



Project Implementation Report (PIR) Template

Reporting Period: Oct. 2020 – June 2021

Project Information			
Project Title:	The Meloy Fund: A Fund for Sustainable Small-Scale Fisheries in Southeast Asia		
PIR Submission Date:	July 22, 2021	Actual Agency Approval Date:	08/17/2017
GEF Fiscal Year	2021	Implementation Status:	Active
Implementation Progress Rating:	Satisfactory	Development Objective Rating:	Satisfactory
Risk Rating:	Substantial	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	10 investments	To-date the Fund has approved ten investments in six 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>During this reporting period, the Meloy Fund closed one new investment in Swiss-based Koltiva AG. Koltiva is a leading integrated agriculture technology company that provides customized software solutions and services for the agriculture and aquaculture sectors.</p> <p>With approval from the Fund’s Technical Assistance Facility (TAF) Committee, the Meloy Fund and Koltiva kickstarted a project to introduce Koltiva’s Seaweed Trace End-to-End Platform to various players along the supply chain, targeting 1,000 seaweed farmers (700 of whom will receive hands-on support) in Indonesia and the Philippines with the following objectives:</p> <ul style="list-style-type: none"> • Increase the farmer’s income by at least 10%, verified through traceable sales volumes, farm gate price, downstream profit analysis and a KoltiPay report; and, • Ensure environmental sustainability through a clear baseline of greenhouse gas emissions and carbon stored from seaweed production, and improved siting of seaweed farms.
Objective indicator C: Percent increment in profit per unit effort (PPUE) at sites of investment that overlap with Fish Forever sites.	0 percent	There remain no sites of overlap between current Meloy Fund investment and Fish Forever sites.

OBJECTIVE INDICATORS	END OF YEAR INDICATOR STATUS	COMMENTS/JUSTIFICATION
<p>Objective indicator D: Number of hectares with improved management of coral reef ecosystems</p>	<p>328,132 hectares <i>(Clarification under Component 1)</i></p>	<p>To date, Fund investees have placed more than 328,000 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> <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
<p>S</p>	<p>The project has made good progress on its objectives as compared to the previous year. The total number of investments has reached 10, and the total number of companies 6. The area of seascapes with improved management increased to 328,132 ha as compared to 280,000 ha last year. The project generates direct tangible benefits for fishers. 100% percent of the fishers that the Fund is working with have increased their earnings.</p>

Implementation Progress Rating:

Executing Agency to Complete:

Component 1: The Meloy Fund for Sustainable Fisheries
Implementation Progress of Component 1:
<p>The Fund is obtaining evidence of the improved management in the areas where investees source from, which is important for demonstrating the contribution of the project to sustainable marine ecosystem management. For wild caught, the Fund's investees are either already sourcing from a Fishery Improvement Project (FIP), is joining a Marine Stewardship Council (MSC)-certified fishery or initiating a FIP with their buyers that is supported by the Fund's Technical Assistance Facility. For seaweed, the Fund developed an Environmental Scorecard with its newest investee Koltiva that will include the siting of the farms, waste management and potential carbon sequestration to be used by the seaweed investees when a long-term investment is finalized.</p>

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	328,132 hectares	<p>This indicator is normally self-reported by each investee.</p> <p>For this reporting period:</p> <ul style="list-style-type: none"> Investee 6 = 3,362 hectares. <p>Koltiva's field agents geo-mapped the seaweed ponds with mobile devices. For long lines, the field agents surveyed farmers and based on the number, length, and density of the long lines, the area of cultivation is calculated.</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	10 investments	<p>To-date the Fund has approved ten investments in six companies.</p> <p>In January 2021, the Fund closed its first equity investment, in Koltiva AG, a Swiss-based provider of supply chain technologies that target the first mile of farmers and fishers in the target countries and beyond. The Fund's investment will support Koltiva to grow significantly in the seaweed farming space and move into other aquaculture and potentially wild-caught species to enhance the incomes of coastal communities and the sustainability of affected ecosystems. Koltiva is also the Fund's first non-processor investment and is part of the strategy to connect the dots between technologies and supply chain</p>

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>participants to create value and enhance impact opportunities.</p> <p>Meanwhile, the Fund’s Rapid Response Loan Program (RRLP) continues to provide additional short-term liquidity to two seaweed companies with technical assistance projects launched concurrently to boost local seaweed farmer livelihoods. Additionally, the RRLP has allowed the Fund to establish robust partnerships and explore long-term investment opportunities with the companies and their customers including having a closer look at the companies’ operations and financial performance, which reduces the risk of any potential long-term investment. It also builds trust with management and addresses the lack of information that is characteristic of these types of enterprises in Indonesia and the Philippines. Lastly, based on the opportunities the RRLP has presented, the Fund is looking at influencing a larger swath of stakeholders in the supply chain, from small-scale fishers to the multi-national buyers in the larger markets of the US and Europe through a supply chain financing facility.</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>	<p>>0</p>	<p>N/A</p>	<p>There remain no sites of overlap between current Meloy Fund investment and Fish Forever sites.</p>

Implementation Progress of Component 2:

The Fund’s impact performance per dollar deployed remains on or above target for the E&S impact targets. The project is starting 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, 328,132 hectares of coral reef ecosystems are under improved management.</p> <p><i>Social Targets</i> b: Through the Fund’s nine investments, 40,243 fisher household members have been positively impacted.</p> <p>c: Through the Fund’s nine investments, USD 5.8M has been purchased from local fishers.</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 small-scale fisheries projects are deployed and scaled.</p>

OUTCOME INDICATORS	END OF PROJECT INDICATOR TARGET	END OF YEAR INDICATOR STATUS	COMMENTS/JUSTIFICATION
			<p>This indicator is self-reported by each investee. Through June 2021, the investees have 328,132 under improved management:</p> <ul style="list-style-type: none"> • Investee 1 = 30,000 hectares • Investee 2 = 252,000 hectares • Investee 3 = 41,000 hectares • Investees 4 and 5 = 1,770 hectares • Investee 6 = 3,362 hectares <p><i>Social Targets</i></p> <p>b: Through June 2021, the investments have positively impacted more than 40,000 fisher household members. 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.</p> <ul style="list-style-type: none"> • Investee 1 = 11,755 fisher household members • Investee 2 = 6,000 fisher household members • Investee 3 = 8,000 fisher household members • Investees 4 and 5 = 1,500 fisher household members • Investee 6 = 12,988 fisher household members <p>c: Through June 2021, the investments have purchased USD 5.8M from local fishers. Each of the investees tracks and reports on these amounts:</p> <ul style="list-style-type: none"> • Investee 1 = USD 765,852 • Investee 2 = USD 1,375,206 • Investee 3 = USD 2,464,768 • Investees 4 and 5 = USD 1,177,000 • Investee 6 = N/A

OUTCOME INDICATORS	END OF PROJECT INDICATOR TARGET	END OF YEAR INDICATOR STATUS	COMMENTS/JUSTIFICATION
			Although not every site where the Meloy Fund will have an impact through its investments will be a Fish Forever program site (and vice versa), across the investment portfolio, the Fund seeks technical inputs from Fish Forever’s global (US-based, centralized capacity) and in-country teams within Indonesia and the Philippines. This broadly includes Fish Forever’s technical knowledge on general fisheries including species biology and ecology, as well as Fish Forever’s country-specific in-depth understanding of local fisheries (i.e. management regimes, species, ecosystems, etc.) and networks/stakeholders (i.e. government, communities, businesses).
Outcome indicator 2.2.a.: Percentage of live coral cover within targeted TURF + reserves	>0	16 percent	During this reporting period, the Philippines and Indonesia teams planned to collect baseline data once the reserve areas have been designated – due to COVID-19, this has been slightly delayed.
Outcome indicator 2.2.b.: Total fish biomass within targeted TURF + reserves	>0	262 kg/ha (Indonesia) 226 kg/ha (Philippines)	No change from what was previously reported. Total fish biomass was equivalent to 262 kg/ha within the proposed TURF + reserves in Indonesia and 226 kg/ha in the Philippines.
Outcome indicator 2.2.c.: Average length of target species under TURF + reserve management	>0	20 cm (Indonesia) 14 cm (Philippines)	No change from what was previously reported. The average length of target species in proposed TURF + reserve areas was equal to 20 cm in Indonesia and 14 cm in the Philippines.

CI-GEF PM to Complete:

OVERALL RATING	JUSTIFICATION
S	The project has made good progress on the outcomes and outputs of components 1 and 2. Six companies are part of the portfolio and the total number of investments has reached 10. The area of sea-scapes with improved

management increased to 328,132 ha. The Fund will continue to collect data on the size and location of the impacted area and with obtaining evidence of the improved management in those areas. 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. There is also good progress on social and economic targets. Through the Fund's nine investments, 40,243 fisher household members have been positively impacted, and USD 5.8M has been purchased from local fishers. Investees are performing well.

Risk

Executing Agency to Complete:

Risks:
Risk related to COVID-19 have increased. Please see details in table below.

PROJECT RISKS	PRODOC RISK MITIGATION MEASURE	MITIGATION MEASURES IMPLEMENTATION	COMMENTS/ JUSTIFICATION	CURRENT FY20 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 selected investments will successfully achieve the Fund's objectives.</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 entrepreneurship, creativity, and long-term strategies for fishery improvements . Further, our deal sourcing ability is enhanced via the following channels a) Local staff with on-the-ground</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 of capital than ever, and investors have been more tentative across the board.</p> <p>In effort to continue to build the pipeline, the Fund's team has</p>	Substantial	Unchanged

	<p>presence; b) Technical expert network; c) Conservation partners; d) Country advisory boards; and e) Conferences, forums, and investor networks.</p>		<p>undertaken several initiatives. These include:</p> <ul style="list-style-type: none"> ▪ Having senior staff spending dedicated time focused on this and less time finding a new fund manager. ▪ Hosting a CEO roundtable in Indonesia with the Meloy Fund’s management team. ▪ Designing a workshop for 10-15 potential Fund investees (supported through grant funding through an LP) to provide training on market access to SMEs in Indonesia, with the intent of some of those attendees becoming Fund investees. <p>In addition, 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</p>		
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			Fund may develop longer-term partnerships with the borrowers.		
<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. Dollars and such foreign currencies may adversely affect the portfolio companies' ability to pay and potential returns to the Fund.</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 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>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 cover up to 50 percent of any loss, in USD, on the Fund's debt portfolio.</p>	<p>The Fund continues to explore mechanisms to hedge currency risk for pipeline companies with high exposure to local currency.</p>	High	Unchanged
<p>Risk 3: <u>Investment Risk:</u> There can be no assurance that</p>	<p>The Meloy Fund has four key elements in order to mitigate</p>	<p>A rigorous due diligence process has been carried out by the Fund's team for</p>	<p>The Fund has developed robust set of tools and clear due diligence process to</p>	Substantial	Unchanged

<p>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 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>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 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,</p>	<p>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 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>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 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. 4. Seek to take first ranking security over a significant portion of the investee's fixed and of those assets purchased with the investment. 		
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	<p>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>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,</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,</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</p>	Substantial	Increasing

<p>such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances .</p>	<p>political changes, microeconomic pressures, etc.</p> <p>Finally, we will assemble a well-networked in-country 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.</p>		<p>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 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>		
<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</p>	<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</p>	<p>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</p>	<p>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</p>	<p>Moderate</p>	<p>Unchanged</p>

<p>rises make weather harder to predict and raise the margin of error in 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>habitats, and preserving trophic balances also provide biophysical resilience as ecosystem integrity is improved, helping reef systems better withstand natural disasters and the effects of warming ocean temperatures.</p>	<p>governance and management, working with communities to collect basic slow-onset metrics (which can help them to see 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>health, distribution of target fish populations, and access to fishing grounds). Rare will also help local governments to 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</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</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>Although small-scale fisheries provide important contributions to coastal and national economies, these contributions are often undervalued, unaccounted for, and marginalized.</p>	<p>Moderate</p>	<p>Unchanged</p>

<p>countries. As the strategies are finalized, Rare will then be required to raise funds in support of the outlined interventions.</p>	<p>technical support as needed.</p> <p>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>	<p>In addition, as had previously been done 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>	<p>To address this, Rare continues to actively build awareness and 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.</p>		
<p>Risk 7: <u>COVID-19 pandemic</u></p>	<p>N/A</p>	<ol style="list-style-type: none"> 1. Ensure the companies' ongoing financial viability. 2. Encourage the companies to provide continued 	<p>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. These same SMEs and</p>	<p>Substantial</p>	<p>Increasing</p>

		<p>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>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, that 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 our portfolio companies -- has been eliminated. • Logistics: Despite the opportunity to 		
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			<p>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.</p> <ul style="list-style-type: none">• 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 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</p>		
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			companies and their fisher-suppliers, and bridge the gap between slow-moving government aid and current needs for subsistence and health and safety supplies.		
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OVERALL RATING OF PROJECT RISKS	JUSTIFICATION
S	All risk mitigation measures are robust. However, mainly due to COVID-19, risks have increased (see below).

GEF Portal Information

Information on Progress, challenges and outcomes on project implementation activities
<p>Like most, the coronavirus pandemic put a significant damper on the Fund’s ability to continue to be close to the ground as well as putting the brakes on the seafood industry in general. Despite this, the Fund responded swiftly to the crisis with a multi-pronged strategy ensuring:</p> <ul style="list-style-type: none"> • That the portfolio would get through the crisis, and re-emerge if not stronger, at least prepared to take advantage of pent-up demand. • That as an impact fund to ensure the investees avoided short- term layoffs where possible, and continued to support the many thousands of fishers and their family members that rely on the business activities supported by the Meloy Fund; and • That the Fund provides liquidity to the market, which had the double benefit of keeping the sector in motion while forming new relationships that could result in long-term investees and partners of the Fund. <p>These efforts then resulted in several positive externalities. For instance:</p> <ul style="list-style-type: none"> • Bringing on additional technical assistance partners and funding. • Generating additional goodwill with portfolio companies, local fishing communities and governments. • Building new relationships up and down key supply chains, resulting in exciting new investment opportunities. <p>While responding to the COVID-19 crisis added a significant burden to the portfolio companies and the Fund’s team in responding to it, progress included:</p> <ul style="list-style-type: none"> • Adding three new companies to the portfolio, and a running start into building a significant platform in the seaweed sector. • Refining the Fund’s investment strategy to improve its ability to target the highest-value opportunities in seafood and aquaculture. <p>While recent progress and the opportunities ahead look promising, some restraint is still warranted. Even as the US begins to open due to the wide-spread distribution of vaccines, it is important to note that re-openings in most other countries lag and are far behind in many emerging markets, including in Indonesia and the Philippines. It may take six months or longer still to be on the ground in pre-pandemic fashion. In addition, although the seafood market is recovering from so-called pent-up demand in the restaurant and travel sectors, the high cost of international shipping continues to lower investees’ gross margin.</p>

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 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 terms of women in leadership roles, three out of the six companies that the Fund invested in comprises of women in top management. Further down the supply chain, fishers are mostly men while women are involved in the post-harvest processing. For seaweed, this seems to be more of a family affair with more women participating in seaweed farming. The Fund will continue to monitor the number of men and women that participated in project activities and that received benefits as well as mainstreaming gender into strategies and plans where relevant.

Fund activities: The vast majority of small-scale fishers are men, although for seaweed, this is more of a household activity with women playing active roles in seaweed production. The # of household members is not gender disaggregated since most investees do not have full traceability down to the fisher level. However, as we roll out more Technical Assistance projects (*supported through separate grant funding) alongside the investments, we will have more visibility at the community level to firstly understand the formal and informal

roles of women in the supply chain, and where possible, to work with local partners with experience in increasing the role and involvement of women.

Fish Forever campaign activities: As noted, the Philippines and Indonesia teams launched a series of social marketing and behavior adoption campaigns. Specific components of these behavior adoption campaigns aimed to influence communities' perceptions of women's roles in fisheries management through the use of specific imagery and messaging that promotes the critical role women play in household food security and income generation. Gender-inclusive campaign logos were also developed. In addition, Rare has been working to collaborate with local journalists to promote the importance of fisheries management and highlight the role of women in decision making. The articles are planned to be published on both print and digital platforms, thereby continuing to expand the reach of the provincial and site-level campaigns.

Through its financial inclusion work, the Fish Forever teams continue to strengthen the social and economic resilience of women and men participating in fishing activities, while focusing on increasing gender equity within fisheries, empowering women to play a greater role in local prosperity and well-being. Building financial literacy promotes recognition of women's roles in the fisheries sector, challenges gender norms and stereotypes, and highlights women's roles in pre- and post-harvest activities. By encouraging women to participate in financial literacy trainings, Rare is not only working to promote gender equity but is also laying an important foundation to ensure these lessons reach future generations of fishers and fish buyers. In Indonesia, the team-initiated gender inclusion activities with each of the 22 Fisheries Management Bodies (FMB) currently being established in Southeast Sulawesi, to ensure effective contributions of women and men to decision making and FMB operations. Women have also been involved in the design of the boundaries and governance rules. Additionally, gender-specific fishing rules and regulations will be incorporated in each management plan. Lastly, the team has initiated financial literacy trainings for 423 participants (fishers, buyers, and fish processors (210 men and 213 women) from 13 villages to assist their adoption of new financial behaviors.

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:

The Fund has shared learnings ranging from its ESG policies and framework with other impact investment fund as well as best practices in engaging fishers from investees' TA projects with other fishery companies in other parts of the world. In addition, the Fund was featured in:

- Seaweed for Europe's "Investor Memo: The case for seaweed investment" as a case study of how it offered the RRLP to enable companies to resume business operations, ensure ongoing employment for their staff, and continue sourcing from over 1,000 small scale seaweed farmers during the pandemic.
- FMO's Future Minded magazine on the Fund's support to local fishers during the pandemic:
<https://future-minded.fmo.nl/future-minded-fmo-third-edition/explore-more/>

Following the Fund's investment in Koltiva, a press release was made:

<https://www.meloyfund.com/news/2021/2/5/meloy-fund-makes-new-investment-to-improve-fisher-and-farmer-productivity-and-sustainability-of-critical-supply>