

Financial tools for small scale fishers in Melanesia

Review PIF and Make a recommendation

Basic project information

GEF ID

10437

Countries

Regional (Fiji, Papua New Guinea)

Project Name

Financial tools for small scale fishers in Melanesia

Agencies

WWF-US

Date received by PM

11/12/2019

Review completed by PM

5/28/2020

Program Manager

Fareeha Iqbal

Focal Area

Climate Change

Project Type

MSP

PIF

Part I – Project Information

Focal area elements

1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes. CCA-1 is indicated, which is the primary entry point for SCCF projects accessing the Challenge Program for Adaptation Innovation.

Agency Response N/A

Indicative project/program description summary

2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 26Nov2019:

Cleared as sufficient at this stage.

GEFSEC 19Nov2019:

We note with thanks the more explicit linkages between climate hazards, impacts and risks; financial literacy strengthening; and financial product development.

a) Please provide greater clarity about the specific financial products and innovations that will be developed and implemented through this project. To do so, we suggest structuring the outputs of component 2 by type of financial product or innovation. Eg. Parametric and index based insurance products; microfinance or micro-credit products; and mobile phone app innovations. As a detail, we suggest broadening the term "financial product" to "financial product and innovation", as a mobile phone app for example is probably better described as an innovation rather than a financial product. Furthermore, we appreciate how complex development and implementation of just one of these products and innovations can be, so please be realistic on the breadth of different products and innovations can be achieved through this project.

b) Please clarify the extent to which the specified financial products and innovations will be implemented, in addition to being developed, through the scope of this project with GEF SCCF support. To the extent that implementation will be achieved through this project, it may be worthwhile considering having this as a separate component.

c) With regards to current output 2.1.3, please note that the SCCF is not able to subsidize or contribute toward insurance premiums. Please identify options for this to be covered by co-finance.

Please revise component 2 accordingly based on these comments, and make corresponding revisions to other sections of the PIF.

d) With regards to component 3, please ensure the scope of knowledge management will serve to (i) manage and use learning gained to scale up impact of the project after the GEF grant is completed; and (ii) manage and share learning gained internationally beyond the stakeholders of this specific project.

Agency Response

The PIF has now been updated:

a) **The PIF narrative now has added clarity on the specific financial products.** The suggestion to restructure the outputs by type of product is noted, however, the end products are in large part a result of the information that will come from the desktop analysis and community discussions to identify specific climate risks and solutions. Rather than make separate outputs, the PIF now contains more detail on the likely or potential specific financial products (see PIF narrative under 2.1.1).

The PIF now makes clear that the project will focus on developing financial risk management products - index-based insurance and savings, which can have several applications. The key initial step will be to understand the needs of communities at the individual, household, enterprise, and community level (Component 1) to understand the relevance of different types of products. Based on Component 1, products identified to be of most potential impact to community climate resilience will be developed and deployed. Product design will be based on community engagement as well as engagement with local financial service providers. These will likely include: Index-based livelihood protection; Bundled insurance with microfinance; Savings products.

b) **The extent to which the specified financial products will be implemented is now clarified in the PIF.** The narrative on Component 2 describes that after technical product design (in 2.1) the project will finance design of a roll-out plan for local markets (including the identification of distribution channels, such as through innovations in mobile phone distribution), and the rest of Component 2 will concern the implementation of these products. This will include the identification of short-term premium finance for the 'proof of concept' phase; the actual execution of risk transfer in target communities, based on accessing premium finance; and development of the long-term sustainable premium finance strategy. The suggestion for a stand-alone component on product implementation is noted, however, given the success of identifying and accessing finance for short term premiums is unknown at PIF stage, the implementation strategy is maintained under Component 2, under a separate outcome. This will be further considered in project preparation phase.

c) **Noted that the SCCF can not be used towards insurance premiums.** Noting this, the PIF table B and narrative now contains a specific output 2.3.1 on developing a strategy for short term financing for premiums, towards unlocking co-finance for premiums, to allow for proof of concept. WTW has good access to companies that are financing premiums and this network will be leveraged to identify sources for community coverage.

d) Table B and the narrative has been updated to reflect that **scope of KM** is for scaling impact and to share lessons internationally, beyond the immediate project.

Co-financing

3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 26Nov2019:

Cleared.

GEFSEC 19Nov2019:

Yes. \$4,520,000 of in-kind co-finance is indicated, from a set of Agency and private sector sources. Is co-finance from government sources also possible?

Agency Response

Co-finance from government sources is very likely, however, the short PIF development time period has not allowed for specific identification of sources and figures. This will be developed in the collaborative project preparation phase with government.

The co-finance has been increased by \$780,000, which is additional co-finance identified with WWF's partner in Madang, World Vision.

GEF Resource Availability

4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes.

Agency Response NA

The STAR allocation?

Secretariat Comment at PIF/Work Program Inclusion

NA

Agency Response NA

The focal area allocation?

Secretariat Comment at PIF/Work Program Inclusion

NA

Agency Response NA

The LDCF under the principle of equitable access

Secretariat Comment at PIF/Work Program Inclusion

NA

Agency Response NA

The SCCF (Adaptation or Technology Transfer)?

Secretariat Comment at PIF/Work Program Inclusion

Yes

Agency Response NA

Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion

NA

Agency Response NA

Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion

NA

Agency Response NA

Project Preparation Grant

5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes. PPG is requested within the allowable cap.

Agency Response NA

Core indicators

6. Are the identified core indicators in Table F calculated using the methodology included in the correspondent Guidelines? (GEF/C.54/11/Rev.01)

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 27Nov2019:

Cleared.

GEFSEC 26Nov2019:

Explanation is requested. The required files have been submitted. However, the 'Metadata' file indicates that this project is explicitly related to NAP formulation/implementation. Please provide an explanation/justification for this. From looking at the PIF, the project seems aligned with the NAP process; however it is not clear how it would be explicitly related to or supporting it.

GEFSEC 19Nov2019:

Please include the core indicators in the required format for LDCE/SCCF projects by uploading the LDCE/SCCF indicator framework & Metadata excel file in the Documents section of the portal.

Agency Response

November 27, 2019:

NAP implementation has been unchecked in the metadata file. Agreed, it is aligned but perhaps not explicitly supporting it, this will be assessed during project development. A revised XL has been uploaded.

November 18, 2019:

This has been uploaded

Project/Program taxonomy

7. Is the project/ program properly tagged with the appropriate keywords as requested in Table G?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes.

Agency Response NA

Part II – Project Justification

1. Has the project/program described the global environmental / adaptation problems, including the root causes and barriers that need to be addressed?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes.

Agency Response NA

2. Is the baseline scenario or any associated baseline projects appropriately described?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 26Nov2019:

Cleared. The requested information has been provided.

GEFSEC 19Nov2019:

Please expand on the extent to which microfinance providers are active in the target geographies, and how accessible their credit conditions are.

Agency Response The PIF has been updated to provide a description of microfinance providers in the baseline.

3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 26Nov2019:

Cleared as sufficient at this stage.

GEFSEC 19Nov2019:

With regards to the theory of change, is "liquidity" referring to access to both access to capital and insurance? Please clarify this scope.

How have or will the specific financial products been selected, based on considerations such as anticipated impact resilience of target populations to climate (i) shocks and (ii) slow onset events; willingness to pay; complexity of financial literacy required by end users (less is easier to implement); etc? To what extent is this already defined? Its important to have some resolution on the type of financial products and innovations at the PIF stage, acknowledging further specifics on each instrument will be defined during the PPG stage.

In the case of insurance, what is the status of consultations on willingness of government, private sector and/or fisherfolk themselves to pay premiums? Both parametric and index based insurance are indicated as options? Which will be the focus of this project and why? Please provide information as possible at this stage on how these insurance instruments will be structured, and prepare to provide greater specificity during the PPG stage.

Please clarify the extent to which microfinance has potential to provide access to credit for climate vulnerable fisherfolk to invest in more resilient and adaption practices.

Agency Response

Liquidity refers to payout, ie access to capital via insurance. This is now clarified in the Theory of Change in the PIF.

Noting the request for more resolution on type of financial products at this PIF stage, the PIF narrative under Output 2.1.1 now has more details on this. As noted in point a) above, the community surveys and engagement in design is required to know the final products and details. The considerations noted will influence the selection of products, for example, there are certain shocks and hazards for which insurance can be rolled out quickly as data and markets exists, whereas for slow onset events, the financial products are less clear and this needs more work during the project implementation. Likewise, the complexity of financial literacy by the end users and complexity of products selected is interlinked, and community consultations during project preparation phase will influence project design in this matter.

Regarding willingness to pay premiums, this will be assessed during community and government consultations during project preparation, and will be further detailed via the demand study to identify indirect beneficiaries under component 2.

The terms 'parametric' and 'index based' were used interchangeably in the last version of the PIF, and the language has now been changed consistently to index-based.

Microfinance potential has been discussed in more detail in the narrative under Output 2.1.1.

4. Is the project/program aligned with focal area and/or Impact Program strategies?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes, it is aligned with the GEF's CCA Strategy for GEF-7.

Agency Response NA

5. Is the incremental / additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 26Nov2019:

Cleared.

GEFSEC 19Nov2019:

Explanation is requested. The 'baseline' section of the PIF mentions that WWF is delivering financial literacy trainings in Medang. Please clarify how the financial literacy trainings proposed in Table B Output 1.2.3 will differ from this baseline activity.

Agency Response WWF conducts financial literacy trainings in Madang, and these cover basic financial literacy elements. The training that will be covered under Component 1 is specific training on the financial products that will be developed under the project. The table B and narrative has been updated to reflect this.

6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 27Nov2019:

Yes.

GEFSEC 19Nov2019:

Review comment is pending submission of CCA Core Indicator information.

Agency Response The Excel worksheet has been uploaded.

7. Is there potential for innovation, sustainability and scaling up in this project?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes, this proposal is highly innovative as it will support the development of financial tools and products to increase the climate resilience of vulnerable rural fishing communities in PNG and Fiji, where financial literacy is low and vulnerability to climate change is high. There is also high opportunity to scale up several aspects of the project, ranging from the analyses to inform the climate risk insurance products to approaches that build financial literacy among rural communities to the design of appropriate financial products and accompanying institutional arrangements. The project will also explore sustainability issues by developing a strategy for long-term (sustainable) finance of insurance premiums.

Agency Response Thank you for this comment.

Project/Program Map and Coordinates

Is there a preliminary geo-reference to the project's/program's intended location?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 26Nov2019:

Sufficient for PIF stage.

GEFSEC 19Nov2019:

The map provided for the Fiji sites is unclear; please provide a clearer one. The map provided for PNG project locations is sufficient for PIF stage. By CEO Endorsement, please provide improved geo-referencing for project sites in both countries.

Agency Response The map of Fiji has been updated.

Stakeholders

Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes for PIF stage. Preliminary consultations have been held with some relevant stakeholders; the full range of identified stakeholders will be consulted at the project preparation stage.

Agency Response NA

Gender Equality and Women's Empowerment

Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes. Gender issues will be included in the different outcomes, outputs, and activities of the project, which will be identified in a Gender Action Plan.

Agency Response NA

Private Sector Engagement

Is the case made for private sector engagement consistent with the proposed approach?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes. Willis Towers Watson (WTW) is the primary partner in this project. WTW is a company with expertise in developing and implementing innovative uses of risk management and insurance-related mechanisms to build resilience.

Agency Response NA

Risks

Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 28May2020:

Yes. Information on environmental and social risks has also been submitted.

Update: GEFSEC 26May2020:

Not yet. Please provide information pertaining to environmental and social risk screening/safeguards.

GEFSEC 19Nov2019:

Yes.

Agency Response NA
Coordination

Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined? Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?

Secretariat Comment at PIF/Work Program Inclusion

Update, GEFSEC, 9JUN2020:

Yes, cleared. Please see comment regarding proposed execution arrangements in the 'Recommendation' section below.

GEFSEC 26May2020:

Yes, cleared. An LoE has been received from the OFP of Fiji, and a revised one from the OFP of PNG. As per GEF guidelines, the agency is requested to provide documentation from the OFP elaborating on execution arrangements by time of CEO Endorsement.

GEFSEC 27Nov2019:

Thank you. As the original endorsement letter (for PNG) requests execution by WTW specifically. Therefore, at least this particular LoE will need to be revised and resubmitted. We also stand by for the LOE from the OFP of Fiji.

GEFSEC 26Nov2019:

This was discussed with GEF SEC. However, partial execution by WWF-Pacific will need to also be requested by the OFP of each country in the endorsement letter or a supplementary letter, with clear rationale/justification provided.

GEFSEC 19Nov2019:

Adjustment is requested. As discussed with WWF representatives at the GEF Agency Retreat in October 2019, a project for which WWF-US is the Implementing Agency cannot have a WWF regional/country office undertake project execution functions. Therefore, please remove any execution functions currently shown in the PIF as assigned to WWF-Pacific.

Agency Response

May 18, 2020:

The PNG OFP has signed a supplementary letter requesting WWF-Pacific's involvement in project execution. This document has been uploaded as a supporting document.

The Fiji LOE has been uploaded. The project team will discuss a supplementary letter for the role of WWF in execution at PPG stage.

November 27, 2019:

Noted. A revised OFP endorsement letter or a supplementary letter will be discussed with the OFPs.

November 18, 2019:

Willis Towers Watson will be the lead executing agency and primary grant recipient and will directly expend the majority of the project budget. However, they have expressed a strong dependency on WWF Pacific to deliver the proposed work. A foreign private sector entity cannot directly approach communities in PNG and Fiji to do the work proposed, and as such, they require WWF to facilitate that linkage, based on the long working relationship and trust that exists between WWF and the villages in the selected regions. WTW needs to work with communities that have a base level understanding of financial processes, which is why these communities were selected, as they already underwent, and continue to undergo, general financial literacy training by WWF. WTW also requires local, trusted trainers to help get the technical information across to recipient communities in a way that is not misleading so that communities don't lose trust in the company or the process, and only WWF Pacific can provide the organizational support to bring the community facilitators into the project. As such, WTW aims to sub-grant a small part of the project budget to WWF Pacific to undertake a few, specific execution functions – this is detailed in the PIF in the coordination section.

Consistency with National Priorities

Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes, the project is aligned with national development plans, adaptation plans, NDCs, and biodiversity/fisheries management plans of both countries.

Agency Response NA

Knowledge Management

Is the proposed “knowledge management (KM) approach” in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project’s/program’s overall impact and sustainability?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 19Nov2019:

Yes for PIF stage.

By CEO Endorsement, please ensure the KM plan also allows for capture of (i) challenges and how they were overcome; and (ii) feedback and experiences from communities, including women's perspectives.

Agency Response Noted.

Part III – Country Endorsements

Has the project/program been endorsed by the country’s GEF Operational Focal Point and has the name and position been checked against the GEF data base?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 26May2020:

Yes. An LoE has been received from the OFP of Fiji, and a revised one from the OFP of PNG. The letter of support from PNG outlines the requested execution arrangements.

GEFSEC 27Nov2019: Not yet. Please note the comments on the OFP LOEs.

GEFSEC 26Nov2019:

Not yet. The OFP endorsement letter for PNG will need to be revised to request partial execution by WWF-Pacific. The same applies to Fiji. Sound justification will need to be included in the letter.

GEFSEC 19Nov2019:

Please submit letters of endorsement from the GEF OFP for each participating country.

Agency Response

May 18, 2020

The requested OFP LOEs have been provided.

November 27, 2019:

Noted. A revised OFP endorsement letter or a supplementary letter will be discussed with the OFPs.

November 18, 2019:

These are in progress

Termsheet, reflow table and agency capacity in NGI Projects

Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of

generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.

Secretariat Comment at PIF/Work Program Inclusion

N/A

Agency Response

NA

GEFSEC DECISION

RECOMMENDATION

Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC 9JUN2020:

Yes. However, as the agency knows, the implementation and execution roles on GEF projects are meant to be separate per policy and guideline. The GEFSEC will analyze any requests for dual role playing by an agency at the time of CEO endorsement and only approve those cases that it deems warranted on an “exceptional” basis. We strongly encourage the agency to look at third party options as a preferred way forward. We also strongly encourage the agency to discuss any and all options for execution that do not include the government with the GEFSEC early in the PPG phase. The technical clearance of this PIF in no way endorses any alternative execution arrangement.

GEFSEC 26May2020:

Not yet. Please attach information on environmental and social risks, as requested in review item on "Risks" above.

GEFSEC 26Nov2019:

Not yet. Please address remaining review items.

GEFSEC 19Nov2019:

Not yet. Please address the comments of 19 November, 2019.

ADDITIONAL COMMENTS

Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.

Secretariat Comment at PIF/Work Program Inclusion

GEFSEC, 26May2020:

Please ensure the KM plan allows for capture of (i) challenges and how they were overcome; and (ii) feedback and experiences from communities, including women's perspectives.

Review Dates

	PIF Review	Agency Response
First Review		
Additional Review (as necessary)		
Additional Review (as necessary)		
Additional Review (as necessary)		

PIF Review

Agency Response

Additional Review (as necessary)

PIF Recommendation to CEO

Brief reasoning for recommendations to CEO for PIF Approval

This \$1.15 million WWF-US proposal is one of nine winning entrants of the 2019 Adaptation Challenge Program. It will support the highly innovative area of financial literacy and tools as resilience-building measures for vulnerable smallscale fishing communities of Fiji and Papua New Guinea. Both countries are heavily dependent upon coastal fisheries for food security, livelihoods, revenue, employment and development. Small-scale coastal fisheries provide work for hundreds of thousands of people here, employing up to 20 times as many people as commercial fisheries. Climate change is adversely affecting this region through rising temperatures, sea-level rise, flooding, coastal erosion, an increase in extreme weather events, coral reef bleaching, and ocean acidification. Climate change is intensifying natural hazards, and marine heatwaves (causing coral bleaching) and ocean acidification are eroding the ecosystem services on which fishers rely.

The project’s proposed approach is to build on existing baseline initiatives in climate analytics and microfinance services in the two countries to develop financial products as climate risk management solutions, for example: index-based insurance, bundled microinsurance, savings and pension products. It will offer training in financial literacy so households can avail of the financial products. The liquidity available to communities when hit by a climatic shock can enable recovery while also incentivizing resource stewardship, such as committing to not fish on the reef for a set period of time, to enable its recovery. Importantly, the project will also build demand for the financial products, e.g., through trainings and by providing concessional access. It will also support the collaborative identification of risk management solutions by the community, such as diversification of income generating-activities.

The project is highly innovative for the region. For example, there are currently no climate-related microinsurance products available in the Pacific. It is also innovative in working with an international private sector entity, Willis Towers Watson, which will execute the project in both countries. It is expected to directly benefit 7,500 people, and improve the climate resilient management of 20,000 ha. A gender action plan will be developed.