

Scientific and Technical Advisory Panel

The Scientific and Technical Advisory Panel, administered by UNEP, advises the Global Environment Facility
(Version 5)

STAP Scientific and Technical screening of the Project Identification Form (PIF)

Date of screening: March 16, 2016
Screener: Douglas Taylor
Panel member validation by: Jakob Granit
Consultant(s):

I. PIF Information *(Copied from the PIF)*

FULL SIZE PROJECT	GEF TRUST FUND
GEF PROJECT ID:	9370
PROJECT DURATION:	5
COUNTRIES:	Regional (Indonesia, Philippines)
PROJECT TITLE:	The Meloy Fund : A Fund for Sustainable Small-scale Fisheries in SE Asia (Non-grant)
GEF AGENCIES:	CI
OTHER EXECUTING PARTNERS:	Rare
GEF FOCAL AREA:	Biodiversity

II. STAP Advisory Response *(see table below for explanation)*

Based on this PIF screening, STAP's advisory response to the GEF Secretariat and GEF Agency(ies):
Major issues to be considered during project design

III. Further guidance from STAP

The PIF states that "The Meloy Fund is an opportunity for the GEF, alongside other investors, to make the difference that is needed to strengthen incentives for adoption of sustainable fishing practices in small-scale fisheries, playing a critical role in de-risking investment in under-funded biodiversity areas and paving the way for private capital to lead to scale" in Indonesia and the Philippines. The proposed "impact fund" is designed to "play an important role in de-risking a historically undervalued and underappreciated coastal fisheries". The rationale proposed in this project addressing coral reef destruction and the implications for global biodiversity and fisheries is well described in the proposal.

The proposal adequately summarizes the threats to coral ecosystems due to destructive fishing practices and correctly assesses the perverse incentive of the extraction of all available resources in the context of open access fisheries and very large human populations. However, 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. For example, the assertion under 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.

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. 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. In addition, the specific linkage to establishing sustainable fisheries by supporting private sector investment is not well described. 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 thesis that rights-based management strategies can counter unsustainable fishing has been shown to work, e.g. in West Africa through the GEF-supported West Africa Regional Fisheries Program (WARFP) (GEF ID 3558), where, as a governance indicator, territorial use right fisheries, or TURFs have been implemented leading to improved fish catches for artisanal communities (see WARFP 2015 Implementation Status & Results Report) in the four countries participating. Many scientific papers have been published supporting the notion that territorial use rights allocated to coastal communities can address unsustainable fishing practices (see e.g. Afflerbach, et. al. 2014). It is less clear, however, what the linkage is between coral reef conservation and allocation of fishing rights. 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.

Fisheries with territorial use rights are proposed for support and their value chains incentivized, including through use of certification mechanisms. A clear lesson from the WARFP for the present proposal is that there is a need for Governments to legally recognize the TURFs supported by the project, and provide surveillance support as needed to communities to ensure their management measures are respected by outside fishers. There is also a need for additional criteria to be satisfied before potentially increasing demand for fish take through market mechanisms.

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.

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.

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 participation and buy-in, lack of adaptive management. The proposal lacks further a gender analysis.

Finally, the review of the financial arrangements of a proposed GEF investment typically falls outside of the remit of STAP, recognizing that the Panel does not have expertise in this area. However, STAP wishes to propose a number of recommendations in this context given that the proposed financial structure of the Fund is central to the strategy of this initiative and expected delivery of global environmental benefits.

A proper justification and incremental reasoning for why the GEF should support this specific investment fund based in Virginia, USA is not clear. Who will be the actual beneficiaries of the Fund? 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.

References:

Almany, G.R., Hamilton, R.J., Bode, M., Matawai, M., Potuku, T., Saenz-Aguedelo, P., Planes, S., Berumen, M.L., Rhodes, K.L., Thorrold, S.R., Russ, G.R., Jones, G.P., 2013. Dispersal of grouper larvae drives local resource sharing in a coral reef fishery. *Curr. Biol.* 23, 626–630.

Afflerbach, J.C., Lester, S.E, Dougherty, D.T and Poon, S.E. 2014. A global survey of "TURF-reserves", Territorial Use Rights for Fisheries coupled with marine reserves. *Global Ecology and Conservation* 2: 97–106

<i>STAP advisory response</i>	<i>Brief explanation of advisory response and action proposed</i>
1. Concur	In cases where STAP is satisfied with the scientific and technical quality of the proposal, a simple “Concur” response will be provided; the STAP may flag specific issues that should be pursued rigorously as the proposal is developed into a full project document. At any time during the development of the project, the proponent is invited to approach STAP to consult on the design prior to submission for CEO endorsement.
2. Minor issues to be considered during project design	<p>STAP has identified specific scientific /technical suggestions or opportunities that should be discussed with the project proponent as early as possible during development of the project brief. The proponent may wish to:</p> <p>(i) Open a dialogue with STAP regarding the technical and/or scientific issues raised. (ii) Set a review point at an early stage during project development, and possibly agreeing to terms of reference for an independent expert to be appointed to conduct this review.</p> <p>The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.</p>
3. Major issues to be considered during project design	<p>STAP proposes significant improvements or has concerns on the grounds of specified major scientific/technical methodological issues, barriers, or omissions in the project concept. If STAP provides this advisory response, a full explanation would also be provided. The proponent is strongly encouraged to:</p> <p>(i) Open a dialogue with STAP regarding the technical and/or scientific issues raised; (ii) Set a review point at an early stage during project development including an independent expert as required.</p> <p>The GEF Secretariat may, based on this screening outcome, delay the proposal and refer the proposal back to the proponents with STAP’s concerns.</p> <p>The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.</p>