



Project Implementation Report (PIR) Template

Reporting Period: Oct. 2021 – June 2022

Project Information			
Project Title:	The Meloy Fund: A Fund for Sustainable Small-Scale Fisheries in Southeast Asia		
PIR Submission Date:	June 30, 2022	Actual Agency Approval Date:	08/17/2017
GEF Fiscal Year	2022	Implementation Status:	Active
Implementation Progress Rating:		Development Objective Rating:	
Risk Rating:		Type of Trust Fund:	GEF Trust Fund
Actual Implementation Start Date:	10/1/2017	First Disbursement Date:	11/02/2017
Cumulative disbursement as of June 30 of the reporting fiscal year (\$)	GEF Trust Fund: \$6,000,000 Total: \$6,000,000		
Expected Mid-Term Review Date:	08/30/2020	Expected Completion Date:	08/01/2027
Expected Financial Closure Date:	02/01/2028	Actual Completion Date:	TBD

Development Objective Rating:

Executing Agency to Complete:

PROJECT OBJECTIVE:	To improve the conservation of targeted 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.
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OBJECTIVE INDICATORS	END OF YEAR INDICATOR STATUS	COMMENTS/JUSTIFICATION
Objective indicator A: Number of investments made in scalable ventures in Indonesia and the Philippines	12 investments	To-date the Fund has approved 12 investments in ten companies.
Objective indicator B: Percentage of fishers and fish workers with increased earnings through project investments as a measure of improved status of livelihoods	100 percent of the fishers that the Fund is working with.	<p>Each of the Fund's investments seeks to improve fisher incomes, namely through higher prices for higher quality products.</p> <p>Through the Fund's TA Facility (TAF), investees are being supported with post-harvest improvements that will increase fishers and farmers' incomes (e.g., tuna fisher trainings, adoption of technologies for seaweed, as well as in the initiation of a FIP towards sustainable octopus management).</p>
Objective indicator C: Percent increment in profit per unit effort (PPUE) at sites of investment that overlap with Fish Forever sites.	0 percent	<p>The Fund, through one of its investees, Agromar, is in the process of initiating collaboration with Fish Forever communities in Zamboanga Sibugay, Philippines. The team will work to assess the baseline so that any increase in profit/income can be measured.</p> <p>This is the first site of overlap between a Fund investment and Fish Forever.</p>
Objective indicator D: Number of hectares with improved management of coral reef ecosystems	1,081,215 hectares <i>(Clarification under Component 1)</i>	<p>Through the end of this reporting period, Fund investees have placed 1,081,215 hectares of seascape under improved management by implementing responsible sourcing practices with their suppliers and participating in existing FIPs.</p> <p>Each of the Fund's investees ensure that any seafood they source is of the right size and caught with appropriate gear. In addition, in partnership with these companies, the Fund has identified additional improved supply chain practices that can potentially be implemented on the ground.</p>

OBJECTIVE INDICATORS	END OF YEAR INDICATOR STATUS	COMMENTS/JUSTIFICATION
		<p>In collaboration with the Fund, each investee is required to develop the following:</p> <ul style="list-style-type: none"> • A responsible sourcing policy that guides all company procurement activity and seeks to minimize any potential negative impact the company may have on coastal fisheries. For example, a responsible sourcing policy for fisheries processors will include size limits, acceptable gear, and restrictions on by-catch, among others. • Fisheries-related investment covenants to ensure that the company remains in compliance with the Fund’s ESG Standards and all applicable laws. • Impact targets tied to the Fund’s own impact targets. These targets are developed in coordination with the investee. Given the uncertainty in dealing with natural environments, goals may be aspirational and committed to on a best-efforts basis.

CI-GEF PM to Complete:

OBJECTIVE IMPLEMENTATION PROGRESS RATING	JUSTIFICATION
S	<p>The project has made good progress with increasing its investment portfolio. The Fund has made 12 investments in ten companies. The area of coral reef ecosystems with improved management by implementing responsible sourcing practices and participating in existing FIPs has increased significantly. The fund has continued with technical assistance for fishers. There is now overlap between a Fish Forever sites and Meloy Fund investment in the Philippines.</p>

Implementation Progress Rating:

Executing Agency to Complete:

Component 1: The Meloy Fund for Sustainable Fisheries
Implementation Progress of Component 1:
<p>The hectares of seascape under improved management and practices through Fund investments has increased to more than 1,081,215 hectares – or approximately 90% of the Fund’s target (1,200,000 ha). In addition, the Fund’s capital is approaching being fully committed as the team actively pursues an exciting group of final investments, all of which aim to close by the end of calendar year 2022.</p> <p>Notably, during this reporting period the Fund successfully exited its first investment, Meliomar. Meliomar’s tuna quality improvement project, supported through the Fund’s Technical Assistance Facility, trained 600 fishers to improve post-harvest practices. This was accompanied by pre-purchase financing for seven vessels, increasing the company’s revenues (per vessel) and improving the percentage of high-grade tuna caught, thereby reducing waste and over-fishing.</p>

Furthermore, the Fund exited from two of its Rapid Response Loan Program (RRLP) investments. The RRLP has been a solid performer for the Fund and has produced other anticipated benefits, such as the ability to transition to longer-term, follow-on investments, one of which also closed during this reporting period.

OUTCOME INDICATORS	END OF PROJECT INDICATOR TARGET	END OF YEAR INDICATOR STATUS	COMMENTS/JUSTIFICATION <i>Provide comments/justifications for the change in the indicator – Max. 200 words</i>
<p>Outcome indicator 1.1.a.: Number of hectares of coral reef ecosystems under sustainable management through financial incentives offered through Meloy Fund investments</p>	1.2 million hectares	1,081,215 hectares	<p>This indicator is self-reported by each investee.</p> <p>More accurate mapping of relevant fishing grounds using vessel tracking devices and improved data on Meliomar’s fishing grounds has resulted in the inclusion of a buying station in Infanta that uses larger vessels to make fishing trips at least twice as far as smaller boats, resulting in at least double the previous number of hectares of seascape that are fished with sustainable practices and included in fishery management programs.</p>
<p>Outcome indicator 1.1.b.: Number of investments made through the Meloy Fund</p>	To be determined as the pipeline is rolled out	12 investments	<p>To-date the Fund has approved 12 investments in ten companies.</p> <p>With the Fund’s supply chain approach for its investment strategy, the team has started to evaluate opportunities for co-investments to build larger platform companies. A number of opportunities have been identified to date that could help existing portfolio companies to scale and/or build an ecosystem of efficient supply chain.</p>
<p>Outcome indicator 1.1.c.: Average percent increment in profit per unit effort (PPUE) at sites of investment that overlap with Fish Forever sites.</p>	>0	N/A	<p>The Fund, through one of its investees, Agromar, is in the process of initiating collaboration with Fish Forever communities in Zamboanga Sibugay, Philippines. The team will work to assess the baseline so that any increase in profit/income can be measured.</p> <p>This is the first site of overlap between a Fund investment and Fish Forever.</p>

Component 2: Fisheries technical assistance (TA) through Fish Forever

Implementation Progress of Component 2:

The Fund's impact performance per dollar deployed remains on or above target for the E&S impact targets.

With the designation TURF+reserve areas, the project continues to make progress towards the targets for outcome 2.2. Results related to the outputs under this component are good.

OUTCOME INDICATORS	END OF PROJECT INDICATOR TARGET	END OF YEAR INDICATOR STATUS	COMMENTS/JUSTIFICATION
<p>Outcome indicator 2.1.: Percentage of projected E&S impact targets achieved.</p>	<p><i>Environmental Target</i> a: 1.2 million hectares of coral reef ecosystems) under improved management</p> <p><i>Social Targets</i> b: 100,000 fisher household members positively impacted</p> <p>c: USD 20 million aggregate annual purchases from fishers</p>	<p><i>Environmental Targets</i> a: Through the Fund's nine investments, 1,081,215 hectares of coral reef ecosystems are under improved management.</p> <p><i>Social Targets</i> B: Through the Fund's nine investments, 61,142 fisher household members (approximately 49.7% female, 50.3% male¹) have been positively impacted.</p> <p>c: Through the Fund's nine investments, USD 26,443,876 has been purchased from local fishers/seaweed farmers.</p>	<p><i>Environmental Target</i> a: Together, the investees and the Fund develop an Action Plan of activities that they will execute together throughout the life of the investment to improve fisheries management.</p> <p>E.g.:</p> <ul style="list-style-type: none"> - Fisheries data collection: The Fund and the company will jointly seek to gather first-hand data on fisheries health and fisher incomes to track the Fund's impact. - Supply chain improvements: The Fund and the company will jointly implement supply chain improvement projects to encourage the adoption of sustainable practices that simultaneously increase fisher incomes, including using improved gear and or increasing catch quality via fisher training. <p>A portion of the funding for this plan may be covered by the Fund's Technical Assistance Facility (TAF). The Meloy Fund's TAF is designed to provide grant funding to the Fund's portfolio for projects that may a) accelerate Meloy Fund investees' triple-bottom-line impact, and b) increase the rate at which sustainable</p>

¹ Demographic estimates based on <https://data.worldbank.org/indicator/SP.POP.TOTL.FE.ZS?end=2021&locations=ID&start=2021> (accessed July 2022).

OUTCOME INDICATORS	END OF PROJECT INDICATOR TARGET	END OF YEAR INDICATOR STATUS	COMMENTS/JUSTIFICATION
			<p>small-scale fisheries projects are deployed and scaled.</p> <p>This indicator is self-reported by each investee. Through June 2022, the investees have 1,081,215 hectares under improved management:</p> <ul style="list-style-type: none"> • Investee 1: 252,000 hectares • Investee 2: 600,000 hectares • Investee 3: 186,300 hectares • Investee 4: 131 hectares • Investee 5: 4,509 hectares • Investee 6: 16,215 hectares • Investee 7: 6,693 hectares • Investee 8: 5,000 hectares • Investee 9: 10,367 hectares <p><i>Social Targets</i></p> <p>b: Through June 2022, the investments have positively impacted an estimated 61,142 fisher household members (approximately 30,387 females, 30,754 male). Each of the investees tracks and reports on the number of fishers they work with, and the average number of household members is then taken from census data averages (see footnote 1).</p> <ul style="list-style-type: none"> • Investee 1: 6,000 fisher household members • Investee 2: 12,630 fisher household members • Investee 3: 1,216 fisher household members • Investee 4: 3,084 fisher household members • Investee 5: 4,901 fisher household members • Investee 6: 23,436 fisher household members • Investee 7: 7,275 fisher household members

OUTCOME INDICATORS	END OF PROJECT INDICATOR TARGET	END OF YEAR INDICATOR STATUS	COMMENTS/JUSTIFICATION
			<ul style="list-style-type: none"> • Investee 8: 960 fisher household members • Investee 9: 1,640 fisher household members • Investee 10: n/a <p>c: Through June 2022, the investments have purchased 26,443,876 from local fishers/seaweed farmers. Each of the investees tracks and reports on these amounts:</p> <ul style="list-style-type: none"> • Investee 1: USD 3,203,291 • Investee 2: USD 773,022 • Investee 3: USD 3,194,960 • Investee 4: USD 7,693,547 • Investee 5: USD 2,642,687 • Investee 6: USD 3,148,702 • Investee 7: USD 4,274,063 • Investee 8: USD 491,147 • Investee 9: USD 1,022,457 • Investee 10: n/a
Outcome indicator 2.2.a.: Percentage of live coral cover within targeted TURF + reserves	>0	40% (Indonesia) 24% (Philippines)	Baseline data has been collected within designated TURF + reserve areas. There is 40% of live coral cover within targeted TURF + reserves in Indonesia; and 24% of live coral cover within targeted TURF + reserves in the Philippines.
Outcome indicator 2.2.b.: Total fish biomass within targeted TURF + reserves	>0	120 kg/ha (Indonesia) 300 kg/ha (Philippines)	Total fish biomass was equivalent to 120 kg/ha within the proposed TURF + reserves in Indonesia and 300 kg/ha in the Philippines.
Outcome indicator 2.2.c.: Average length of target species under TURF + reserve management	>0	36 cm (Indonesia) 29 cm (Philippines)	The average length of target species in proposed TURF + reserve areas was equal to 36 cm in Indonesia and 29 cm in the Philippines.

CI-GEF PM to Complete:

OVERALL RATING	JUSTIFICATION
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The project has made important progress on the outcomes and outputs of component 1 and 2. To-date the Fund has approved 12 investments in ten companies. The number of hectares of coral reef ecosystems under sustainable management has increased significantly, reaching 90% of the target. There is good progress on environmental, social and economic targets. Through the Fund’s investments, 61,142 fisher household members (approximately 50% female) have been positively impacted, and USD 26,443,876 has been purchased from local fishers (overachieving this target). Investees are performing well. With the designation TURF+reserve areas, the project is achieving good progress towards the targets for outcome 2.2.

Risk

Executing Agency to Complete:

Risks:
<p>Risks related to COVID-19 generally remain unchanged, however both the Philippines and Indonesia have now vaccinated over 70% of their countries’ target populations, leading both governments to ease restrictions on mobility and business operations. The tourism and hospitality industries have begun to operate normally, helping to generate more business opportunities for coastal communities. Despite these developments, the cost of logistics in both countries remain high and the threats of new surges in COVID-19 infections persists. As previously reported, the Meloy Fund has deployed a comprehensive response to help address the effects of the pandemic on the Fund’s investees and affiliated coastal communities.</p> <p>Some of the main challenges faced by portfolio companies have been the limited supplies of raw materials and expensive logistics costs. Inclement weather, seasonality factors, and crop diseases were the main drivers behind various shortages in raw materials. The Fund’s portfolio companies have initiated partnerships with suppliers and expanded their sourcing locations to address the volatility of raw material supplies.</p>

PROJECT RISKS	PRODOC RISK MITIGATION MEASURE	MITIGATION MEASURES IMPLEMENTATION	COMMENTS/ JUSTIFICATION	CURRENT FY22 RISK RATING	RISK RATING TREND
<p>Risk 1: Deal sourcing risk: The Fund may be unable to find a sufficient number of attractive investment opportunities to meet its investment objectives and, even if successful in finding such opportunities, that those</p>	<p>The Meloy Fund believes that the historical precedent for investment in this sector undervalues the potential and is stifled by a lack of entrepreneurs hip, creativity, and long-term strategies for fishery improvements . Further, our</p>	<p>The Meloy Fund team is continuously identifying potential investment opportunities through targeted regional networking and fishery conferences.</p>	<p>The Fund is continuously evaluating a robust pipeline of potential portfolio companies.</p> <p>As travel remained limited in both Indonesia and Philippines due to COVID-19 restrictions, forming relationships with new companies added difficulty to the deal origination process. On the other hand, more companies are in need</p>	<p>Substantial</p>	<p>Unchanged</p>

PROJECT RISKS	PRODOC RISK MITIGATION MEASURE	MITIGATION MEASURES IMPLEMENTATION	COMMENTS/ JUSTIFICATION	CURRENT FY22 RISK RATING	RISK RATING TREND
<p>selected investments will successfully achieve the Fund’s objectives.</p>	<p>deal sourcing ability is enhanced via the following channels a) Local staff with on-the-ground presence; b) Technical expert network; c) Conservation partners; d) Country advisory boards; and e) Conferences, forums, and investor networks.</p>		<p>of capital than ever, and investors have been more tentative across the board.</p> <p>In response to COVID-19, the Fund rolled out a Rapid Response Loan Program (RRLP) to provide short-term working capital to pre-vetted companies in the Meloy Fund pipeline affected by the COVID-19 pandemic. Through FY20, the Fund approved three companies to participate in this program, financing a total of ten large shipments. As these loans are repaid, the Fund has developed longer-term partnerships with the borrowers.</p>		
<p>Risk 2: <u>Currency exchange risk:</u> The income received by the Fund will be in U.S. Dollars, although the Portfolio Companies will operate in their own local currency. Accordingly, changes in currency exchange rates between the U.S.</p>	<p>Both Indonesia and the Philippines currently have fairly strong macroeconomic fundamentals and no major currency swings are expected at least in the short term.</p> <p>The Fund investment committee will take into account</p>	<p>To-date, each of the Fund’s investments have been made to companies that conduct most of their sales in USD or EUR currencies.</p> <p>The Fund has also identified some potential hedging mechanisms and foreign exchange coverage options but has not had the need use them to-date.</p> <p>The Fund also has a USAID partial guarantee that will</p>	<p>The Fund continues to explore mechanisms to hedge currency risk for pipeline companies with high exposure to local currency.</p>	<p>High</p>	<p>Unchanged</p>

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<p>Dollars and such foreign currencies may adversely affect the portfolio companies' ability to pay and potential returns to the Fund.</p>	<p>potential currency risks as a standing component in every investment and prioritize investments in organizations that export their products to developed countries as a hedging strategy. The Fund may also explore currency hedging strategies if local currency investments are required.</p>	<p>cover up to 50 percent of any loss, in USD, on the Fund's debt portfolio.</p>			
<p>Risk 3: <u>Investment Risk:</u> There can be no assurance that the development of any particular investment will be successful or that its business will be profitable. Some of the Fund's portfolio companies may be unseasoned, unprofitable and/or have no established operating</p>	<p>The Meloy Fund has four key elements in order to mitigate investment risk. First, the Fund will follow rigorous due diligence buttressed by our local staff, Rare's network of technical experts, and the setting up of country advisory boards. Second, the Fund's portfolio will manage its</p>	<p>A rigorous due diligence process has been carried out by the Fund's team for each of its investments.</p> <p>The team also provides close and on-going monitoring of portfolio companies.</p> <p>The Fund has established a Technical Assistance Facility which will provide required additional support to portfolio companies (e.g., strengthening their financial capacity, fishery management tools).</p>	<p>The Fund has developed robust set of tools and clear due diligence process to identify and mitigate potential risks.</p> <p>The Meloy Fund continues to employ four key steps to mitigate investment risk:</p> <ol style="list-style-type: none"> 1. follow a rigorous due diligence process buttressed by our local staff and Rare's network of technical experts. 2. manage its concentration risks against specific limits 3. monitor each investment on a 	<p>Substantial</p>	<p>Unchanged</p>

PROJECT RISKS	PRODOC RISK MITIGATION MEASURE	MITIGATION MEASURES IMPLEMENTATION	COMMENTS/ JUSTIFICATION	CURRENT FY22 RISK RATING	RISK RATING TREND
<p>history or earnings. These companies may also lack technical, marketing, financial and other resources, or may be dependent upon the success of one product or service, or a unique distribution channel.</p>	<p>concentration risks against specific limits including parameters such as sector, geography, and borrower type. Third, the Fund will monitor each investment on a regular basis including a quarterly internal review involving a valuation report. Each investee will be required to make at least quarterly payments to instill strong repayment discipline and will provide reports on a quarterly basis. Fourth, the fund will take first ranking security over all the investee's fixed and where possible current assets, including those assets purchased with the investment.</p>	<p>The deals to-date have been structured to include (at least) quarterly repayments on their loans and are required to submit monthly operating and financial reports.</p>	<p>regular basis including a quarterly internal review involving a valuation report. Each investee is required to make at least quarterly payments to instill strong repayment discipline and will provide reports on a quarterly basis.</p> <p>4. Seek to take first ranking security over a significant portion of the investee's fixed and of those assets purchased with the investment.</p>		

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<p>Risk 4: <u>General economic and market conditions:</u> By investing in various developing countries, the Fund may be subject to economic, political, regulatory, and social risks, which may affect the liquidity and value of its investments. Foreign governments may exercise substantial influence over many aspects of the private sector, and the success of the Fund's investments may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international</p>	<p>Rare has developed strong relationships with key government bodies at local, municipal, regional, and national levels as a key element of developing healthy community fisheries and will make sure it continues doing so as part of the Fund's activities.</p> <p>Additionally, our multi-local approach diversifies risk across geographies and political boundaries, hedging against potential weather events, political changes, microeconomic pressures, etc.</p> <p>Finally, we will assemble a well-networked in-country</p>	<p>To date, the Fund has made 2 investments in the Philippines (in the same company) and 2 in Indonesia (in the same company) and aims to have no more 70% percent of its invested capital in one single country</p>	<p>The team continues to monitor the economic and market conditions closely.</p> <p>As a result of the macro-level shocks to the market due to COVID-19, and although we expect our portfolio to pull through and achieve our financial and impact goals, management has agreed that a prudent and conservative approach is to take a significant provision across the portfolio to reflect the current global recession, and the degree of uncertainty of the timing and magnitude of economic recovery.</p> <p>Impacts of the COVID-19 pandemic were felt throughout FY20. Sales dropped for all portfolio companies precipitously, and although costs were cut as possible, the reductions were generally insufficient to cover the shortfall. Given COVID-19, we would now consider this risk to be substantial.</p> <p>Throughout this challenging year, the Meloy Fund has worked closely with each portfolio</p>	<p>Substantial</p>	<p>Increasing</p>

PROJECT RISKS	PRODOC RISK MITIGATION MEASURE	MITIGATION MEASURES IMPLEMENTATION	COMMENTS/ JUSTIFICATION	CURRENT FY22 RISK RATING	RISK RATING TREND
political circumstances .	advisory board, to include top government and private sector players, to help us vet investment opportunities and to minimize the effects of corruption and political pressure.		company, first and foremost to ensure ongoing business continuity and as part of that restructuring outstanding debt to free cash flow so that new orders can be fulfilled. Further, we have engaged at the strategic and operational level to pursue product and business development opportunities, at times providing sales contacts or quality control resources.		
<p>Risk 5: <u>Climate change risk:</u> An increase in global average surface temperatures has resulted, among others, in rising sea levels, shifting precipitation patterns, droughts and floods, and higher likelihood of more extreme weather and more violent natural catastrophes. Temperature rises make weather harder to predict and raise the margin of error in</p>	Fish Forever contributes to social resilience in communities through community engagement and capacity building. This, along with a diversification of income sources, which help communities adapt and respond to climate events. Conserving coral reefs, coastal habitats, and preserving trophic balances also provide biophysical resilience as	Building on lessons from its first Fish Forever cohort, going forward, Rare will incorporate climate-smart metrics into program design to estimate ecological resilience to climate change. We will also integrate climate modeling into management planning and reserve network design. Alongside these efforts, we will prioritize building effective and adaptive capacities in the communities; this includes using an EbA approach to governance and management, working with communities to collect basic slow-onset metrics (which can help them to see	The updated Fish Forever strategy includes new program curricula that builds in the important cross-cutting theme: climate change’s impacts on coastal fisheries. To address this, Fish Forever will augment the decision support tools around reserve design and fisheries management to be “climate smart” in helping local government and communities identify and plan for the effects of slow onset and sudden shock impacts (especially regarding coral reef health, distribution of target fish populations, and access to fishing grounds). Rare will also help local governments to	Moderate	Unchanged

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<p>modeling knock-on effects on agricultural and fisheries production. The Philippines appears to be especially susceptible to climate change related challenges due to it being an island nation with a very high number of tropical storms, and which are expected to increase in severity due to regional wind patterns and rising sea levels.</p>	<p>ecosystem integrity is improved, helping reef systems better withstand natural disasters and the effects of warming ocean temperatures.</p>	<p>gradual climatic changes and take appropriate preventative actions), and informing national adaptation plans and Nationally Intended Contributions under the Paris Agreement.</p> <p>Furthermore, to help communities adapt and respond to climate change, building on its success in the Philippines, Fish Forever is integrating financial inclusion across all of its new sites, including: financial literacy training; establishment of savings and loans clubs; building club support for public goods – e.g. fisher pensions, natural disaster insurance); and establishment of community enterprises.</p>	<p>develop and embed fisheries management into climate change adaptation strategies.</p>		
<p>Risk 6: Fish Forever program risk: Rare is in process of developing its strategy for the next cohort of Fish Forever sites in both countries. As the strategies are finalized,</p>	<p>Through its work in-country and globally, Rare has developed a strong network of experts and partners that could be called on for technical support as needed.</p>	<p>The new Fish Forever strategies in Indonesia and the Philippines build on the results and lessons learned (see https://www.rare.org/fisheries-report) from the program’s first cohort of Fish Forever sites.</p> <p>In addition, as had previously been done</p>	<p>Although small-scale fisheries provide important contributions to coastal and national economies, these contributions are often undervalued, unaccounted for, and marginalized.</p> <p>To address this, Rare continues to actively build awareness and</p>	<p>Moderate</p>	<p>Unchanged</p>

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Rare will then be required to raise funds in support of the outlined interventions.	Furthermore, Rare has been working closely with both governments to support positive social change, build connectivity between reform efforts across multiple levels of government, and scale our community-led solutions – such as Fish Forever. Rare has been working to empower local partners to address policies and regulations that remove barriers to and incentivize implementation of natural resource management solutions long in the future.	<p>in the Philippines, the Indonesia team has been working closely with the government to ensure that the sustainable development of coastal fisheries is integrated into the draft national mid-term development plan, 2020-2024.</p> <p>Furthermore, as a part of its larger Blended Finance Initiative, Rare is working closely with the governments of both Indonesia and the Philippines to create large-scale green financing facilities for coastal fisheries management, which will enable the scaling of small-scale fisheries management as well as greater impact for Meloy Fund investments.</p>	recognition of the importance of coastal fisheries as well as effective fisheries policy and management—for food, for jobs, for meeting multiple SDG targets, for contributing to national economies, for ensuring a healthier ocean, and for developing secure, climate-resilient communities; and continues to work closely with the governments of Indonesia and the Philippines as well as coastal communities to build their support for sustainable small-scale fishery management.		
Risk 7: <u>COVID-19 pandemic</u>	N/A	<ol style="list-style-type: none"> 1. Ensure the companies' ongoing financial viability. 2. Encourage the companies to provide 	The COVID-19 pandemic has disrupted global seafood supply chains and threatened the viability of many small and medium-sized enterprises SMEs in the fisheries sector.	Substantial	Unchanged

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		<p>continued employment or support to their employees.</p> <p>3. Facilitate assistance to the companies' suppliers, i.e., small-scale fishers, to mitigate disruptions in seafood sourcing and enable a swift recovery once the outbreak is contained.</p>	<p>These same SMEs and supply chains provide the primary source of income for some of the most vulnerable communities in the developing tropics.</p> <p>Because of the relative homogeneity of the Fund's current portfolio, we have focused on analyzing the impacts of coronavirus across a few key categories:</p> <ul style="list-style-type: none"> • Supply: We know that in many fisheries, fishing pressure is reduced because local fishers are not able to get out to safely fish (or have less reason to given reduced demand). At least in the short term, which may be good news for fish stocks, and prices are decreasing commensurately. • Demand: Demand remains strong for food and protein both domestically and globally. That said, the channels for purchasing food have narrowed, and for practical purposes demand from hotels and restaurants -- a primary source of revenue for two of 		

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			<p>our portfolio companies – has been eliminated.</p> <ul style="list-style-type: none"> Logistics: Despite the opportunity to purchase seafood at lower prices and demand from retail buyers, logistical shutdowns in cargo and in particular, airfreight, have hamstrung delivery. We are now seeing these supply lines gradually re-open, but shifting and opaque regulations at the very least will delay shipments and extend payment terms. Production: The production facilities of our portfolio companies have been able to operate at a reduced level, and with support of our Technical Assistance Facility, we are providing guidance to support a gradual re-opening of facilities with best-practice health and safety measures in place. <p>In response to this crisis, the Meloy Fund</p>		

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			has initiated a multi-pronged strategy to support our portfolio companies and other impacted SMEs in our pipeline, provide a safe working environment for employees of those companies and their fisher-suppliers, and bridge the gap between slow-moving government aid and current needs for subsistence and health and safety supplies.		

OVERALL RATING OF PROJECT RISKS	JUSTIFICATION
S	All risk mitigation measures are robust. Due to COVID-19 and the global economic situation, risks remain significant.

GEF Portal Information

Information on Progress, challenges and outcomes on project implementation activities
<p>As aforementioned, many of the pandemic-related restrictions in the Philippines and Indonesia have been lifted, creating expectations for increased economic activity in both countries. Reopening the tourism and hospitality industries is expected to generate more business for coastal communities, which will help the Meloy Fund to continue to generate interest. As the pipeline continues to grow, the investments listed below are among the those that the Fund may pursue with its remaining available capital:</p> <ul style="list-style-type: none"> • A combined equity and debt investment in a holding entity that would consolidate up to seven seafood companies. • An equity or convertible debt investment in a company that supports sustainable shrimp production through financing and technical assistance, ensuring quality products for the farmers. • CapEx and working capital funding to support a seafood processor’s expansion and Marine Stewardship Certification (MSC) initiatives in the Philippines. Part of the investment would go to support the MSC-certified fishery that is the company’s source of raw material. <p>Some of the main challenges faced by portfolio companies have been the limited supplies of raw materials and expensive/increasing logistics costs. Inclement weather, seasonality factors, and crop diseases were the main drivers behind various shortages in raw materials. The Fund’s portfolio companies have initiated partnerships with suppliers and expanded their sourcing locations to address the volatility of raw material supplies.</p>

Through the provision of grant funding, the Fund is now working to improve smallholder seaweed farmers' income through better production and harvesting practices that increase productivity and improve the quality of seaweed produced. To this end, grant funding will be used to finance a revolving loan facility to equip seaweed farmers in the Philippines and Indonesia. This funding complements the Technical Assistance Facility in providing grant funding for farmer training programs and monitoring and evaluation activities, as this loan facility can provide low/zero-interest loans to organizations such as cooperatives and farmer associations to finance their members' working capital or capital improvement needs at the farm level.

The Fund is actively designing TA projects comprising both loans and grants that will enable investees such as Agromar and Froilan to source traceable, higher quality seaweed directly from farmers, working closely with local governments and NGOs in the Philippines.

In Indonesia, the Fund is awaiting results from portfolio company Koltiva's existing TA project before scaling and expanding it to provide loans to farmers through Koltiva's platform. During this period, the Fund has come to know more seaweed companies and is in active discussions to deploy loans and grants for farmer-level improvements while considering the potential to deploy a Rapid Response Loan Program at the company level.

Information on progress, challenges and outcomes regarding engagement of stakeholders in the project/program based on the description included in the Stakeholder Engagement Plan or equivalent documentation submitted at CEO Endorsement/Approval

The Fund believes that the ability to offer different types of funding that cater to the varying needs of stakeholders along the value chain helps to overcome systemic barriers, such as farmers' lack of access to financing, while building the capacity of the portfolio companies and farming organizations to engage in contract buying on terms that are favorable to both parties while creating a direct feedback loop that incentivizes farmers to improve quality.

Throughout this reporting period, the Fund has continued to engage with a range of stakeholders:

- **Local fishers:** As part of the Fund's ESG due diligence process and in the implementation of TA projects, local fishers' feedback and participation are continuously sought to understand their pain points and to ensure that incentives are aligned along the value chain so that fishers benefit from any quality improvements and adoption of sustainable practices.
- **Seafood processors:** This remains to be the Fund's largest pool of investees although the Fund has diversified its way of engaging processors (see the next point)
- **Distributors, importers, and retailers:** The Fund is increasingly working across the supply chain and is currently in the final stages of due diligence to offer sustainable trade finance to a US-based importer of seafood for their processors in Indonesia and Philippines based on purchase orders from large US buyers. This offers a unique opportunity to bridge suppliers (and their fisher-producers) and large multi-national buyers in global seafood sustainability programs.
- **Seafood and fishery experts:** The Fund recently formed an Impact Committee to enhance the design of impact programs related to upcoming deal opportunities and portfolio companies, and to hone the Fund's impact strategy and metrics over time. The Impact Committee comprises of diverse members from the business, scientific, and NGO communities, with expertise in the sectors and geographies relevant to the Fund's mandate.
- **Local environmental partners and foundations:** The Fund coordinates with local environmental partners and foundations where there is an overlap in the species and geography of investees' sourcing grounds. This includes local implementation of TA projects including training, data collection, community mobilization as well as the engagement of local, provincial, and national public bodies.
- **Other impact investing funds:** The Fund is looking at co-investing in an aquaculture farm management technology and trading company with another impact investment fund.

Information on progress on gender-responsive measures and my intermediate gender result areas as documented at CEO Endorsement/Approval including gender-sensitive indications contained in the project results framework or gender action plan or equivalent

In order to identify any needed improvements, as well as to better understand the role of women within their supply chains, the Fund team has started to conduct further assessment with a few investees on the gender perspectives from the management level as well as on working conditions for female workers. For example, following further site visits to Flores, the Fund found that women are very much involved in Agrita's octopus supply chain. When fishers return from sea, their wives are the ones who record the catch and determine the size and quality before sending the octopus to the suppliers. The [FIP](#) will actively engage women as part of the data collection process.

Progress on the implementation of the project's KM approach approved at CEO Endorsement/Approval

Factors that encourage replication, including outreach, dissemination of lessons learned, and communication strategies:

During the reporting period, the Fund collaborated with other impact investment funds (e.g., such as Circulate Capital and the Yield Lab Agtech Fund) to share key learnings and seek opportunities for co-investment.

Following the Fund's investment in Jalatech, a press release was made <https://www.meloyfund.com/news/2021/11/24/jala-raises-us6m-in-new-funding-from-mirova-meloy-fund-and-real-tech-fund> The Meloy Fund co-invested with another impact fund, Mirova, and a traditional technology venture capitalist fund, Real Tech Fund, in the company.

The fund also shared a video to its YouTube page which demonstrates what the Fund's RRLP means to Agromar and how the Technical Assistance Facility has supported seaweed farmers who are part of Agromar's supply chain. <https://youtu.be/UlsslhIjY0>