<p>Feb 2, 2016 Please see new paragraph 43 of the PIF for further clarification on how the Meloy Fund contributes to achievement of the Aichi Biodiversity Targets and how the outcomes and targets provided in Table B can be used to track the project's contributions to specific Aichi Targets.</p>	<p>Please see paragraphs 197-198 in the ProDoc.</p>
	2. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under	<p>Jan 22, 2016 (Ikarrer): No, Overall the project is consistent with current initiatives in both Indonesia and Philippines, which are well described and tabled. GEF projects are well identified except for two</p>	<p>Feb 2, 2016 Thank you for pointing out these additional projects. Please refer to the two additional rows in the table in section 5 on pages 39-41 of the PIF, where we provide information about the</p>	<p>Please see Table 7 in the ProDoc.</p>

	<p>relevant conventions?</p>	<p>projects. The description notes briefly coordination with CFI Indonesia.</p> <p>a) Now that the CFI Indonesia project has identified plans for the Abadi Fund, please clarify how the two funds are distinct, yet coordinated, so that they do not duplicate, but benefit from each other. This is important to ensuring the projects are not creating too many funds in the same region, which has been a lesson learned from previous experience with funds.</p> <p>b) In addition, the GEF/UNDP Global Sustainable Supply Chains for Marine Commodities project (GEF #5271) has pilot efforts in 4 countries, including Philippines and Indonesia, which are highly relevant particularly regarding linking supply chains (although they are working at a more global scale). Please consider how to link with this effort.</p>	<p>coordination with a) the CFI Indonesia Abadi Fund, and b) the GEF/UNDP Global Sustainable Supply Chains for Marine Commodities project (GEF #5271)</p>	
<p>Project Design</p>	<p>3. Does the PIF sufficiently indicate the drivers of global environmental degradation, issues of sustainability, market transformation,</p>	<p>Jan 22, 2016 (Ikarrer): Yes. The PIF well articulates the core institutional, environmental and economic drivers of reef degradation ranging from poor coastal planning to intensifying typhoons to insufficient economic alternatives. This project emphasizes market transformation by providing</p>		<p>Please see Sections 2D, as well as 3G and 3H in the ProDoc.</p>

	scaling, and innovation?	<p>economic incentives and fair market access to motivate better management and sustainable fisheries practices.</p> <p>Sustainability is addressed through the Fund, which will ensure long-term support through many partners. This effort is innovative in addressing the sustainability of small-scale fisheries by focusing on the business aspects of the industry, such as ensuring market access, improving assets/equipment as well as providing technical assistance. By de-risking investment, the Fund enables private capital to scale-up these initiatives in Philippines and Indonesia.</p> <p>Furthermore, through CI and RARE's global network of on-the-ground activities, including Fish Forever's focus in 3 neighboring nations, as well as communication with fisheries projects in the region, the project is anticipated to be scaled-up.</p>		
	4. Is the project designed with sound incremental reasoning?	Jan 22, 2016 (Ikarrer): Yes. The baseline conditions and incremental contribution are well articulated.		Please see sections 2F and 3C in the ProDoc.
	5. Are the components in Table B sound and sufficiently clear and appropriate to achieve project	<p>Jan 22, 2016 (Ikarrer): No. There are a few concerns that need to be addressed.</p> <p>a) Please clarify that the Meloy Fund will follow the Practice</p>	<p>Feb 2, 2016</p> <p>a) Rare has reviewed the PSCTF and commits to applying those standards relevant to an investment vehicle such as the Meloy Fund. Please refer to new</p>	<p>a) Please see paragraph 182, item #1 in the ProDoc.</p> <p>b) In order to assess the financial viability of prospective Meloy Fund investees, the Fund</p>

	<p>objectives and the GEBs?</p>	<p>Standards for Conservation Trust Funds (TF) developed by the Conservation Finance Alliance as appropriate realizing that the PSCTF relates to funds that only provide grants.</p> <p>b) In addition, the PIF needs to clarify that the process for establishing and operating the Trust Fund will incorporate the factors articulated in the GEF Finance for Biodiversity Conservation Trust Funds: A Checklist, including the Fund will require a co-financing ratio (minimum 1:1) that will need to be met in order for this project to invest GEF funds.</p> <p>c) During PPG, please clarify the governance structure so that we can understand the design, including to ensure there are no conflicts of interest between the IA (CI), Rare and the Fund, specifically as potential investment recipients.</p> <p>d) Furthermore, for the Pro Doc there needs to be clarity on how in-region stakeholders, including governments, will play a role in the fund.</p> <p>e) Commitments to the Fund from the list of funders seems ambitious by endorsement, but would be impressive. Please</p>	<p>paragraph 70 in the PIF for further clarification.</p> <p>b) Rare has reviewed the referenced document and commits to incorporating the factors articulated as relevant, including the minimum co-financing ratio of 1:1. Please refer to new paragraph 71 in the PIF for further clarification.</p> <p>c) We have noted this comment and will clarify the governance structure of the fund during the PPG phase. As an impact investment vehicle, the Meloy Fund is meant to invest in private sector entities that have a direct impact on small-scale fishers. As such, NGOs, including Conservation International, are not anticipated to be eligible as investment recipients.</p> <p>d) We have noted this comment and will provide further clarity in the ProDoc on the role of in-region stakeholders, including governments. As described in the PIF, the Meloy Fund will set up two country advisory boards (one each in Indonesia and the Philippines), to be comprised of in-region stakeholders including governments and the private sector (see fourth bullet under paragraph 75i; and paragraph</p>	<p>will use financial ratios that are typically used by financial institutions, rather than trust funds. Depending on the specific project and status of each investment, some of the key fund ratios that the fund may use are the following:</p> <ul style="list-style-type: none"> - Income statement ratios: To assess business profitability such as gross margin, earnings before interest, taxes, depreciation, and amortization (EBITDA) margin and net income margin. - Balance sheet ratios: Including liquidity ratios such as current ratio and quick ratio, and leverage ratios such as Debt-Equity ratio, Long Term Debt-equity ratio, and asset coverage ratio. - Cash Flow ratios: To assess ability to repay investments (in the case of debt investments) such as Interest Rate Coverage Ratio and Debt Service Coverage Ratio. <p>Please also see paragraph 182, item #1 in the ProDoc.</p> <p>c) A description of the governance structure for the Fund can be found in Section 5A of the ProDoc. Please see paragraphs 242-246 for details.</p>
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		<p>clarify agency confidence that these commitments can be confirmed by CEO endorsement.</p> <p>f) Please clarify how the frameworks would be invested. It is relatively intuitive how the framework for infrastructure would work with the loan going toward buying infrastructure and similarly for the aquaculture framework. However, it is not clear how the framework for creating market demand would work. For example, would a loan go to new eco-buyers to help start their businesses to create demand?</p> <p>g) In the interest of building in-region capacity and ensuring long-term sustainability, priority needs to be in having in-region ownership and administration of the fund, instead of Rare which is VA based. The Abadi Fund (through CFI Indonesia - CI as IA), for example, is planned to be owned and administered by organizations in Singapore and Indonesia. Please clarify if regional ownership can be prioritized.</p> <p>h) With regard to Knowledge Management description, during PPG consideration needs to be given not only how to share this</p>	<p>108 under <u>General Economic and Market Conditions.</u>)</p> <p>e) Rare remains highly confident in its ability to reach its goal of USD 12 million of non-GEF capital invested in the Meloy Fund by CEO endorsement. In just the last month, Rare has received two letters of intent from Encourage Capital and the Grantham Foundation for the Protection of the Environment, and we have updated Table C and paragraph 59 to reflect this. Encourage Capital was created through the recent merger of Wolfensohn Capital and EKO Asset Managers and is a recognized leader in nature-based impact investing. The Grantham Foundation, headed by globally recognized fund manager Jeremy Grantham, is also a prominent player in conservation finance. These two commitments amount to \$7 million dollars in co-investment, or more than half of the Meloy Fund's \$12 million co-investment target. With several other conversations with potential investors ongoing, Rare is highly confident in its ability to secure the remaining funds by CEO endorsement.</p>	<p>d) As outlined in paragraph 253 of the ProDoc, the Fund is working to develop Regional Advisory Boards in Indonesia and the Philippines to help facilitate community engagement and provide robust support for pipeline development and portfolio companies. Furthermore, the project has developed a Stakeholder Engagement Plan (SEP) which outlines how key in-region stakeholders will be engaged throughout project implementation (please see Appendix VIII of the ProDoc for details)</p> <p>e) Please see paragraphs 278-281 and Appendix XI in the ProDoc for details on the committed co-financing.</p> <p>f) N/A</p> <p>g) N/A</p> <p>h) As noted in Appendix VIII of the ProDoc, during the project preparation phase the project development team met with representatives from the Blue Abadi Fund, Athelia Fund and Coastal Fisheries Initiative-Indonesia, and the Challenge Fund) for an initial information and learning exchange, and to discuss potential areas of</p>
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		<p>project experience (which is what is primarily described in the PIF), but also how the project will learn from other relevant efforts such as the Abadi Fund.</p> <p>i) Regarding the funding terms assumptions in paragraph 50 on page 20, please describe the risk assessment for the investments, given that there are many barriers facing these small businesses and fishers. Also, please describe if the interest rate and equity are market based or concessional. We are interested in a brief description of the business model for clients to prosper and pay back the debt/equity.</p> <p>j) Regarding the request in paragraph 52 for GEF-SEC concurrence in advance, this is probable and can be confirmed at CEO endorsement after more is known about the investment committee and other operational parameters.</p> <p>k) Regarding the fund structure, please justify the experience and capacity of RARE to act as the General Partner (GP). The terms for the GP appear standard for commercial operations, but less so for impact investment operations. Please clarify</p>	<p>f) This is an excellent question. Please refer to the added information in paragraph 48(ii) (Responsible Seafood Basket) in the PIF for further clarification.</p> <p>g) The Meloy Fund is an investment fund, not a trust fund, which implies many differences between it and the Abadi Fund. The ownership of an investment fund is typically based on the size of each investor’s capital contribution. As such, the physical domicile of incorporation will be chosen to optimize legal and tax considerations, and may be in the U.S. or abroad depending on investor requirements and other conditions related to business environment. That said, we understand the importance of engaging local stakeholders – including regionally-based investors, as noted by additional language in paragraph 60 – and helping ensure the enabling environment exists for us to de-risk impact investing in this sector. Please see added paragraph 68 for further detail.</p> <p>h) This comment has been noted. During the PPG phase, we will further consider how the Meloy Fund project team can learn from other relevant efforts.</p>	<p>collaboration. A follow-up meeting was then held with representatives from the Athelia Fund. As the Meloy Fund moves into implementation, the initiatives will continue to keep each other informed of any opportunities for collaboration and relevant lessons learned.</p> <p>i) N/A</p> <p>j) N/A</p> <p>k) N/A</p> <p>l) N/A</p>
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		<p>RARE's intention on use of returns as the GP, as noted in paragraph 57.</p> <p>l) Please clarify the concept for "RARE board members serving as LP fund investors" noted in paragraph 57. Will these board members be invested as individuals? Please describe any potential conflict of interest.</p>	<p>i) We note three questions here:</p> <p>I) related to assessing risk (see added paragraph 52); II) related to the interest rate (see added paragraph 55); and III) related to ensuring the success of our borrowers, including ability to repay. For this third part (and as described by Component 2 of the project), a key differentiator for the Meloy Fund is its direct linkage with Rare's Fish Forever program and resources. Our on-the-ground networks and focus on local community and government participation will bring our investees into the fold and create momentum for an impact-focused partnership that goes beyond maximizing day-to-day financial transactions. This helps our businesses succeed and make better long-term decisions that are in the interests of business, local communities, and our biodiversity-related goals. In addition, please see expanded paragraphs 75(iv) and 101 for more clarity.</p> <p>j) Thank you for your consideration of this request.</p> <p>k) Again, an excellent question. After a great deal of research,</p>	
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			<p>discussion, and collaboration with experts in the field, as well as Rare's management and board, we believe that in order to best achieve the impact goals of the Meloy Fund, particularly on behalf of conservation, biodiversity and local communities, the fund needs to be managed in-house. Please see paragraph 65, where we described the experience of the team. Please also see added paragraphs 66-67 for further elaboration. For clarification on Rare's intention on use of returns as the GP, see added language in paragraph 61 (formerly paragraph 57 as referenced by the GEF-Sec).</p> <p>1) Indeed, Rare's board members may invest in the Meloy Fund as individuals and/or via PRIs from family or corporate foundations. Such investments may imply a potential conflict of interest, which our governance arrangements will need to explicitly manage. Please see added paragraph 62 for further elaboration.</p>	
	<p>6. Are socio-economic aspects, including relevant gender elements, indigenous</p>	<p>Jan 22, 2016 (Ikarrer): Yes. The project emphasizes bottom-up approaches and has strong ties with indigenous communities and CSOs, which are listed by category in the PIF. In addition,</p>		<p>A Gender Assessment and Gender Mainstreaming Plan (GMP) were developed during the project preparation phase. Please see Appendix IX of the ProDoc for details.</p>

	people, and CSOs considered?	gender equality is a priority within the project and a Gender Mainstreaming Plan will be developed during the PPG phase.		
Availability of Resources	7. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):			
	• The STAR allocation?	Jan 22, 2016 (Ikarrer): Yes. Funds may be available through NGI based on the requirement that the project is justified by BD.		
	• The focal area allocation?			
	• The LDCF under the principle of equitable access			
	• The SCCF (Adaptation or Technology Transfer)?			
	• Focal area set-aside?			
Recommendations	8. Is the PIF being recommended for clearance and PPG (if additional amount beyond the norm) justified?	Jan 22, 2016 (Ikarrer): No. Please address points above in boxes 1, 2, and 5.		
Review Date	Review	January 22, 2016		

PIF Review - STAP		
STAP Comments	Agency Responses (PIF)	Agency Responses expanded during the PPG phase and included within the ProDoc
<p>The proposal for creation of a fund as a tool to lever sustainable fishing practices, which in turn is assumed to conserve coral reefs, is very poorly articulated.</p>	<p>One of the primary innovations of the Meloy Fund is its explicit link to Rare’s flagship program, Fish Forever. The linkage works as follows:</p> <ol style="list-style-type: none"> 1) In order to address overfishing, a sustainable fishery management regime must be in place, and fishing pressure must be reduced so that recovery can take place. 2) Fish Forever, which has been well tested (in 100 sites and 5 countries), ensures sustainable management occurs and that minimum viable specifications are achieved. These include: <ol style="list-style-type: none"> a. Rights-based management b. No take zones – which explicitly protect biodiversity and coral reefs c. Building community support d. Building government and local management capacity 3) However, there is a critical economic piece as well. In order to reduce fishing pressure, fishers need to be able to transcend the costs of transition to sustainable practices, or in other words mitigate short-term declines in income. 	<p>For further details on Component 2: <i>Fisheries Technical Assistance (TA) through Fish Forever</i>, please see paragraphs 114-147 in the ProDoc.</p>

	<p>4) The Meloy Fund invests in fisheries enterprises that can help fishermen overcome such initial economic shortfalls by providing access to new markets, price premiums, supporting value-added production, alternative income generation, maximizing the use of by-products and the reduction of waste, and aligning a more efficient supply chain.</p> <p>5) As a result, the economic incentives and opportunities provided by the Meloy Fund, when married with the management and biodiversity protection that Fish Forever implies, creates a comprehensive package to reform coastal fisheries, improve livelihoods, and leads to environmental protection for the world's most diverse coral reefs.</p> <p>It should be noted that it is highly unusual or impossible for other funds in the conservation sector to explicitly link their impact investments to experienced, on-the-ground teams doing work that is strategically and financially complimentary. This is a key strategy in the Meloy Fund-Fish Forever alliance.</p>	
<p>Outcome Target 1.1 that 1.2 million ha of coral reef will be included or targeted for inclusion under community- level rights-based management within 10 years (longer than the project timescale), is not the same as delivering GEBs over 1.2 million hectares as claimed under Corporate Results</p>	<p>The project timescale is listed as 10 years to be fully inclusive of repayment periods. All of the Fund's capital will be deployed within the first five years (plus two optional 12-month extension periods), but the Meloy Fund will maintain a relationship with its investees for at least the life of the loan (i.e. up to seven years). If a loan is disbursed in year 5, repayment may not be completed until year 10, and global environmental benefits will continue to accrue.</p>	<p>By investing capital into scalable enterprises that can play a key role in incentivizing sustainably managed community small-scale fisheries (SSFs), the Fund will help to maintain the integrity and functioning of important coral reef ecosystems in Indonesia and the Philippines (see paragraph 13 in the ProDoc). To help ensure this, as noted in the Investment Criteria (see Table 2 in the ProDoc), each potential investment must be willing to play a lead role in</p>

	<p>Thus, Outcome and Target 1.1 has been set with a 10-year time timeframe.</p> <p>We have defined “coral reef ecosystems” as “areas of seascape that include coral cover and surrounding management areas that directly impact coral health and integrity” (see footnote 5 in the PIF). As such, the 1.2 million hectares targeted in Outcome 1.1 for inclusion under community-level rights-based management refers to an area larger than coral reefs alone. If the GEF defines “coral reef ecosystem” differently (e.g. as limited to just areas of direct coral cover), then we will work with the GEF to amend this figure as appropriate in the ProDoc.</p>	<p>the setting-up of Fisheries Improvement Projects (FIPs), and must have a direct impact on at least 50,000 hectares of coastal habitat.</p> <p>Furthermore, the Fund has established robust Environmental and Social (E&S) minimum standards (see Appendix V in the ProDoc) which seek to enshrine in the investee a “no-harm” principle, and include minimum fisheries-specific standards (e.g. no negative impact on ecosystem and habitat: no destructive gear used to catch target species; and target species do not include ecosystem keystone species of coral reefs, mangroves, seagrass meadows or estuaries). The investee will need to comply with these minimum standards before an investment is approved, and the Fund will audit compliance throughout the life of the investment. Annual impact goals will be established for every investment, which ultimately roll up to the Meloy Fund’s own impact goals which are to be achieved within the project’s 10-year timeframe (e.g. Target 1.1: to place 1.2 million hectares of coral reef ecosystems under improved sustainable management).</p> <p>As outlined in paragraph 99 in the ProDoc, the Fund will seek to form strong partnerships with its investees to help these mission-aligned businesses expand and strengthen their operations, and in turn provide financial incentives for local fishing communities to transition to sustainable behaviors (e.g. respecting spatial zones, compliance with gear restrictions, catch limits, size limits or other regulations designed to reduce the threats to the</p>
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		ecosystem) under Fish Forever type management regimes ³ .
The narrative addresses in detail fund definition and management issues that are distant from the reality of reef conservation, and neglects to show how such a fund would be targeted effectively in terms of GEBs delivered.	As above, all investments under the proposed fund are to be directly tied to sustainable fisheries management in coral reef ecosystems via our Fish Forever program, which contains over 100 staff and are currently executing projects at over 50 sites. As part of its selection criteria, the Meloy Fund will seek investments whose businesses directly impact fishing communities and the coral reef ecosystems of global importance that support them. As a result, the Meloy Fund directly impacts the GEBs.	As a part of the due diligence process of potential portfolio companies, an analysis will be conducted of their prospective environmental and social impacts. In addition, the investment team will also develop a high-level technical assistance (TA) plan explaining how the Meloy Fund will partner with the investee to mitigate any investment risks and maximize the company's environmental and social impact, especially that related to fisheries sustainability. Please see paragraphs 77-78 in the ProDoc for further details. Furthermore, the Fund has developed robust Environmental and Social (E&S) guidelines for its investments, which includes minimum standards and annual impact goals, as well as parameters for developing and implementing Fisheries Improvement Projects (FIPs) for key target species relevant to the targeted impact of the Fund's investments. Please see Appendix V in the ProDoc for the full E&S Guidelines.
STAP finds the logic of the use of financial incentives to drive behavioral change essentially sound, but is concerned about the lack of non-fiscal criteria for selection of communities for investment support and delivery of GEBs.	The investment selection criteria is clearly outlined in paragraph 49 of the PIF, and contains significant non-fiscal criteria as follows: <u>Investment criteria</u> The fund will create strong financial, social and environmental returns for fund partners by benchmarking the investment pipeline against the following social and environmental impact criteria: <ul style="list-style-type: none"> The business model of investees should be inextricably linked to the need for sustainable environmental resources. This criterion will ensure that all investees have a 	Please see paragraph 76 and Table 2 in the ProDoc for additional details on the Fund's investment criteria, as well as Table 1 which outlines the Fund's social impact targets.

³ To maximize biological/ecological benefits, at Fish Forever sites, ~20 percent of the area of each managed access system is aimed to be fully protected by a reserve/no-take-zone.

	<p>business interest in seeing a successful transition to sustainable management of small-scale fisheries.</p> <ul style="list-style-type: none"> • Businesses must comply with or be in transition towards Rare’s Fish Forever sustainable fisheries management standards.⁴⁸ This list is comprised of different levels of standards and includes sourcing guidelines in line with practices and regulations commonly required by seafood sustainability certification labels, such as Fair Trade USA and the Marine Stewardship Council. These rules will be included as a covenant in Meloy Fund Investment Agreements, as appropriate. • Businesses should have a direct impact on at least 500 fishers, and an indirect impact on up to 5,000 household members. Specifically, the impact on fishers should be related to an increase in Value per Unit Effort (VPUE), which is Rare’s measure of a fisher’s profits per unit of fishing effort. It is calculated by measuring catch per unit effort (CPUE) and average household assets as a proxy for fisher income. This criterion ensures that the Meloy Fund is strengthening the economic incentives of transition to sustainable practices and helps establish minimum requirements for social returns, without necessarily depending on higher fish catch. • Businesses should have a direct impact on at least 30,000 hectares of seascape that includes coral reef ecosystems. This includes coral reef systems of global significance, mangroves or seagrass beds serving as nursery grounds for protected species, and habitats where threatened or endangered fish species are present. This criterion helps 	
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	<p>establish minimum requirements for environmental returns.</p>	
<p>The specific linkage to establishing sustainable fisheries by supporting private sector investment is not well described.</p>	<p>The specific link between the Meloy Fund and establishing sustainable fisheries is the fund’s ability to create economic and financial incentives for behavior change. Establishing sustainable fisheries requires certain behavior changes to be widely adopted by local fishers. Such changes are context-specific but may include reducing effort, changing gears or fishing in different locations. These behavior changes will almost certainly lead to short-term losses as fishers reduce their catch and allow fish stocks to recover. Therefore, fishers must not only believe in the long-term gains, but also must have the proper incentives to make the changes attractive and feasible in the short term and sustainable in the long term.</p> <p>One type of incentive fishers must have is financial; from an economic self-interest and day-to-day livelihood perspective, fishers must have the ability to support themselves and their families. The Meloy Fund will help to create these incentives through a strengthened market around small-scale fishery products, more efficient supply chains and complementary livelihoods, all of which support fishers’ ability to adopt and sustain the behaviors that contribute to sustainable fisheries. See responses above for more details.</p>	<p>While rights-based management (RBM) strategies offer a needed incentive to organize a reduction in fishing pressure, economic incentives must also be in place to ensure that transitioning to sustainable fisheries management is both feasible and enduring. The Meloy Fund is Rare’s solution to address this gap by creating market-based incentives to accelerate the behavior changes necessary to manage SSF sustainably. (See paragraph 19 in the ProDoc.)</p> <p>As a major barrier to the adoption of more sustainable fisheries management practices is fishers’ reluctance to give up a portion of their livelihood and/or income derived from fishing while the fishery is recovering – as there may be a temporary decrease in income between the period in which the management efforts are enforced, and when local fishers begin to accrue the positive effects of their well-managed fishery – improving income opportunities through enterprise and market interventions can help reduce the ‘cost of transition’ and incentivize fishers to support improved fisheries management practices through a perceived positive “benefits exchange”.</p> <p>By investing in enterprises that offset fishing pressure and/or improve margins for local fishers who comply with management regulations, the Fund will drive economic growth in the small-scale fishing sector in ways that allow fishers to maintain or increase income levels while reducing fishing pressure. In this way, small-scale fishers – often the poorest and most climate-vulnerable citizens – are both direct</p>

		beneficiaries of the Fund and are incentivized to fish sustainably. (See paragraph 60-61 in the ProDoc)
How the proposed Meloy Fund will seek investments from businesses directly impacting coral reef ecosystems of global importance is not described leaving the reader to trust the investment expertise resident in the proposed fund management.	The Meloy Fund does not seek investments from businesses, but rather raises impact capital to influence fishing-related enterprises as described in the PIF. We build pipelines through working with existing networks, as we have had resident staff and local and national partnerships in private, public, and social sectors for decades in those locations. Additionally, we are working with local enterprises to create new value-additive opportunities that require investments to realize the full environmental and social impact possible.	As noted in paragraphs 79-80 of the ProDoc, the Fund intends to make investments in medium-sized enterprises focusing on those operating within the wild-caught seafood and mariculture sectors in Indonesia and the Philippines. It will seek to invest in enterprises that are open to developing close partnerships to help mitigate financial risks, while generating environmental and social impact. No grants will be provided through the fund. Funds will be deployed to finance the scaling up of enterprises and to move towards environmentally responsible product lines, with a significant portion of invested capital to be used for the acquisition or upgrading of fixed assets.
Fish species associated with coral have varied dispersal patterns and the extent to which a community can expect their management actions to replenish the fisheries within their tenure is unclear and not well justified in the proposal.	As mentioned above, under the Fish Forever TURF + reserve approach, on average, 20 percent of the area of each managed access system is fully protected by no-take zones where fish stocks can rebuild and coral systems can recover. Fish and their larvae are likely to move between closed areas (reserves) and areas open to fishing, depending on species mobility and local ecological and oceanographic conditions. By placing reserves in areas known to be persistently productive for certain species, but that have been overfished, and then sizing those reserves to provide home range protection over the scale of adult movement of that species, can have large conservation benefits. Fish size and quantity in the reserves has been shown to increase by up to 446% within two to seven years – an exceptionally fast recovery time	Please see paragraphs 20 and 159 in the ProDoc. In addition, under Outcome 2.2, the project will measure a: Percentage of live coral cover targeted TURF + reserves, b: Total fish biomass within targeted TURF + reserves, and c: Average length of target species under TURF + reserve management.

	<p>in the context of environmental conservation. As fish populations recover in these reserves, a spillover effect dramatically improves catch in the adjacent managed access fishing zones. Additionally, due to the value of their assigned fishing rights within the managed access area, fishers have an incentive to protect the reserve and sustainably manage their fishery, vastly improving upon the outcomes of the typical “tragedy of the commons” situation of open-access fisheries.</p> <p>Note: Rare monitors % of coral cover, fish biomass, fish species diversity, and macroalgal cover both inside and outside of the reserve within each managed access system.</p>	
<p>Based on the above considerations at a minimum STAP would expect to see a framework proposed during project development for applying criteria regarding targeted areas (including TURFs) or individual applicants which test their legal status and fishing rights, level of enforcement, licensing regime/regulations, fishing practices, monitoring of existing and projected fish stocks and linkage to coral reef status. Without having assessed each of these elements before offering value chain options, there is a clear risk of simply adding fishing pressure to already unsustainable practices.</p>	<p>As per the Fish Forever program’s minimum design specifications, TURF + reserves are designed based on socio-economic and ecological community goals and established corresponding to the political and legal context. Systems for secure and exclusive privileges (access and extraction) are then put in place for fishers who meet eligibility requirements and who comply with TURF regulations. This includes the development and implementation of a system for allocating rights such as licenses, registration, membership in a particular fisher association, residence in a community, or by some other means.</p> <p>For each TURF + reserve, a multi-Stakeholder Management Body is put in place, with participation from members of the fishing community and legal authority to manage and enforce the TURF + reserve area. Furthermore, for each site, management plans are established which take into consideration specific TURF + reserve characteristics and the banning of</p>	<p>Please see paragraphs 158-165 in the ProDoc for further details on the Fish Forever approach, as well as Appendix V (Section 3) for details on the FIP development and implementation process.</p>

	<p>specific extractive and destructive practices. As a part of the management plan, an enforcement system for the TURF + reserve is also developed with thorough community input. A system is also created that evaluates the compliance of fishers and assigns sanctions to specific violations (including possible loss of rights so that continued tenure of rights is contingent upon compliance).</p> <p>To ensure community support, fishers are organized and are involved in TURF + reserve management and decisions (i.e. fisher associations, cooperatives or similar organizations are formed or strengthened and are expected to hold regular management meetings that are widely attended). The rationale is that by increasing the sense of ownership and involvement from the community, long-term sustainability of the fishery will be ensured.</p>	
<p>The PIF is vaguely linked to the expertise of other actors and it would appear that the success or failure of market-based mechanisms depends upon externalities not under control of the proposed Fund. Accordingly, if the project is to be developed further, STAP requests the design to include an independent expert fisheries panel within the proposed Fund that would apply the criteria shown above to candidates for funding and the panel would have the authority to reject applicants or target areas proposed.</p>	<p>The Fish Forever network contains dozens of the worlds most respected fisheries scientists, all working to create tools and adaptive management systems that are best in class. Further, as noted in the PIF, the Meloy Fund will create an advisory panel comprised of a subset of this network in each country in which it operates.</p>	<p>The Meloy Fund will create a Fisheries Advisory Panel for the Fund that will include Rare’s VP for Global Fishery Solutions and senior level Rare country managers from Indonesia and the Philippines. This panel will not have formal decision-making rights in the Meloy Fund due to the requirements from our Fund investors to be independent, and due to potential legal conflicts of interest.</p> <p>Additionally, the Meloy Fund is currently developing national advisory boards in Indonesia and the Philippines.</p>
<p>The table of risks is inadequate, given its largely inward focus on the proposed Fund. The additional risks include increased pressure on fisheries and coral reefs due to failure to protect and enforce targeted areas, market-led drivers, resource leakage, lack of community</p>	<p>We note this recommendation and will work with the GEF to strengthen the table of risks in the ProDoc as appropriate. The Meloy Fund is closely and inherently linked to Rare’s Fish Forever program, which provides an excellent mitigation strategy for many of the additional</p>	<p>Please see paragraphs 181-183 and Table 5 in the ProDoc for details on the project’s risk assessment and mitigation planning.</p>

<p>participation and buy-in, lack of adaptive management.</p>	<p>risks noted by the STAP. For example, “failure to protect and enforce targeted areas” and “lack of community participation and buy-in” are two of the key areas of focus for Fish Forever, which emphasizes and incentives robust community engagement for fisheries management and enforcement, and have a proven record of success</p>	
<p>The proposal lacks further a gender analysis.</p>	<p>We note this recommendation. As stated in the PIF, a Gender Mainstreaming Plan (GMP) will be developed during the development of the ProDoc. The aim of the GMP will be to identify needs and opportunities to mitigate potentially adverse effects of the project on men and women, as well as promote gender equality as an aspect of the project. The GMP will include an analysis of gender roles, responsibilities, uses, and needs relating to the environment/natural resources on which the project will be based (e.g., patterns, participation in management, etc.), as well as both short-term and long-term costs and benefits of the project to men and women. It will also include potential roles, benefits, impacts, and risks for women and men of different ages, ethnicities, social structure, and status. Specific actions and activities will be identified to ensure that gender-related adverse impacts of this project are appropriately avoided, minimized, and/or mitigated.</p>	<p>A gender assessment and gender mainstreaming plan (GMP) were developed during the project preparation phase. Please see Appendix IX of the ProDoc for details.</p>
<p>A proper justification and incremental reasoning for why the GEF should support this specific investment fund based in Virginia, USA is not clear.</p>	<p>We note the recommendation. As per the explanation detailed in the technical review process, the ownership of an investment fund is typically based on the size of each investor’s capital contribution. As such, the physical domicile of incorporation will be chosen to optimize legal and tax considerations for such investors, and may be in the U.S. or abroad depending on investor requirements and other conditions related to the business environment.</p>	<p>The General Partner and the Fund were established as Delaware entities (formed on October 12, 2016). As the majority of the Fund’s investors and the Fund’s General Partner are based in the US, a Fund domiciled in Delaware was found to be the most advantageous with regards to legal and tax liabilities.</p> <p>See paragraph 240 in the ProDoc.</p>

	<p>That said, we understand the importance of engaging local stakeholders – including regionally-based investors – and helping ensure the enabling environment exists for us to de-risk impact investing in this sector.</p>	
<p>Who will be the actual beneficiaries of the Fund?</p>	<p>“Beneficiaries” often refer to a trust fund, and it is important to note that the Meloy Fund is an investment fund, not a trust fund. There are certain key differences between trust funds and impact investing funds. Such differences include, but are not limited to the fact that investment funds do not manage an endowment, do not make grants, and typically have different roles for stakeholders than do trust funds.</p> <p>That said, small-scale fishers, their families and communities will benefit as a result of investments made by the Meloy Fund. Fishers will feel these benefits in the form of increased income, more predictable/less volatile income, and/or stability in income that keeps them above the poverty line.</p>	<p>The Fund aims to impact 100,000 fisher household members (see social targets under Table 1 in the Prodoc), and as per the Fund’s investment criteria (see Table 2 in the ProDoc), each investment must have a direct impact on at least 500 fishers.</p>
<p>STAP recommends that the GEF and proponents secure additional assessment analysis of the proposed intervention from an accredited financial institution with expertise in this field. An investment fund of the nature proposed with a large amount of public equity should be assessed by professional financial advisors to ensure its fund management capabilities and capacity to reach beneficiaries is fit for purpose. This would also assess whether the proposed design and management structure of the Fund would be compliant with the norms and applicable financing practices for the use of public funds in this context, including ensuring fair competition.</p>	<p>We note this recommendation. Rare will comply with any additional assessments conducted by the GEF and/or its designated financial advisors during development of the ProDoc.</p>	<p>As outlined in paragraph 107 and Appendix VIII, Rare has established an “Eco-Impact Investor Circle” to provide guidance and expert advice as we develop and implement the Fund. Three conference call have been conducted to-date. In addition, the project development team has met with a number of impact investors during the PPG (See SEP in Appendix VIII).</p>

PIF Review – GEF Council	
Japan Comment	Agency Response
<p>Japan International Cooperation Agency (JICA) has some projects in the field of coastal resource management in Vanuatu, Tunisia and Senegal. In order to create synergy, close coordination with those projects (JICA and GEF) is highly recommended. (especially JICA is interested in how to utilize loan in the GEF project)</p>	<p>As the Fund has been designed for targeted investment and impact in SSFs in Indonesia and the Philippines, opportunities for investment (i.e. access to loans through the Fund) in the countries referenced are not feasible at this time. However, the Fund will share knowledge and lessons learned with JICA as the project is implemented.</p>
United States Comments	Agency Response
<p>The United States is supportive of improving fisheries management in Indonesia and the Philippines and is optimistic that investment funds may be usefully applied to address existing gaps. However, at least four weeks before CEO endorsement, we request to re-review the full project proposal to ensure that CI is able to respond to the STAP comments and better articulate the following:</p> <ol style="list-style-type: none"> (1) The status of coral reef fisheries; (2) The socio-economic drivers that contribute to the threats they seek to address; and (3) The link between the proposed intervention and the outcomes sought. <p>Additionally, we request that CI also consider taking steps to address the following:</p> <ol style="list-style-type: none"> 1. Better explain how loans to processors benefit fishermen. Small-scale fishers in these two countries usually do not typically own any of the processing resources. Instead, they sell to a middle man who process elsewhere. The funding scheme proposed seems to assume that these processing plants, usually owned by larger companies, pass along the extra profits they get from producing and selling a product from functional fisheries handling or processing equipment. If this assumption is not true, how wil this model be modified and made sustainable after GEF financing runs out? 2. Explain how the selected indicators (e.g. coral reef ecosystem under community rights based management and VPUE) indicate 	<ol style="list-style-type: none"> (1) Please see paragraphs 1, 19, 23-24, 36-41, 50-52 in the ProDoc for information on the status of coral reefs and reef fisheries. (2) Please see Section 2C, 2D and 2E in the ProDoc for information on socio-economic drivers. (3) Please see paragraphs 7, 53, 55-56, 60-61, 72 as well as Table 2 in the ProDoc for information. <p>-----</p> <ol style="list-style-type: none"> 1. When communities manage their fisheries sustainably, the benefits are mutually reinforcing: fish production increases; economic profits rise; and fish stocks recover and rebuild. The path to sustainable SSFs will require not only reform by government (i.e. through the adoption of managed access fishery management systems such as the Territorial Use Rights for Fishing (TURF) + reserve system of Fish Forever), but also accompanying practices such as an improved business environment. Collectively, these practices create a synergy that helps enable the transition to sustainable fisheries management. <p>As noted in paragraph 7 in the ProDoc, the relationship between the Meloy Fund and Rare is intended to provide a link between the Fund’s investments and communities’ transition to sustainable fisheries management; a symbiotic system in which improved governance and the creation of a monetizable asset for local fishers (via exclusive access) enables new economic opportunities, which in turn encourage more sustainable long-term fisheries management and an increase in asset value.</p>

that fisheries management is effective. VPUE, for instance, could increase (what they want) if the resource becomes so scarce that what is left now is suddenly valuable.

3. Improve explanation of how a dialogue will be started and maintained with communities that use an area jointly. The high number of constituents claimed to be reached by the RARE campaign needs to be clearly explained.
4. Describe the governance scheme that will support this plan. Before any of these TURFS and other measures are implemented, a strong governance regime is needed. Tools that are used without a governance scheme are limited in their impact and success.
5. Better explain how the requirement that loan recipients can only buy from TURFs will be effective. Rationale: (1) Our understanding is that not all species of fish are traded outside of the local or regional area. And that the common way to sell a fish is whole, not processed. Thus, not all trade needs to be processed by new equipment, if by any equipment at all; (2) Internationally traded species like blue swimming crab are sources from hundreds of different communities, many not part of this proposed project; (3) Sustainability certifications are not yet implemented in many cases – it is catch documentation that is being implemented and a lot of fish is caught legally. Often sustainability is not part of the discussion.
6. Consider synergies with other ongoing investments, including USAID’s work with RARE and Bloomberg through a Global Development Alliance.
7. The United States is supportive of the Non-Grant Instrument Pilot (NGI) and expects this NGI concept will have additional financial details as it is converted from a concept into a full project proposal.

Furthermore, as outlined in Table 2 in the ProDoc, the Fund’s investment criteria states that each investee must:

- be willing to play a lead role in the setting-up of Fishery Improvement Projects (FIP);
 - each Fund investment, as relevant, must agree to source seafood from at least one FIP.
- have a direct impact on at least 500 fishers, potentially including paying above market price for fish
- have a direct impact on at least 50,000 hectares (500km²) of coastal habitat

Each FIP is a stakeholder alliance (i.e. retailers, processors, producers, and fishers) intended to improve a fishery’s practices and management and resolve problems within a specific fishery often related with environmental challenges and overfishing. FIPs utilize market incentives in seafood value chains to stimulate sustainability improvements, which may or may not lead to MSC certification⁴. FIPs aim to deliver higher returns and lower the risk of fishers in terms of fluctuation in fish prices. A recent study⁵ found that fisheries with sustainable management plans - i.e. with regulations that ensure a species is not overfished and that prohibit environmentally hazardous fishing techniques - were more profitable than those without them. Rare and the Meloy Fund believe we must strive to achieve a high level of sustainability that allows fisheries — and the communities and businesses that depend on them—to thrive.

To help ensure this, the Fund will conduct thorough due diligence of each of the portfolio companies, including an Environmental and Social (E&S) analysis to assess the investee’s ability to comply with the Fund’s E&S minimum standards, and to understand the potential for impact given the investment under consideration.

⁴ Generally, FIPs lead towards MSC certification but this is often too expensive or even unfeasible for tropical small-scale fisheries. As a result, the Meloy Fund and Rare are working with various parties to develop a relevant scheme that may be more applicable.

⁵ The study was conducted by the University of California Santa Barbara, the University of Washington, the Environmental Defense Fund and the Economist Intelligence Unit <https://www.oceanprosperityroadmap.org/new-research-key-ocean-reforms-drive-huge-economic-nutrition-and-conservation-gains/>

As noted in paragraph 61 in the ProDoc, the Meloy Fund will invest in enterprises that offset fishing pressure and/or improve margins for local fishers who comply with management regulations. In so doing, the Fund will drive economic growth in the small-scale fishing sector in ways that allow fishers to maintain or increase income levels while reducing fishing pressure. In this way, small-scale fishers - often the poorest and most climate-vulnerable citizens - are both direct beneficiaries of the Fund and are incentivized to fish sustainably, creating indirect benefits for the millions of others who rely on long-term viability of local fish stocks for nutrition and livelihood.

2. Fish Forever builds community capacity to set up and manage both the fishing areas and the reserves, so that fishers can take advantage of the “spillover” effect from the reserves into the surrounding area. In addition to measuring the percentage of live coral cover within targeted TURF + reserves, the total fish biomass within targeted TURF + reserves, and the average length of target species under TURF + reserve management - as signals of ecosystem health and integrity (see Outcome 2.2) - as outlined in paragraphs 144-147 in the ProDoc, the project will also measure the number of TURF and no-take zone (reserve) regulation violations within sites of overlap with Fish Forever. Illegal fishing activity, whether by outsiders or by non-compliant TURF + reserve participants, has great potential to undermine the incentives of the system. For this reason, enforcement is critical to the success of TURF + reserve management as it helps to ensure that fishers see the rewards of their conservation behavior and are advocates for respecting TURF and reserve boundaries, catch limits, and other fishery controls. Lastly, by promoting shifts in social norms (behaviors) around the sustainable management of fishery resources through the use of proven social-science based behavior adoption tools, the project will strengthen the capacity and constituency amongst fishers and communities to support sustainable fishing practices within targeted coral reef ecosystems.
3. As outlined in Appendix VI in the ProDoc, each Fish Forever site undergoes an extensive protocol for site evaluation and selection that depends on community receptivity - effectively vetting the

initiative with local community members to determine whether they understand the Fish Forever approach and would accept its implementation. As such, there are no communities where Fish Forever is being implemented without prior formal vetting by and engagement with local stakeholders. Community consultation and engagement is one of the critical aspects of Rare's Fish Forever methodology. With that in mind, the project (and investees as per the Fund's E&S Guidelines) will follow the Free, Prior, and Informed Consent (FPIC) standards of engagement, ensuring Indigenous Peoples'/Affected Communities' rights to self-determination, participation, and decision-making. To ensure jointly developed management frameworks in the communities from which the Meloy Fund investees source, a close three-way partnership between the Meloy Fund, the investee, and Rare's Fish Forever program will be implemented.

4. Both Indonesia and the Philippines have seen recent shifts in policies related to the governance of community fishery resources. For example, the Ministry of Marine Affairs and Fisheries (MMAF) in Indonesia recently shifted the national government's formal stance on rights-based, community fisheries management. In July 2016, MMAF passed Indonesia's first regulation allowing communities to legally set up rights-based management in a fishery, specifically allotting it within marine protected areas (MPAs). To accompany the newly enacted regulation, the ministry drafted a set of guidelines for implementing rights-based fisheries management in MPAs, with input from Rare and other members of a rights-based fisheries management working group. In addition, in February 2017, the Government of Philippines approved the 2017- 2022 Philippine Development Plan (PDP), which includes an unprecedented national commitment to small-scale fisheries reform, strongly advancing Fish Forever's programmatic ambition. The inclusion of small-scale fisheries reform within the plan's priorities not only signals the importance of the issue nationally, but also elevates it as a core development, versus purely environmental, issue. The 2017 – 2022 PDP also puts front-and-center the literal language and components of Rare's Fish Forever program, including the necessity of behavior

	<p>change as a programmatic enabler and the importance of a managed access approach to fisheries reform.</p> <ol style="list-style-type: none"><li data-bbox="1157 201 1986 597">5. As outlined in point 1 above, each Fund investee must be willing to play a lead role in the setting-up of FIPs, and each Fund investment, as relevant, must agree to source seafood from at least one FIP (which may or may not be a TURF). FIPs represent a way for stakeholders within a fishery to engage in dialogue and agree future actions with others that share a common interest in a productive marine ecosystem. Furthermore, as demonstrated through the Fund's first investment (see paragraph 103 in the ProDoc), investments made through the Fund can commit portfolio companies to developing additional/new product lines and to sourcing agreed upon amounts of sustainable seafood annually from local communities.<li data-bbox="1157 639 1976 834">6. After further assessment of the pilot projects under the USAID GDA, Rare has decided that none are suitable candidates for financing from the Meloy Fund at this time. However, if in future it is felt that the companies are able to adhere to the Fund's minimum standards and investment criteria, there may be opportunity for investment in those companies.<li data-bbox="1157 873 1965 928">7. Please see Section 7 in the ProDoc and/or Annex D below for details on the Fund's projections, reflow schedule and financing.
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ANNEX C: STATUS OF IMPLEMENTATION OF PROJECT PREPARATION ACTIVITIES AND THE USE OF FUNDS

A. Provide detailed funding amount of the PPG activities financing status in the table below:

PPG Grant Approved at PIF: USD 200,000			
<i>Project Preparation Activities Implemented</i>	<i>GEF/LDCF/SCCF Amount (\$)</i>		
	<i>Budgeted Amount</i>	<i>Amount Spent To date</i>	<i>Amount Committed</i>
Personnel salaries and benefits	151,955	100,078	51,877
Professional services	16,960	16,960	0
Travel	27,725	25,280	2,445.36
Meetings and workshops	3,360	3,360	0
Total	200,000	145,678	54,322

ANNEX D: CALENDAR OF EXPECTED REFLOWS (IF NON-GRANT INSTRUMENT IS USED)

Provide a calendar of expected reflows to the GEF/LDCF/SCCF Trust Funds or to your Agency (and/or revolving fund that will be set up)

The information below is also included in Section 7b of the ProDoc.

As outlined in paragraph 84, the Fund is expected to generate a net IRR of 6.4 percent. This net IRR includes a) management fees; b) fund start-up fees (USD 250K) start-up and fund liquidation fees (USD 50K) – both of which are common maximum amounts; c) Fund taxes as part of fund operations in Indonesia, the Philippines, and the US. It does not include taxes that need to be paid individually by each fund investor. The IRR also includes fund reinvestments using proceeds from a prior investment.

As a result of its investment in the Fund, the GEF's net IRR is projected to be approximately 5.1 percent. The comparatively lower GEF IRR is due to:

- Fees to cover costs of a partial guarantee to help catalyze Fund investors: The partial guarantee will cover 50 percent of debt investment losses of the Fund's LPs, excluding debt investment losses realized by the GEF. The terms of the guarantee are in the final stages of negotiation and fees associated with the guarantee are estimated to involve a 1 percent origination fee and a 1 percent utilization fee. Given projected debt financing, total fees are currently estimated to be USD 718K throughout the life of the Fund.
- Additional costs for GEF independent mid-term and terminal evaluations – to be conducted in Years 3 and 5 of the Fund: estimated to be USD 60K in total.

The first Fund closing is projected to be on August 1, 2017, so the Fund is expected to wind down 10 years later, on August 1, 2027. Within 90 days following the expiration of the Meloy Fund, on November 1, 2027, the GP will distribute all fund proceeds to the Fund's LPs. At that point, it is projected that the GEF will see a USD 2M return on its investment for a total of USD 8M in reflows. Projected reflows to GEF are shown in the table below. At the GP's discretion, the GP may provide early distributions to LPs in advance of the expiration of the Meloy Fund.

In order to fulfill any obligation or liability of the Fund, the General Partner may recall distributions made to its LPs up to the third anniversary of the termination of the fund (until October 2030). The GP may recall the lesser of 25 percent of LP commitments, and 75 percent of any distributions of the GEF Investment. This amount equals approximately USD 1.5M. In the event that the GP may request or recall funding to satisfy any outstanding liability, CI will reflow USD 6.5M on to the GEF Trustee in November of 2027, and hold USD 1.5M for three more years in a separate, interest-bearing account until the funds plus any interest earned can be finally passed on to the GEF Trustee in November of 2030.

Any reflows from CI to the GEF Trustee would be net of any taxes CI may be obligated to pay.

Table 13: Indicative Re-flow Schedule

	2017-18 Year 1	2018-19 Year 2	2019-20 Year 3	2020-21 Year 4	2021-22 Year 5	2022-23 Year 6	2023-24 Year 7	2024-25 Year 8	2025-26 Year 9	2026-27 Y10	November 2030
Projected LP Fund drawdown	USD 4.3M	USD 5.7M	USD 5.4M	USD 4.7M	USD 0M						
Cum. cash for LP/GP distribution						USD 3.0M	USD 11.1M	USD 18.9M	USD 25.6M	USD 31M	
Projected GEF cash flows	USD 1.3M	USD 1.7M	USD 1.6M	USD 1.4M	USD 0	USD 6.5M ⁶	USD 1.5M ⁷				

⁶ Repayment to take place by October 31, 2027 at the latest

⁷ Repayment to take place by October 31, 2030